



ENDAVA PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2020**

COMPANY REGISTRATION NUMBER 5722669

COMPANY REGISTRATION NUMBER	5722669
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The Directors present their Strategic, Directors' Remuneration and Directors' Reports on and the audited financial statements of Endava Plc (the "Company" and, together with its subsidiary undertakings, the "Group") for the year ended 30 June 2020.

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 Enterprise Agile at scale, we collaborate with our clients, seamlessly integrating with their teams, catalysing ideation and delivering robust solutions. Our approach to ideation comprises an empathy for user needs, curiosity, creativity and a deep understanding of technologies. From proof of concept, to prototype, to production, we use our engineering expertise to deliver enterprise platforms capable of handling millions of transactions per day. Our people, whom we call Endavans, synthesise creativity, technology and delivery at scale in multi-disciplinary teams, enabling us to support our clients from ideation to production.

Waves of technological change are disrupting the nature of competition in every industry. New technologies have enabled the growth and success of companies that leverage these technologies in every aspect of their businesses, or digital native companies, allowing them to be nimble, innovative, data driven and focused on user experience, often through an Agile development approach. Technology has also increased customer expectations, giving customers the ability to choose not only the products and services that they want, but also where, when and how they want them delivered. Incumbent enterprises must undertake digital transformation of their businesses by leveraging technology in order to meet ever-evolving customer expectations and compete with digital native disruptors. According to International Data Corporation, or IDC, the worldwide market for digital transformation services is expected to grow at a compound annual growth rate of 15.3% through 2023 from approximately \$451 billion in 2019.

Technological transformation poses numerous challenges for incumbent enterprises. Incumbent enterprises are often laden with legacy infrastructure and applications that are deeply embedded in core transactional systems, making it difficult to reconcile maintenance of existing infrastructure and applications with a nimble approach to using next generation technologies. Incumbent enterprises are also often stymied by institutional constraints that impede their ability to solve complex problems and rapidly respond to shifting competitive dynamics, as well as ingrained traditional approaches to development. The Agile methodology stands in stark contrast to the IT-department-driven, legacy approach often used by incumbent enterprises, which is premised on a sequential and siloed structure, involves long development cycles, fails to integrate user feedback and is often more costly. Likewise, internal IT teams at incumbent enterprises often struggle to absorb the rapid pace of technology development and its growing complexity. To effectively harness the power of technology, incumbent enterprises need talent in ideation, strategy, user experience, Agile development and next-generation technologies. While incumbent enterprises have historically looked to traditional information technology, or IT, service providers to undertake technology development projects, these traditional players were built to serve, and remain focused on serving, legacy systems using offshore delivery.

We reimagine the relationship between people and technology and 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 entire ideation-to-production spectrum. We create value for our clients through creation of Product and Technology Strategies, Intelligent Digital Experiences, and World Class Engineering, delivered through our 24 capabilities, grouped into four key areas: Define, Design, Build and Run & Evolve. We accelerate our clients' ability to take advantage of new business models and market opportunities by ideating and delivering dynamic platforms and intelligent digital experiences that are designed to fuel rapid, ongoing transformation of our customer's businesses. By leveraging next-generation technologies, our agile, multi-disciplinary teams provide a combination of Product & Technology Strategies, Intelligent Experiences, and World Class Engineering to help our clients become more engaging, responsive, and efficient.

At the core of our approach is our proprietary Distributed Enterprise Agile scaling framework, known as The Endava Agile Scaling framework, or TEAS. TEAS utilises common Agile scaling frameworks, but enhances them by balancing the requirements of delivering both quality and speed-to-market, helping our clients release higher-quality products to market faster, respond better to market changes and incorporate customer and user feedback through rapid releases and product iterations. Our deep familiarity with technologies developed over the last decade including mobile connectivity, social media, automation, big data analytics and cloud delivery, as well as next-generation technologies such as the Internet of Things, or IoT, artificial intelligence, machine learning, augmented reality, virtual reality and blockchain, allows us to help our clients transform their businesses.

Our Strategy

We are focused on continuing to distinguish ourselves as a leader in next-generation technology services. The key elements of our strategy include:

Expand relationships with existing clients

We are focused on continuing to expand our relationships with existing clients by helping them solve new problems and become more engaging, responsive and efficient. We have a demonstrated track record of expanding our work with clients after an initial engagement. Our ten largest clients together contributed 38.1% and 37.7% of our total revenue in the last two financial years, respectively, and the number of clients that have a minimum annual spend of at least £1.0 million has grown from 63 to 65 over the same time period. Expansion of our relationships with existing active clients will remain a key strategy going forward as we continue to leverage our deep domain expertise and knowledge of emerging technology trends in order to drive incremental growth for our business.

Establish new client relationships

We believe that we have a significant opportunity to add new clients. We have established ourselves as a leader in delivering end-to-end ideation-to-production services in the Financial Services and Payments and Technology, Media and Telecommunications, or TMT verticals. Clients in the Payments and Financial Services vertical contributed to 52.8%, 52.9% and 56.8% of our total revenue in the 2020, 2019 and 2018 financial years, respectively. Clients in the TMT vertical contributed 25.7%, 27.4% and 28.1%, of our total revenue in the 2020, 2019 and 2018 financial years, respectively. Clients in our Other vertical contributed 21.5%, 19.7% and 15.1%, of our total revenue in the 2020, 2019 and 2018 financial years, respectively. We believe that we continue to have a significant untapped opportunity in these sectors and we plan to leverage this experience to expand our vertical reach.

As waves of technological change sweep across industries and increasingly facilitate seamless integration of different aspects of customers and users lives, we believe our experience working within our core client base will also be of particular value in expanding our vertical reach. For example, as customers increasingly demand a frictionless and consistent buying experience and the payments and retail sectors converge, we believe our deep expertise in developing payment systems and e-commerce platforms will allow us to grow our base of retail clients. Similarly, we believe that our expertise in data analytics and augmented and virtual reality will be increasingly relevant in the healthcare industry as technology continues to reshape the practice and provision of medicine. We are also focused on the consumer products, logistics and professional services verticals as key areas for potential growth.

We are likewise focused on geographic expansion, particularly in North America. In the 2020 financial year, approximately 28.5% of our revenue came from clients in North America. With our acquisition of Velocity Partners, we increased our sales presence in the United States and added nearshore delivery capacity in Latin America, which we believe will allow us to further penetrate the North American market. In addition, we plan to evaluate other growth markets, including countries in the Asia Pacific region, to expand our client footprint.

Lead adoption of next-generation technologies

We seek to apply our creative skills and deep digital technical engineering capabilities to enhance our clients' value to their end customers and users. As a result, we are highly focused on remaining at the forefront of emerging technology trends, including in areas such as IoT, artificial intelligence, machine learning, augmented reality, virtual reality and blockchain. For example, we have developed next-generation technology solutions such as blockchain payment gateways and chatbot-enabled social payments. We are embedded and integrated with our clients, which gives us unique insight into how emerging industry trends can help address their needs. We plan to leverage these insights to continue innovating for our clients.

Expand scale in nearshore delivery

We believe that our proprietary Distributed Enterprise Agile at scale framework requires that we have teams based in locations with similar time zones to those of our clients since our delivery teams are in constant dialogue and interaction with our clients. We focus on being an employer of choice for IT professionals in the regions in which we operate, which include countries with deep and largely untapped creative and engineering talent pools, and on being an employer of choice in local markets. As we continue to expand our relationships with existing clients and attract new clients, we plan to expand our teams at existing delivery centres and open new delivery centres in nearshore locations with an abundance of technical talent.

Selectively pursue "tuck-in" acquisitions

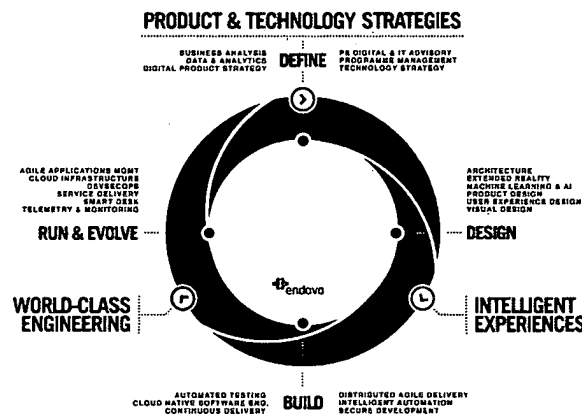
We plan to selectively pursue "tuck-in" acquisitions. Our focus is on augmenting our core capabilities to enhance our expertise in new technologies and verticals and increase our geographic reach, while preserving our corporate culture and sustainably managing our growth. Consistent with these goals, we have completed six acquisitions in the past five financial years, all of which have enabled us to accelerate core strategic goals. For example, our acquisition of CDS in 2020 increased our nearshore delivery centres in the Adriatic region and our client base in Europe. Our acquisition of Exozet in December 2019 increased our close-to-client German speaking talent and expanded our credentials in immersive experiences, media management and the automotive and broadcasting sectors.

Our acquisition of Intuitus in November 2019 strengthened our digital due diligence and other technology advisory services to private equity clients. Our acquisition of Velocity Partners in 2017 increased our North American client base and added nearshore delivery centres in Latin America. We have a demonstrated track record of successfully identifying, acquiring and integrating complementary business and plan to leverage this experience as we pursue “tuck-in” acquisitions that help accelerate our strategy.

Our Business Model

We reimagine the relationship between people and technology. We accelerate our clients’ ability to take advantage of new business models and market opportunities by ideating and delivering dynamic platforms and intelligent digital experiences that are designed to fuel rapid, ongoing transformation of their businesses. By leveraging next-generation technologies, our agile, multi-disciplinary teams provide a combination of Product & Technology Strategies, Intelligent Experiences and World-Class Engineering to help our clients become more engaging, responsive, and efficient.

We offer our clients capabilities in four key areas, as depicted below. The multiplicative impact of different combinations of these capabilities across the delivery of strategies, experiences and engineering, allows us rapidly to create real transformation for our clients.



Our frameworks, methods and tools, including TEAS, enhance our ability to develop and deploy solutions based on next-generation technologies. Developed with a focus on providing innovation, quality and productivity at scale, we believe our frameworks, methods and tools allow us to:

- Deliver outcome driven programs to our clients, with faster time-to-market and favourable return on investment;
- Tailor our approach to the needs of our clients and respond flexibly to changing client objectives and market conditions;
- Improve our clients visibility into budgets, status and progress of technology projects; and
- Provide better solutions.

We believe the development of a scaled global, nearshore delivery model with selective close-to-client capabilities enables us to deliver higher-quality technology services to meet our clients’ needs.

Nearshore delivery locations with geographic proximity, cultural affinity and complementary time zones enable increased interaction with our clients, enhance relationships and improve responsiveness for more efficient delivery of our services. As a result, we are able to differentiate ourselves on projects that require a high degree of client collaboration and iteration.

Our Business Performance

Revenues grew 21.9% year on year. Our revenue composition by industry vertical is as follows:

Revenue by industry vertical	Year Ended 30 June		Year Ended 30 June	
	2020	2019	2020	2019
	(in millions)		%	
Payments and Financial Services	185.2	152.2	52.8%	52.9%
TMT	90.3	78.9	25.7%	27.4%
Other	75.5	56.8	21.5%	19.7%
Total	351.0	287.9	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	Year Ended 30 June		Year Ended 30 June	
	2020	2019	2020	2019
	(in millions)		%	
North America	100.1	79.2	28.5%	27.5%
Europe	85.9	79.2	24.5%	27.5%
United Kingdom	155.5	129.5	44.3%	45.0%
RoW ¹	9.5	—	2.7%	—%
Total	351.0	287.9	100.0%	100.0%

¹ Rest of World (RoW) is a new geography highlighted in the financial year ended 30 June 2020. In previous years, clients located in RoW were immaterial.

Revenue

Revenue for the year ended 30 June 2020 ("FY2020" or "the 2020 financial year") was £351.0 million, an increase of £63.0 million, or 21.9%, over the year ended 30 June 2019 ("FY2019" or "the 2019 financial year"). In constant currency terms, revenue grew by 21.0% over FY2019.

We achieved significant growth in revenue across all verticals. Revenue from clients in the Payments and Financial Services vertical increased by £33.0 million, or 21.7%, to £185.2 million in FY2020 from £152.2 million in FY2019. Revenue from clients in the TMT vertical increased by £11.4 million, or 14.4%, to £90.3 million in FY2020 from £78.9 million in FY2019. Revenue from clients in our Other vertical also grew significantly, increasing by £18.7 million, or 32.8%, to £75.5 million in FY2020 from £56.9 million in FY2019.

The acquired operations of Intuitus contributed £3.4 million in FY2020, particularly within our Other vertical and in the United Kingdom. The acquired operations of Exozet contributed £8.0 million in FY2020, particularly within our TMT vertical and in Europe.

Revenue also grew across all geographies. Revenue from clients based in Europe increased by £6.7 million, or 8.5%, to £85.9 million in FY2020 from £79.2 million in FY2019. Revenue from clients based in the United Kingdom increased by £26.0 million, or 20.1%, to £155.5 million in FY2020 from £129.5 million in FY2019. Revenue from clients based in North America increased by £20.9 million, or 26.3%, to £100.1 million in FY2020 from £79.2 million in FY2019. We generated 2.7% of our revenue for FY2020 from clients located in Rest of World (RoW), while in previous years the revenue generated from RoW was immaterial. Revenue from our top 10 clients in FY2020 increased by £25.1 million, or 23.1%, to £133.8 million compared to £108.7 million in revenue from our top 10 clients in FY2019.

Cost of sales

Total cost of sales increased by £61.7 million, or 32.6%, in FY2020 compared to FY2019. The increase consisted of a £59.2 million increase in direct cost of sales, as a result of increased personnel costs, which reflected an increase in the average number of employees involved in delivery of our services from 4,902 in FY2019 to 5,633 in FY2020. Our growth in operational headcount consisted of new employees located in Western Europe, acquired in connection with the acquisition of Intuitus and Exozet, as well as continued organic growth in the number of employees at our existing delivery centres. Cost of sales also includes £25.4 million of costs incurred in connection with our non-recurring, discretionary EBT employee bonus. Grant income decreased by £0.1 million in FY2020 compared to FY2019 and research and development credits increased by £0.3 million in FY2020 compared to FY2019. Included in the allocated cost of sales is the portion of depreciation and amortisation expense attributable to the portion of our property and equipment and intangible assets utilised in the delivery of services to our clients. This increased by £2.5 million in FY2020 compared to FY2019, or 16.7% due to the increase in size of our delivery organisation. Gross margin decreased to 28.5% in FY2020 from 34.3% in FY2019. Excluding the non-recurring cost of the discretionary EBT bonus, gross margin would have increased to 35.8% in FY2020.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by £12.4 million, or 18.9% in FY2020 compared to FY2019. The increase in total selling, general and administrative expenses is primarily related to an increase of £6.9 million in general and administrative expenses as a result of increased support functions costs in line with growth, increased M&A costs, plus Sarbanes-Oxley compliance expenses. General and administrative expenses also includes £2.5 million of costs incurred in connection with our non-recurring, discretionary EBT employee bonus. Sales and marketing expenses increased by £4.7 million. Depreciation and amortisation increased by £2.1 million, or 51.8%, in FY2020 compared to FY2019, primarily as a result of a £0.6 million increase in amortisation of acquired intangible assets acquired.

As a percentage of revenue, selling, general and administrative expenses decreased from 22.9% to 22.3%. Excluding the non-recurring cost of the discretionary EBT bonus, as a percentage of revenue, selling, general and administrative expenses would have decreased to 21.6% in FY2020. Selling, general and administrative expenses as a percentage of revenue remained flat when excluding non-recurring costs in FY2019, which would have been 21.7%.

Adoption of IFRS 16 Leases

The 2020 financial year was the first financial year in which the Group adopted IFRS 16 Leases. The application of IFRS 16 has resulted in a material gross up of the Group Balance Sheet and a reclassification of charges previously booked to cost of sales and operating expenses to depreciation and interest expense.

The impact on the Group Statement of Comprehensive Income is not significant, as included in the allocated cost of sales is the portion of depreciation and amortisation expense attributable to the portion of our property and equipment and intangible assets utilised in the delivery of services to our clients, including depreciation of right-of-use assets. The net impact on profit before tax is immaterial and the approach to adopting the new standard has not required comparative information to be restated.

Net finance income/(expense)

In FY2020, we recognised net finance income of £1.2 million, which included a charge to lease interest of £1.1 million related to the first time application in FY2020 of IFRS 16 accounting treatment and a £2.1 million gain related to changes in foreign exchange rates. In FY2019, net finance expense included a £6.0 million cost relating to the fair value movement of contingent consideration and £2.9m gain related to changes in foreign exchange rates.

Gain on sale of subsidiary

On 1 June 2019, Endava entered into an agreement to sell the Worldpay Captive subsidiary ("the Captive") and to terminate the option and transfer agreement. On 31 August 2019 the transaction was completed and the employees of the Captive became employees of Worldpay. The aggregate selling price of the Captive was £3.6 million and the Group recognised a gain on disposal of subsidiary of £2.2 million.

Profit before tax

Our profit before taxes was £25.3 million and £30.1 million for the financial years ended 30 June 2020 and 30 June 2019 respectively. Our profit before taxes as a percentage of revenue was 7.2% and 10.5% respectively, for the same periods. During the year ended 30 June 2020 we incurred £27.9 million of costs in connection with our non-recurring, discretionary employee bonus. The EBT funded the bonus through sales of our Class A ordinary shares. The EBT, whose beneficiaries are our employees, was holding certain Class A ordinary shares for sale in the event it decided to fund a discretionary cash bonus to our employees. Excluding the discretionary EBT bonus, profit before taxes for the financial year ended 30 June 2020 was £53.0 million, and profit before taxes as a percentage of revenue, 15.1%.

Tax on profit on ordinary activities

Tax on profit on ordinary activities decreased by £2.2 million, or 36.9%, in FY2020 compared to FY2019. Our annual effective tax rate for FY2020 was 15.2%, compared to an annual effective tax rate of 20.2% for FY2019. In FY2020, our effective tax rate decreased compared to FY2019 primarily due to the non-taxability of the gain on the sale of the Worldpay Captive subsidiary and one-off tax measures introduced by governments in response to the COVID-19 pandemic.

Liquidity and capital resources

Net current assets increased to £111.1 million as at 30 June 2020 compared to £82.7 million as at 30 June 2019. This was driven by higher closing cash and cash equivalents balance arising from cash generated from operations. Further information on liquidity and going concern is included in the Directors' Report.

Key Performance Indicators

We regularly monitor a number of financial and operating metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Our management metrics may be calculated in a different manner than similarly titled metrics used by other companies.

	Year Ended 30 June	
	2020	2019
	(pounds in millions)	
Revenue growth rate at constant currency	21.0%	31.1%
Average number of employees involved in delivery of our services	5,633	4,902
Revenue concentration	38.1%	37.7%
Number of large clients	65	63
Adjusted profit before taxes margin	19.5%	18.0%
Adjusted free cash flow	£ 31.4	£ 29.8

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. For example, the average rates in effect for the financial year ended 30 June 2019 were used to convert revenue for the financial year ended 30 June 2020 and the revenue for the comparable prior period ended 30 June 2019, rather than the actual exchange rates in effect during the respective period. Revenue growth rate at constant currency is not a measure calculated in accordance with IFRS.

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.

Number of large clients

We monitor our number of large clients to better understand our progress 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 prior 12-month period.

Number of clients with Revenue > £1m	Year Ended 30 June	
	2020	2019
Over £5 Million	15	15
£2 - £5 Million	31	26
£1 - £2 Million	19	22
Total number of clients > £1million	65	63

Adjusted Profit Before Taxes 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 as a percentage of our total revenue. Our Adjusted PBT, is our profit before taxes adjusted to exclude the impact of share-based compensation expense, discretionary EBT bonus, amortisation of acquired intangible assets, realised and unrealised foreign currency exchange gains and losses, initial public offering expenses incurred, Sarbanes-Oxley compliance readiness expenses, net gain on disposal of subsidiary, fair value movement of contingent consideration, secondary offering expenses incurred and stamp duty on transfer of shares. Share-based compensation expense, amortisation of acquired intangible assets, unrealised foreign currency exchange gains and losses and fair value movement of contingent consideration are non-cash expenses. We do not consider these excluded items to be indicative of our core operating performance. Adjusted PBT Margin is not a measure calculated in accordance with IFRS.

The following table presents a reconciliation of Adjusted PBT to profit before taxes, the most directly comparable financial measure calculated and presented in accordance with IFRS, for the financial years ended 30 June 2020 and 2019, respectively.

	Year Ended 30 June	
	2020	2019
	£'000	£'000
Profit before taxes	25,256	30,100
Share-based compensation expense	15,663	12,022
Amortisation of acquired intangible assets	4,075	3,472
Foreign currency exchange gains	(2,054)	(2,945)
Discretionary EBT bonus	27,874	—
Net gain on disposal of subsidiary	(2,215)	—
IPO expenses incurred	—	1,055
Sarbanes-Oxley compliance readiness expense incurred	—	1,440
Secondary offering expenses incurred	—	1,009
Stamp duty on transfer of shares	—	10
Fair value movement of contingent consideration	—	5,805
	68,599	51,968

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. Adjusted free cash flow is not a measure calculated in accordance with IFRS.

	Year Ended 30 June	
	2020	2019
	(pounds in thousands)	
Net cash provided by operating activities	40,243	35,348
Grant received	888	1,784
Purchases of non-current assets (tangible and intangible)	(9,685)	(7,326)
Adjusted free cash flow	31,446	29,806

Principal risks and uncertainties

In common with other companies in the IT services market, the Group faces a number of principal risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. 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.

The Group's management applies 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. 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 the laws and regulations in the country where they operate. Further details of risk factors considered by the Group for the year ended 30 June 2020 are included on Form 20-F which was filed with the US Securities Exchange Commission, or SEC, on 15 September 2020. The risks have been identified as follows:

Risks Related to Our Business and Industry

- Our results of operations may be negatively impacted by the COVID-19 pandemic.
- We have taken certain precautions due to the ongoing COVID-19 pandemic that could harm our business.
- We may not be able to sustain our revenue growth rate in the future.
- We are dependent on our existing client base and our ability to retain such clients.
- 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.
- We must attract and retain highly-skilled IT professionals.
- Increases in our current levels of attrition may increase our operating costs and adversely affect our future business prospects.
- 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.
- Our contracts could be unprofitable.
- Our profitability could suffer if we are not able to maintain favourable pricing.
- We must maintain adequate resource utilisation rates and productivity levels.

- Recent acquisitions and potential future acquisitions could prove difficult to integrate, disrupt our business, dilute shareholder value and strain our resources.
- We may pursue acquisition opportunities which may cause our business to suffer.
- We are focused on growing our client base in North America and Europe and may not be successful.
- 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 face intense competition.
- 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.
- We are dependent on members of our senior management team and other key employees.
- 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.
- Our business will suffer if we are not successful in delivering contracted services.
- Our sales of services, operating results or profitability may experience significant variability and our past results may not be indicative of our future performance.
- 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.
- 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 realising revenue for our services.
- 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.
- Our business depends on a strong brand and corporate reputation.
- Our cash flows and results of operations may be adversely affected if we are unable to collect on billed and unbilled receivables from clients.
- 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.
- We may be subject to liability claims if we breach our contracts and our insurance may be inadequate to cover our losses.
- Regulatory, legislative or self-regulatory/standard developments regarding privacy and data security matters could adversely affect our ability to conduct our business.
- 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.
- 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.
- 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 unauthorised use of our intellectual property.
- 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.
- 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.

- 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 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.
- 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.
- 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.
- Our business is subject to the risks of geo-political actions, including natural disasters, war and terrorism and public health pandemics.
- Any debt we incur may affect our ability to operate our business and secure additional financing in the future.
- We may need additional capital, and a failure by us to raise additional capital on terms favourable 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 have significant fixed costs related to lease facilities and may incur additional expense as we adapt our facilities in response to the COVID-19 pandemic.
- 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.
- 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.

Risks Related to Our International Operations

- The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.
- Fluctuations in currency exchange rates and increased inflation could materially adversely affect our financial condition and results of operations.
- 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.
- 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.
- 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.
- Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business.
- 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.
- There may be adverse tax and employment law consequences if the independent contractor status of some of our personnel or the exempt status of our employees is successfully challenged.
- 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-realisation of expected benefits.

- 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.
- Emerging markets are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt our business.
- Wage inflation and other compensation expense for our IT professionals could adversely affect our financial results.
- 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.

Risks Related to Our ADSs and the Trading of Our ADSs

- We have identified material weaknesses in our disclosure controls and internal controls over financial reporting. If we fail to remediate the material weaknesses and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, and the trading price of the American Depositary Shares representing our Class A ordinary shares (our ADSs) may be negatively impacted.
- Our share price may be volatile or may decline regardless of our operating performance.
- An active public trading market for our ADSs may not be sustained.
- Future sales of our ADSs by existing shareholders could cause the market price of our ADSs to decline.
- 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 dual class structure of our ordinary shares has the effect of concentrating voting control for the foreseeable future, which will limit the ability of holders of our ADSs and ordinary shares to influence corporate matters.
- We cannot predict the impact our dual class share structure may have on our ADS price or our business.
- The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.
- Holders of our ADSs have fewer rights than our shareholders and must act through the depositary to exercise their rights.
- Holders of our ADSs may face limitations on transfer and withdrawal of underlying Class A ordinary shares.
- ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favourable outcomes to the plaintiff(s) in any such action.
- Claims of U.S. civil liabilities may not be enforceable against us.
- 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.
- While we are a foreign private issuer, we are not subject to certain New York Stock Exchange (NYSE) corporate governance listing standards applicable to U.S. listed companies.
- We may lose our foreign private issuer status, which would then require us to comply with the US Securities Exchange Act of 1934, or the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

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

Section 172 Statement

The Directors are aware of their duty under s172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
 - the interests of the Company's employees;
 - the need to foster the Company's business relationships with suppliers, customers and others;
 - the impact of the Company's operations on the community and the environment;
 - the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Stakeholder Engagement

Our key stakeholders include our people, customers, suppliers, investors and our wider communities. We actively engage with, and listen to, our stakeholders to understand their views, seek opportunities to learn and improve.

We are committed to effective engagement with all of our stakeholders. Our success depends on this engagement. Direct engagement by the Board with its stakeholders, where possible, enables the Board to deepen their understanding of how the Company's purpose, values and strategy are embedded across the organisation globally.

Where direct engagement is not possible, engagement takes place at the operational level, and the Directors are kept fully informed by Senior Management of all matters on a regular basis, for use in the Board's decision-making.

The table below describes how the Board engages with its key stakeholders, and how it considers their interests when making its decisions. It also demonstrates how the Board takes into consideration the long-term impact of its decisions, and its desire to maintain a reputation for high standards of business conduct.

The following pages of our Strategic Report include further information in relation to how the Directors, with the support of Senior Management, engage with key stakeholders, and how they consider their interests when making their decisions. Further, it sets out how the Directors take into consideration the long-term impact of their decisions and their desire to maintain a reputation for high standards of business conduct.

Our People	
Why we engage	<p>We believe that our people are our most important and valuable asset and are the foundation of our long-term viability and success. Successful performance can be delivered only through a high level of engagement where our people share the Endava vision, values and core purpose and feel supported by our culture and Code of Conduct. Maintaining a happy and engaged workforce is key to the Board's strategy to attract and retain top talent.</p>
Engagement and influence on decision-making	<p>The Board and Senior Management are committed to enhancing engagement with employees at all levels to ensure we communicate information on decisions taken, emerging developments, innovations and future growth of the business.</p> <p>The Board recognises the importance of using a variety of communication platforms and activities to maximise employee engagement. While the Board cannot directly consult with employees on all decisions it makes, it apprises itself of their opinions in a variety of ways. An example of this includes obtaining feedback through regular employee opinion surveys, which provides the Board with honest feedback that the Board uses to inform and drive business improvements. Further information on employee engagement is included in the following pages of this report.</p> <p>The Board understands that any decisions it makes may impact employees' performance, engagement and work satisfaction. The Board is mindful that any decisions it makes, as well as the manner in which they are made, will inform the culture of the business. The Board seeks to lead by example in order to ensure that high standards of business conduct are maintained by its employees.</p>
Our Customers	
Why we engage	<p>We are focused on building deep, long-term relationships with our customers. We believe that it is important to work closely with our customers and to develop relationships that enable us to provide innovative solutions to meet their needs, and to increase the positive impact we have on our customers' businesses.</p>
Engagement and influence on decision-making	<p>The Board receives regular feedback from management on market trends and customer feedback. The Board encourages the business to focus on building deep, long-term relationships with our customers.</p> <p>The Board has particular regard to the long-term impact its decisions have on our customers. The Board is responsible for approving material business transactions and key strategic changes. Prior to making such decisions, the Board considers the potential impact on its customers. Further information on our customers and customer engagement is included in the following pages of this report.</p>

Our Suppliers	
Why we engage	<p>We recognise the importance of establishing and building strong working relationships with all our suppliers. Working sustainably, respecting human rights, and operating with the highest standards of ethical conduct and professional integrity improve long-term business performance. We are dedicated to these values and require our suppliers to share our commitment.</p>
Engagement and influence on decision-making	<p>The Board approves and implements policies based on ethical and legal minimum standards, which it requires the business to adhere to when engaging suppliers. Our suppliers are required to commit to these standards, including in relation to anti-bribery and corruption, anti-money laundering, human rights and modern slavery and various other matters.</p> <p>During the year, the Board approved various enhancements that are currently being built into our existing supplier onboarding process, including the implementation of a transparent and comprehensive program for vendor compliance management.</p> <p>Further information on our Supplier Code of Conduct, and supplier management and engagement is included in the following pages of this report.</p>
Our Investors	
Why we engage	<p>We are a public company with ADSs listed on the NYSE. Without our investors, we cannot grow or invest for future success. We engage with existing and potential investors to ensure that we provide sufficient, meaningful and relevant information which they can use to make informed investment decisions. We strictly adhere to market regulations and regularly consult our advisors to ensure we are in compliance with such regulations at all times.</p>
Engagement and influence on decision-making	<p>Our Board and Senior Management have regular interaction with investors, to understand their interests and any concerns they may have. This feeds into the Board's strategic discussions and opportunities, ensuring alignment over strategy, operational performance, remuneration policy, capital structure and future expectations of our investors.</p> <p>Examples of investor engagement by the Board and Senior Management includes Board attendance at the Annual General Meeting, NYSE announcements and press releases, Board attendance at conferences, regular reports from the Investor Relations team, direct engagement with investors in relation to remuneration policy, communications such as quarterly trading results, annual reports and notices of general meetings, and making available detailed information about Endava and matters of interest to investors on our website.</p>

Our Wider Communities	
Why we engage	Our global operations are an important part of the communities in which they are located. We have environmental responsibilities to the world in which we live, and societal responsibilities to the communities where we live, work and operate.
Engagement and influence on decision-making	<p>It is important to the Board that the Group gives back to the communities in which it operates. The Board considers these communities in determining the corporate culture it wishes to promote. The Board takes into consideration the impact that its decisions will have on the wider communities in which we operate, and actively supports our people to volunteer in our communities. The Board also takes into consideration the impact that its decisions have on the environment.</p> <p>A number of examples of the initiatives that have been implemented and overseen by the Board in relation to engagement with our wider communities is included in the following pages of this report, covering examples of the Group's charitable activities and voluntary giving, and environmental activities.</p>

Below are examples of how the Board took into consideration its stakeholders' interests when making principal decisions during the year.

Acquisitions of Intuitus & Exozet

In November and December 2019 respectively, we acquired Intuitus and Exozet. In considering both of these transactions, the Board had regard to the interests of its stakeholders, and in particular, its investors, customers and employees. The Board believes that these acquisitions were in the best interests of each of these stakeholders. The Board determined that the consideration agreed was fair and that the acquired business would enhance and strengthen existing services to customers, expand our credentials and provide further opportunities for our people.

COVID-19 Response

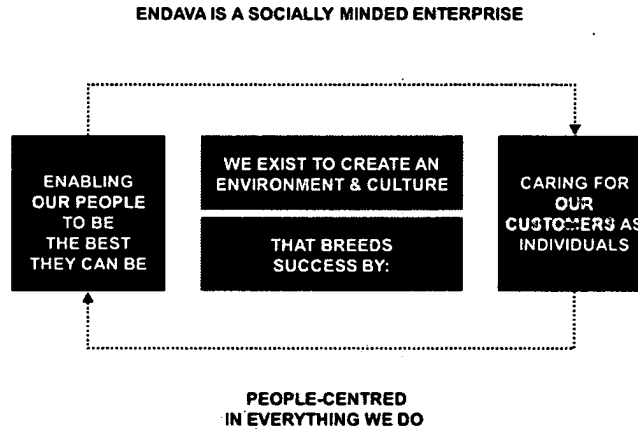
The COVID-19 pandemic has presented unique challenges for all stakeholders. The Board has ensured that all stakeholder groups have been engaged with and supported throughout the pandemic. In light of the uncertain and rapidly evolving situation relating to the COVID-19 pandemic, we have taken temporary precautionary measures intended to help minimise the risk of the virus to our employees, our customers and the communities in which we participate.

As a company with employees, customers, partners and investors across the globe, we believe in upholding our Company value of being good citizens by playing our part to help slow the spread of the virus. To this end, we have enabled all of our employees to work remotely in compliance with relevant government advice and have suspended all non-essential travel worldwide for our employees. In addition, we have cancelled or postponed Company-sponsored events, including employee attendance at industry events.

In addition, a global fundraising campaign was set up in response to the COVID-19 pandemic. A total of £350,000 was donated by Endava and its employees during the pandemic, not including volunteering time. Further information on this fundraising campaign is included in the following sections of this report.

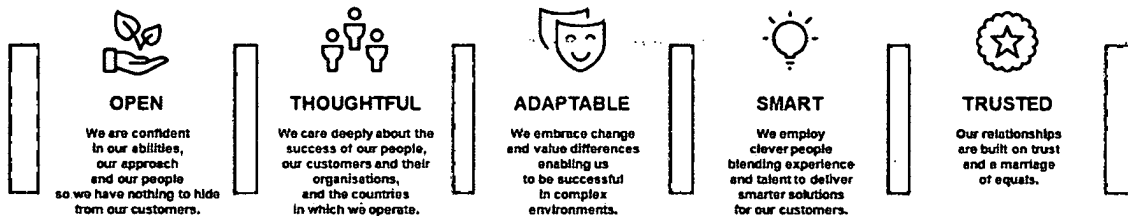
Our Purpose

Endava has a clear and unchanging purpose to create an environment and culture that breeds success, enabling our people to be the best they can be. It is underpinned by our values which guide the way we behave.



Our Values

Our Company values make us distinctive. They create the culture and environment we work in, and define how we behave towards our stakeholders.



We believe that our values provide the core foundation for us to work for the long-term success of the Group and for the benefit of the Company's members as a whole.

Our People

We believe that our people are our most important and valuable asset and are the foundation of our long-term viability and success. As an aspirational brand, we strive to be one of the leading employers of IT professionals in the regions in which we operate.

We believe that we have a strong partnership culture. Our most senior 63 employees have an average tenure at Endava of 10 years, which we believe evidences the success of our approach. Additionally, our management team focuses on mentoring our IT professionals at all levels to develop the next generation of leadership.

Code of Conduct

Our Group policies form part of Endava's Code of Conduct (the "Code"), which focuses our attention on working respectfully with each other, on helping our customers to succeed by recognising them as individuals and on mitigating risk by delivering responsibly to the market and to our investors. The Code flows directly from a commitment to our core purpose and values. We are committed to maintaining the highest standards of business conduct and ethics. Our combined efforts enable us to make the right decisions that provide value and benefit our employees as well as our investors, customers, suppliers and the wider communities in which we live, work and operate.

Our Code outlines the standards that we expect from all of our people: our directors, executives, employees, independent contractors and any other person who performs services for or on behalf of the Endava Group. We promote a collaborative, respectful, safe and equitable working environment that is sustainable for all.

Consistent with our values, Endavans must deal ethically, honestly and fairly with our partners, customers, contractors, suppliers, competitors, fellow employees, or anyone else with whom we have contact in the course of performing our jobs. In addition to employee conduct, the Code addresses key policy areas including speaking up safely, anti-bribery and corruption, conflicts of interest, insider trading, respecting people, health safety and well-being, human rights, the protection of Company and customer information and assets, and responsible communication.

2020 saw our first ever global digital e-Learning campaign on the Code. With videos, interactive scenarios and gamification, the e-Learning course challenged staff to deal with work situations that might otherwise leave room for confusion. Within a period of five weeks from launch, 99% of staff successfully completed the e-Learning course.

Employees (including Directors) by Geography

As of 30 June 2020, we had 6,624 employees (including Directors) operating across Europe, Latin America and North America. We provide services from our nearshore delivery centres, located in two European Union countries (Bulgaria and Romania), three other Central European countries (Moldova, North Macedonia and Serbia), and four countries in Latin America (Argentina, Colombia, Uruguay and Venezuela). We have close-to-client offices in five Western European countries (Denmark, Germany, Ireland, the Netherlands and the United Kingdom), and in the United States. As part of our acquisition of the Comtrade Digital Services Business on 17 August 2020, we acquired new nearshore delivery centres in Bosnia and Herzegovina and Slovenia, an additional delivery centre in Serbia and additional close-to-client offices in Germany, Ireland and the United States, as well as a sales office in Austria.

At each date shown, we had the following employees (including Directors), broken out by geography and gender:

Employees (including Directors) by geography	As of 30 June	
	2020	2019
Western Europe ¹	448	254
Central Europe - EU Countries	3,368	3,062
Sub-total: EU Countries (Western & Central Europe)	3,816	3,316
Central Europe - Non-EU Countries	1,810	1,583
Latin America	895	780
North America	103	75
Total	6,624	5,754

¹ The increase from 2019 to 2020 in Western Europe headcount includes 25 employees in the United Kingdom acquired in connection with our acquisition of Intuitus in November 2019 and 156 employees in Germany and Austria acquired in connection with our acquisition of Exozet in December 2019.

Employees (including Directors) by gender	As of 30 June 2020				
	Men	%	Women	%	Total
Directors	7	87.5%	1	12.5%	8
Senior Management	14	87.5%	2	12.5%	16
Other Employees of the Group	4,251	64.4%	2,349	35.6%	6,600
Total	4,272	64.5%	2,352	35.5%	6,624

Employees (including Directors) by gender	As of 30 June 2019				
	Men	%	Women	%	Total
Directors	7	100.0%	—	—%	7
Senior Management	14	87.5%	2	12.5%	16
Other Employees of the Group	3,726	65.0%	2,005	35.0%	5,731
Total	3,747	65.1%	2,007	34.9%	5,754

Employee Engagement

We are committed to enhancing our engagement with employees at all levels making sure we communicate relevant information on decisions taken by management, emerging developments, innovations and future growth ambitions of the business.

Prior to travel restrictions imposed during the COVID-19 pandemic, our CEO and Executive Team visited all Endava locations annually to share the latest updates on Company objectives, technology trends and directions (referred to as our Base Camp Main Event). Base Camp Main Events are preceded by Pre-Base Camp, at which location and regional updates are shared.

At these events, Endavans gain insight into Company strategy and goals, our core purpose and culture, technical disciplines, ways of working, expected ethical standards, communities and best practice. We recognise the importance of using a variety of communication platforms and activities to maximise employee engagement. During FY2020, a refreshed strategy was launched to ensure sufficient touch points of communication exist between the Executive Team and all members of staff. For example, during the COVID-19 pandemic the CEO and Executive Team swiftly adopted more personal ways to communicate with employees. The 'Ask-a-leader' video series responded to questions with 15 videos posted from March 2020 to May 2020, attracting 14,000 views. 'Endava Gatherings' were also broadcast live in each region, allowing employees to receive answers in real-time from the CEO and Executive Team.

Our employees have great ideas and we strive to involve our people in matters impacting them. We receive feedback through regular employee opinion surveys as they provide honest feedback that can drive business improvements.

Talent Development

We are committed to attracting and nurturing high-quality talent, as well as supporting and developing our people and enhancing the skills of future leaders within our organisation. As of 30 June 2020, approximately 50.8% of our employees work in nearshore delivery centres in European Union countries. We locate our nearshore delivery centres in countries that not only have abundant IT talent pools, but also offer us an opportunity to be a preferred employer. For example, a majority of our employees are located in Romania, where we have been identified as a top employer for each of the last five years.

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 customise their integration into their respective teams and to help visualise 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 organisation deeply committed to helping people succeed and that our culture fosters our core values of openness, thoughtfulness and adaptability.

Recognition and Reward

Employee recognition and reward continues to be of the utmost importance to us and our people. During the 2020 financial year we introduced a simplified job structure across our technical disciplines to provide better clarity and visibility of career maps linked to business needs. A standard cross-discipline structure was created for job titles and grades, linked to compensation frameworks. Since our ADSs were listed on the NYSE we have encouraged employee involvement in the wider performance of the Group through the share save plan which is open to all employees.

Diversity and Inclusion

Endava recognises the importance of embracing diversity and inclusion as being essential to our continued success. We have a Diversity, Inclusion & Belonging policy. Aligned to the global markets in which we operate, we aspire to maintain a working environment that offers both equality and equity of career opportunity for all our people.

The policy is part of our commitment to identify and eliminate unfair biases, stereotypes or barriers that may limit a person's full participation at work and their access to the opportunity to succeed.

We aim to attract, develop and retain a diverse workforce at all levels, building an inclusive working experience and environment that enables staff to excel and progress throughout their careers with Endava. We expect all our people - leaders, managers and staff - to recognise and value the different ways of thinking that each of our individuals brings to work.

The Group also gives 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, we continue to employ those employees who have become disabled, making arrangements for their training and career development if necessary.

Our Customers ('clients')

We share a goal across Endava - to increase the positive impact we have on our customers' businesses.

As of 30 June 2020 we had 416 active clients, compared to 275 as at 30 June 2019. Our clients are primarily enterprises based in the United Kingdom, European Union and United States. Our clients principally operate in the Financial Services and Payments and Technology, Media and Telecommunications (TMT) verticals. We are also focused on growing our client base in other verticals, such as the consumer products, healthcare, logistics and retail verticals.

Having the ability to adapt to the needs of our clients is essential for delivering the best possible outcome and ensures that we can be successful in complex environments. Being adaptable gives us the best chance of delivering a solution that drives the most benefit for our clients.

We believe that being thoughtful towards our clients allows us to maximise our positive impact on their businesses. This helps us to make sure that we have designed, built, and delivered a product that best cares for the needs of the individuals who will use it.

To make sure we deliver the highest possible value across all of our geographies, we measure our clients' level of satisfaction through periodic surveys. Our Customer Satisfaction Analysis Tool, or CSAT, is our client management tool, which allows us to collect regular client feedback. CSAT relies on surveys, common use testimonials, continuous service improvement monitoring and the collection of social media mentions to gather a robust view of how clients feel about Endava and how we respond to their feedback. CSAT helps us differentiate ourselves in managing customers in a sustainable way.

Our Suppliers

Endava celebrates the fact that working sustainably, respecting human rights, and operating with the highest standards of ethical conduct and professional integrity improve long-term business performance. We are dedicated to these values and require our suppliers to share our commitment.

Our Procurement Policy (which includes our Supplier Code of Conduct) details our principles, commitments and requirements regarding the procurement of goods and services by the Company. We are committed to procuring all required goods and services using sound business practices and the highest standards of integrity, transparency, business ethics, effective competition and accountability. We are committed to complying with all applicable laws, rules, and regulations governing procurement. We also endeavour to integrate sustainability and practice social responsibility to be better corporate citizens.

We require our suppliers to adhere to the Standards of our Supplier Code of Conduct, which covers compliance with local law and regulation, bribery and corruption, gifts and hospitality, money-laundering, unfair business practices, conflicts of interest, human rights and modern slavery, child labour, employment conditions, non-discrimination, open and honest engagement, health and safety, accident and emergency readiness, environment and pollution prevention and conflict materials.

During the 2021 financial year we are building on our current supplier onboarding process and implementing a transparent and comprehensive program for vendor compliance management. In addition to existing screening checks for new suppliers, for larger annual spends (being greater than £100K per year), enhanced vendor due diligence including sanctions and ethics checks are being introduced. Suppliers will also continue to be required to adhere to our Supplier Code of Conduct and complete our Modern Slavery Questionnaire. Additionally, where there is a risk of exposing non-public information to a third party, or where the products or services are critical to Endava's operations, a vendor risk assessment will be required to ensure the supplier is as reliable and committed as we are to keeping information safe.

We are continually looking at ways to improve our rigour around supplier onboarding and plan to monitor and review our current thresholds and customise requirements for smaller and regional suppliers where required and appropriate.

Our Communities & the Environment

Our definition of Corporate Responsibility is about living the values and principles that govern the way we operate as an organisation and behave as individuals. It is about ensuring we sustain safe operations, have a positive impact on our people, the communities we work in and the wider environment; and build the trust and respect of all our stakeholders.

Endava's Corporate Responsibility policy is part of our commitment to being accountable and transparent in our performance in this area. We aim to follow and promote good Corporate Responsibility practice, and to reduce the environmental impacts of all of our activities and to help our customers do the same.

Endava joined the Global Compact in September 2007, assuming the obligation to respect and sustain Global Compact's principles in the fields of human rights, labour standards, the environment and anti-corruption. Our responsibility for the impacts on the local communities and their families, customers, shareholders and the environment informs all aspects of our operations. Wherever possible, we voluntarily surpass our statutory obligations as an employer to improve the lives of our employees and local communities.

Charity and Voluntary Giving

The COVID-19 pandemic created an urgent, unprecedented challenge for humankind. In response to this, our people were keen to support their local communities and we encouraged all our people to do whatever they could to help. Activities ranged from offering volunteer support to Code4Romania to build health and safety digital solutions, creating 3D printed face mask components to redirecting office fruit to hospitals.

A global fundraising campaign was set up to support hospitals and charities involved in the fight against COVID-19. Our employees donated approximately £80k which was doubled to £160k under Endava's Matching Charity Donations Policy which supports local community projects. A further £190k was donated to a Romanian NGO that organised early COVID-19 testing under the supervision of the local health authorities. A total of £350k was donated by Endava and our employees during the pandemic, not including volunteering time.

Endava volunteers are actively involved in various social, charitable and voluntary activities aimed at helping people in the communities in which we operate. We regularly sponsor technical events and speak at global technical and industry-focused events. Our largest initiative consists of internship and graduate programs. By supporting local education, we seek to inspire exploration in engineering and technology. Some examples of Endava's community projects and CSR initiatives are set out below.

- **Pass It On Marathon** - In December 2019 we shared our pass it on culture externally by staging a two-day marathon of technical and soft skills presentations for the IT community in Iasi, Romania. Endava made a donation for each of the 400 participants towards building a school library for the children in Padureni, a small village near Iasi.
- **NET Course with Endava Mentors** - Over the last three years, we have invested approximately £25k in three fully modernised laboratories in Moldova's main universities: Moldova State University (2017), Technical University (2019), and the Academy of Economic Studies (2019). In addition, in 2019 a group of 27 Endava mentors ran a three-month training programme in the labs to develop theoretical knowledge and practical programming skills. The programme is free of charge and helps students gain knowledge outside the regular university curriculum. A total of 77 students graduated from the courses out of over 260 applicants. One course participant was hired and another 18 continued their learning journey enrolling in Endava's Internship Program.
- **Donating computers** - As education moved from the classroom to the home during COVID-19, our Bucharest office worked with an educational NGO to donate personal computers to an orphanage in the village of Zelenikovo and donated laptops to a Bucharest elementary school to help 147 students to study remotely. Our charity team in Skopje connected with a local organisation that collects and re-conditions used computers before distributing them to families in need. We donated 20 laptops to local children helping them to follow online classes.
- **Concordia Romania** - In June 2018 Endava partnered with Concordia Romania, an independent, non-governmental, non-profit humanitarian organisation that supports the social reintegration, education and professional development of disadvantaged children, young adults and families helping them to build more independent and autonomous lives. Endavans volunteered their time and skills to develop a user-friendly, smart web-based application that replaced complicated and time-consuming paper-based processes used by Concordia. Phase 1 of the application went into production in summer 2019 and since its implementation, the Concordia team has seen a dramatic increase in information transparency, cross-functional communication and collaboration. The biggest benefit of the application is that the Concordia team now spends less time on manual administration and is able to give back this time to those who matter the most: their students.

Environmental Activities

We are committed to reducing any negative impact of our operations on the environment. Endavans regularly take part in events that promote environmental awareness initiatives such as 'Endava Goes Eco & Green' focussing on reducing single-use plastic, providing recycling bins, reducing food waste, sponsoring green areas and planting trees. Low-carbon activities such as cycling to work, tele-conferencing and reducing power and paper consumption are encouraged. Examples of recent activity are set out below.

- **"Hai Moldova"** - A team of eco-friendly volunteers in Chisinau Moldova set out to educate colleagues on the importance of environmental responsibility and supporting local green initiatives. In addition, Endava collaborated with Million Trees Moldova - a national platform for collaboration between organisations, which together have set out to plant one million trees in the Republic of Moldova. The initiative is aimed at solving and preventing acute environmental problems such as: soil erosion, landslides and desertification, lack of forest curtains to protect rivers, agricultural lands and rural localities from winds. It is also planted at educational institutions and other institutions in rural and urban areas. Endava contributed to 350 trees being planted under this project.
- **"Let's Clean Bulgaria Together"** - We joined forces with the largest volunteer campaign in Bulgaria, "Let's Clean Bulgaria Together". Run by bTV Media Group, Endava is recognised among the most respected and honoured partners of the campaign which builds public awareness on environmental issues. In 2018, Endavans cleaned a vast territory in the Vitosha National Park, near Sofia – and were awarded 2nd place for having the "Biggest Number of Volunteers Cleaning a Protective Territory". In 2019, we cleaned a second protected national park in Central Balkan as part of World Clean Up Day – and were delighted to receive a "Diploma for High Achievements".
- **Via Transilvanica** - As the Digital Partner of the NGO Tasuleasa Social, we are proud to be involved in creating the first digital road in Romania - Via Transilvanica. Endavans volunteered their time to build the digital road website and applications to promote historical and natural landmarks, encouraging people to help preserve natural habitats. iOS and Android applications will be launched during 2020.
- **Ride2Work & Learn2Ride** - Low-carbon activities such as cycling to work, teleconferencing and reducing power and paper consumption are encouraged across all our offices. As part of Cluj-Napoca City Hall's Mobility Month in September 2019, we took part in the Ride2Work and Learn2Ride days. This promotes the use of public transport, cycling and other alternative non-polluting modes of transport and focusses on making better, greener choices.

Greenhouse Gas ("GHG") Emissions

The following section includes our mandatory reporting of GHG emissions pursuant to The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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)

Emissions from:	FY2020		FY2019	
	UK	RoW	UK	RoW
Scope 2 - Electricity, heat, steam and cooling purchased for own use (location based)	63	3,059	48	3,202
Total	63	3,059	48	3,202
Intensity ratio (tonnes CO₂e per £m sales)	0.40	15.69	0.37	20.27
Energy consumption/ mWh*	256	7,353	197	7,889

* 1 mWh is 1,000 kWh.

Our methodology for reporting GHG emissions follows the 2013 UK Government environmental reporting guidance (Chapter 2) and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). 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.

Energy data was obtained for 11 of our largest office locations (FY2019: 11 largest office locations), giving a 82% coverage of Endava's floorspace (FY2019: 88% coverage). This data was 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.

As noted in the preceding sections of this report, Endava is committed to reducing any negative impact of our operations on the environment. During FY2020, Endava instructed an external company to manage its compliance with the Energy Savings Opportunity Scheme (ESOS), a government scheme which requires large undertakings within the UK to undertake mandatory energy audits. The external company performed an energy usage audit of Endava's UK operations, and produced the required evidence pack to document Endava's compliance, along with a summary of recommendations. ESOS is an essential step towards the EU's 2020 energy reduction target. In addition, the requirement for similar reviews for other significant locations are being considered for the financial year ending 30 June 2021.

GOVERNANCE

The Board of Endava aims to create robust foundations for sustainable future success. While the COVID-19 pandemic continues to cause economic uncertainty for all businesses, we have a long-term vision and we continuously develop and monitor our strategies for delivering value for all our stakeholders.

The following disclosure explains what arrangements for corporate governance were applied by the Company for the year ended 30 June 2020.

As a “foreign private issuer,” as defined by the SEC, we are permitted to follow UK corporate governance practices, instead of certain corporate governance practices required by the NYSE for U.S. domestic issuers. While we intend to follow most NYSE corporate governance listing standards, we follow U.K. corporate governance practices in lieu of NYSE corporate governance listing standards as follows:

- Exemption from quorum requirements applicable to meetings of shareholders. Such quorum requirements are not required under English law;
- Exemption from the NYSE corporate governance listing standards applicable to domestic issuers requiring disclosure within four business days of any determination to grant a waiver of the code of business conduct and ethics to directors and officers. Although we will require board approval of any such waiver, we may choose not to disclose the waiver in the manner set forth in the NYSE corporate governance listing standards, as permitted by the foreign private issuer exemption; and
- Exemption from the requirement to obtain shareholder approval for certain issuances of securities, including shareholder approval of share option plans.

We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and the NYSE corporate governance rules and listing standards.

Composition of our Board of Directors

Our board of directors currently consists of eight members:

Executive Directors

- **John Cotterell** founded Endava and has served as our Chief Executive Officer and as a member of our board of directors since our inception in February 2000. Mr. Cotterell holds a B.Eng. from the University of Bristol and an M.B.A. from the Alliance Manchester Business School. Our board of directors believes that Mr. Cotterell’s leadership of Endava since its inception and experience with information technology companies prior to founding Endava provide him with the qualifications and skills to serve as a director.
- **Mark Thurston** has served as our Chief Financial Officer and as a member of our board of directors since April 2015. From May 2011 to March 2015, Mr. Thurston served as Group Finance Director at Paragon Education and Skills Ltd. Mr. Thurston holds a Physics degree from Durham University and is a member of the Institute of Chartered Accountants in England and Wales. Our board of directors believes that Mr. Thurston’s perspective and experience as our Chief Financial Officer provide him with the qualifications and skills to serve as a director.

Non-Executive Directors

- **Trevor Smith** has served as a member of our board of directors since June 2013 and our chairman since July 2016. Prior to his retirement, Mr. Smith held various roles at Goldman, Sachs & Co., an investment bank, including Chief Information Officer for the EMEA Region from January 2000 to September 2009 and in a part-time Business Resiliency & Crisis Management and Special Project role from March 2010 until June 2013. Mr. Smith holds a B.Sc. in Economics from UCW Aberystwyth. Our board of directors believes that Mr. Smith's experience in information technology and delivery of large projects provide him with the qualifications and skills to serve as a director.
- **Andrew Allan** has served as a member of our board of directors since April 2006, having previously served as a member of the board of Brains Direct Ltd, which we acquired in April 2006. He currently serves as Managing Partner at Fairways Corporate Finance, a position he has held since May 2003. Mr. Allan is a qualified Chartered Accountant and a current member of the Institute of Chartered Accountants of Scotland. Mr. Allan holds a Bachelor's degree in Finance from the University of Strathclyde. Our board of directors believes that Mr. Allan's business experience provide him with the qualifications and skills to serve as a director.
- **Sulina Connal** has served as a member of our board of directors since September 25, 2019. Since April 2020, she has served as Director of Product Partnerships for News, Web and Publishing for EMEA for Google. Previously, Ms. Connal served as the Director of Mobile and Connectivity Partnerships at Facebook from October 2017 to April 2020. Prior to that, from April 2014 until September 2017, she served as the Senior Vice President of Strategic Partnerships at Orange. Ms. Connal holds an M.A. from the University of Oxford. Our board of directors believes that Ms. Connal's business experience provides her with the qualifications and skills to serve as a director.
- **Ben Druskin** has served as a member of our board of directors since September 2017. Mr. Druskin retired from Citigroup in August 2017. From 2014 until his retirement, Mr. Druskin served as the Chairman of the Global Technology, Media and Telecom Investment Banking Group. Prior to becoming Chairman, Mr. Druskin was co-head of the Global Technology, Media and Telecom Investment Banking Group. Mr. Druskin has served as a member of the board of directors of Zensar Technologies since November 2017. Mr. Druskin holds a B.A. in Economics from Rutgers College and an M.B.A. in Finance from The Stern School of Business at New York University. Our board of directors believes that Mr. Druskin's expertise in capital raising and mergers and acquisitions provide him with the qualifications and skills to serve as a director.
- **Mike Kinton** has served as a member of our board of directors since April 2006. Since July 1999, Mr. Kinton has served as Managing Director at Kinton Technology Ltd. Mr. Kinton has served as a member of the board of directors of PaperRound HND Services Ltd, since February 2005 and Prmax Ltd., since March 2007. Mr. Kinton holds an M.A. from the University of Cambridge and a M.S. from London Business School. Our board of directors believes that Mr. Kinton's experience in the information technology industry, as well as his valuable experience gained from prior and current board service, provides him with the qualifications and skills to serve as a director.
- **David Pattillo** has served as a member of our board of directors since January 2017. From February 2014 to January 2019, Mr. Pattillo served as the Chief Financial Officer and member of the board of directors of ClearStar, Inc. From June 2012 to December 2013, Mr. Pattillo served as Manager of Dapa, LLC. Mr. Pattillo holds a B.S. from Clemson University and an MBA from the University of Georgia - Terry College of Business. Our board of directors believes that Mr. Pattillo's knowledge of the information technology industry provides him with the qualifications and skills to serve as a director.

In accordance with our amended and restated articles of association, each of our directors serves for a term of one year and retires from office at every annual general meeting of shareholders. If at any such meeting the place of a retiring director is not filled, the retiring director shall, if willing to act, be deemed to have been re-elected. If it is resolved not to fill such vacated office, or a motion for the re-election of such director shall have been put to the meeting and lost, the director shall not be re-elected unless this would result in the number of directors falling below the minimum number of directors required.

In addition to the Executive Directors, our other Executive Officers are:

- **Rob Machin**, who has served as our Chief Operating Officer since July 2017 and previously served as a member of our board of directors from September 2013 to June 2016. Mr. Machin originally joined Endava in 2000 as our Chief Technical Officer. From September 2007 to September 2010, Mr. Machin served as an Executive Director at UBS Investment Bank. Mr. Machin re-joined Endava in 2010 as our U.K. Managing Director. Mr. Machin is a Fellow of the British Computer Society and a Chartered IT Professional. Mr. Machin holds a first class honours degree from Durham University in Mathematics and Philosophy (B.Sc. Nat Sci).
- **Julian Bull** has served as our Chief Commercial Officer since July 2016. From April 2001 to June 2016, Mr. Bull served as our Sales and Marketing Director.
- **Rohit Bhoothalingam** was appointed as our General Counsel in March 2019. Prior to joining Endava, he served as the Associate General Counsel for VEON, a Nasdaq and Euronext-listed digital and telecommunications company from October 2016 until August 2018. From December 2008 to December 2014, Mr. Bhoothalingam was the General Counsel at London Mining Plc, a global mining company, and from December 2014 to July 2016, he served as Consulting General Counsel at London Mining Plc. Mr. Bhoothalingam studied law at Cambridge University and holds a Masters in Law from Georgetown University Law Center.

Division of Board Responsibilities

Our Board shares collective responsibility for the long-term success of the Company but individual members undertake additional clearly-defined activities on behalf of the Board.

The roles and responsibilities of the Board, its Committees, Chairman and CEO are documented and regularly reviewed. The Board is assisted by various Committees, as further explained below.

Our board of directors has three standing committees: an audit committee, a remuneration committee and a nominating and corporate governance committee.

Audit Committee

The audit committee, which consists of Messrs. Allan, Pattillo and Smith, assists the board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Pattillo serves as chairman of the committee. The audit committee consists exclusively of independent members of our board of directors who are financially literate, and Mr. Pattillo is considered an "audit committee financial expert" as defined by applicable SEC rules. Our board of directors has determined that all of the members of the audit committee satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. The audit committee is governed by a charter that complies with NYSE rules.

The audit committee's responsibilities include:

- evaluating and making recommendations to the board of directors regarding the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- approving the audit services and non-audit services to be provided by our independent auditor;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full board of directors on at least an annual basis;
- reviewing and discussing with the executive officers, the board of directors and the independent auditor our financial statements and our financial reporting process; and
- approving or ratifying any related person transaction (as defined by applicable rules and regulations) in accordance with our applicable policies.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event meets at least four times per year. The audit committee meets at least once per year with our independent auditor, without management being present.

Remuneration Committee

The remuneration committee, which consists of Messrs. Allan, Kinton and Smith, assists the board of directors in determining executive officer compensation. Mr. Kinton serves as chairman of the committee. Under SEC and NYSE rules, there are heightened independence standards for members of the remuneration committee, including a prohibition against the receipt of any compensation from us other than standard board member fees. Although foreign private issuers are not required to meet this heightened standard with respect to all members, we have determined that all members meet this heightened standard. The remuneration committee's responsibilities include:

- approving, modifying and overseeing our overall compensation strategy and policies;
- reviewing and recommending to the board of directors for approval the type and amount of compensation to be paid or awarded to the members of our board of directors;
- sole responsibility for the appointment, selection, retention, termination and oversight of any compensation consultants and other advisors retained by the remuneration committee;
- reviewing, evaluating and approving all compensatory agreements and arrangements, elements of compensation, and performance goals and objectives related to compensation of our executive officers, including our chief executive officer;
- reviewing and approving the goals and objectives of our executive officers, including our chief executive officer, and evaluating their performance in light of relevant performance goals and objectives;
- having the full power and authority of our board of directors to adopt, amend, terminate and administer our equity awards, pension, and profit sharing plans, bonus plans, benefit plans and similar programs; and
- reviewing and assessing risks arising from our compensation policies and practices.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee, which consists of Messrs. Allan, Kinton, Druskin and Smith, assists our board of directors in identifying individuals qualified to become members of our board of directors consistent with criteria established by our board of directors in developing succession plans for our executive officers and in developing our corporate governance principles. Mr. Smith serves as chairman of the committee.

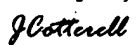
The nominating and corporate governance committee's responsibilities include:

- identifying and evaluating candidates to serve on our board of directors, including nomination of incumbent directors for re-election;
- reviewing and evaluating the size and composition of our board of directors;
- recommending nominees for election to our board of directors and its corresponding committees;
- overseeing the evaluation and periodically reviewing the performance of the board of directors and management, including committees of the board of directors, and reporting the results of such assessment to the board of directors;
- assisting the board of directors in overseeing our corporate governance functions, including developing, updating and recommending to the board of directors corporate governance principles; and
- periodically reviewing with our chief executive officer the succession plans for our executive officers and making recommendations to our board of directors with respect to the selection of appropriate individuals to succeed to these positions.

Future 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 to deal with uncertainties that may arise from the effects of the ongoing COVID-19 pandemic.

On behalf of the board

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J E COTTERELL
CHIEF EXECUTIVE OFFICER

15 September 2020

DIRECTORS' REMUNERATION REPORT

Dear shareholder,

On behalf of the Remuneration Committee (the "Committee" or "we") I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2020 (the "2020 financial year"). The report is presented in two sections - the first sets out the Directors' Remuneration Policy, which was last presented to shareholders for a binding vote in December 2019, is unchanged this year, and as such is not subject to a shareholder vote at this year's annual general meeting ("AGM"); the second is the Annual Report on Remuneration, which will be subject to an advisory vote at the AGM.

Background and our approach to remuneration

Endava is a high-growth technology services company with more than 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 an expanding global reach, Endava must continue to compete for both business and talent across multiple markets, including the UK and the US. It is important that our remuneration policies and practices continue to allow us to attract and retain individuals of sufficient calibre from the UK, the US and other markets, to ensure that the Company retains the strong leadership required for its continued future success.

In 2019, the Committee put in place (and the Company's shareholders approved) 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 remuneration of the broader workforce remains a key consideration in setting Executive Director remuneration. 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 senior management, ensuring reward is delivered on a consistent basis.

The policy is set out in full on pages 38 to 45.

Our performance in 2019/20

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

The annual bonus for the 2020 financial year was based on the achievement of the Adjusted Profit Before Tax (PBT) target of £66m, with a revenue underpin of £350m also applying. Adjusted PBT for the year was £68.5m and revenue for the year was £351.1m thereby exceeding the maximum targets for both PBT and revenue underpin. 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 on 31 July 2019 to the Executive Directors and other employees, subject to the same revenue underpin and PBT performance condition as described for annual bonuses above. 100% of this award is therefore eligible to vest. Subject to continued employment, EIP awards will vest in equal tranches in October 2020 and the three following years.

Awards were also granted to Executive and Non-Executive Directors in 2015 under the Company's legacy LTIP, a portion of which vested over the 2020 financial year. These awards were also subject to PBT performance conditions which were met in full.

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

Executive Director remuneration for 2020/21

No increases were made to the base salaries of Executive Directors, executive officers and members of the senior leadership team for the financial year ending 30 June 2021 ("FY2021" or the "2021 financial year"). For comparison, the average increase offered to our UK workforce was 1.05%. The CEO and CFO will be eligible for a maximum annual bonus of 91.7% and 67% of salary respectively.

The Board has developed a demanding and comprehensive strategic plan for the coming years. The Committee aims to set targets for the EIP and annual bonus each year in support of this plan, taking account of the Company's budget for the year, market consensus, and other factors. Following a review of the performance conditions applicable to EIP awards and annual bonuses, the Committee has decided to move from measuring performance across two metrics and introduce three independently weighted performance metrics for EIP awards in order to provide a more demanding set of targets covering company performance across revenue, Adjusted PBT and sales order book targets. The introduction of the sales order book performance condition will further incentivise participants and encourage achievement of overall Company targets through aligned interests and the encouragement of a "one-team" behaviour.

In transitioning to a more challenging set of performance metrics, the Committee has decided that it is appropriate to remove the revenue underpin condition and that these new performance conditions will be applicable for all EIP awards granted to our Executive Directors and members of senior management. The revenue underpin condition will also cease to apply to annual bonus awards and as such, performance for the 2020/2021 annual bonus scheme will be based solely on Adjusted PBT for the 2021 financial year.

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 EIP performance model (with vesting and pay-out over four years) 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.

The grant of EIP awards and the setting of annual bonus targets for the Executive Directors have been deferred until September 2020 when the Committee expects to have more visibility and data on the business and economic impact of COVID-19. The Company expects to be able to make a better assessment of target setting at this time in order to set challenging targets for Executive Directors aligned with Company performance and shareholder value. The EIP awards for the Executive Directors and performance conditions will be aligned with the approved remuneration policy, and will vest in four equal tranches from one to four years after grant, subject to the satisfaction of the relevant performance conditions as detailed above.

Full disclosure of the performance targets set in September 2020 for the Executive Directors' annual bonus and EIP will be provided in next year's annual report.

Summary

I hope that you find the information in this report helpful and I look forward to your support on the remuneration resolution at the forthcoming AGM.

Mike Kinton,



Remuneration Committee Chair

15 September 2020

This report complies with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018, and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019.

The following report is set out in two parts:

- The Directors' Remuneration Policy (pages 38 to 45). This was subject to a binding shareholder vote at the Company's 2019 AGM and was passed with 99.79% support. There have been no changes to the policy during the financial period. We will present our Directors' Remuneration Policy for a further binding shareholder vote no later than at our 2022 AGM.
- The Annual Report on Remuneration (pages 46 to 55). This section describes how the remuneration policy has been implemented during the 2020 financial year 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 (the "policy"). Our policy remains unchanged from that approved by shareholders at the 2019 AGM. The scenario charts have been updated to reflect the intended application of the policy for the 2021 financial year and references to prior financial years have been updated where appropriate to aid understanding. A copy of the shareholder-approved policy (including the scenario charts for the 2019 financial year) is in the Annual Report and Financial Statements for the Year Ended June 2019, which is available at <https://investors.endava.com/financials-and-filings/UK-Group-Statutory-Accounts>.

It is intended that the policy will remain in place for a period of three years from the date of shareholder approval at the 2019 AGM, unless the 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	<p>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.</p> <p>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.</p> <p>Any reasonable business-related expenses may be reimbursed, including any taxes payable thereon if determined to be a taxable benefit.</p> <p>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.</p>
Performance framework	n/a
Annual bonus plan	
Purpose and link to strategy	<p>To focus attention on the achievement of short-term corporate objectives and incentivise successful delivery of the Company's business plan.</p> <p>Create a tangible link between annual performance and individual pay opportunity.</p>
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	<p>Bonuses are paid each year after the publication of the audited financial statements.</p> <p>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).</p>
Performance framework	<p>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.</p> <p>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.</p>

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 appointment.
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	<p>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.</p> <p>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.</p> <p>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.</p> <p>Any reasonable business-related expenses may be reimbursed, including any taxes payable thereon if determined to be a taxable benefit.</p>
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 financial 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	<p>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.</p> <p>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.</p> <p>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.</p>	<p>All outstanding unvested awards lapse on cessation, unless the Committee uses its discretion to apply a different treatment.</p>

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

This section of the policy has been updated to reflect the intended application of the policy in the 2021 financial year.

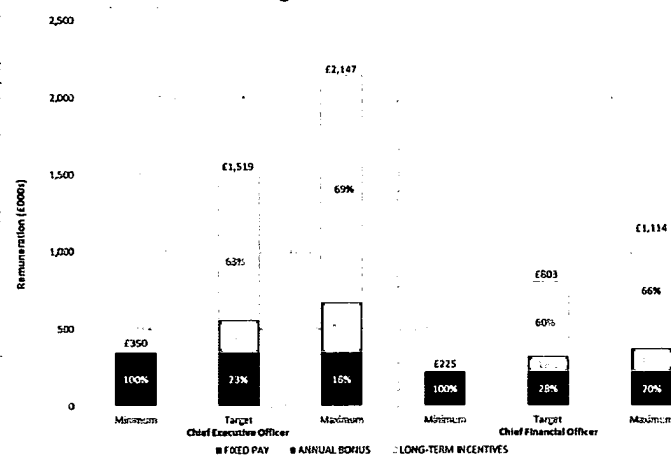
A significant proportion of remuneration at Endava is linked to performance. The charts below show how much each Executive Director could earn under different performance scenarios:

- Minimum - fixed pay only.
- Target (performance in line with expectations) - fixed pay, plus bonus and EIP payouts at threshold level (65% 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 to be granted in September 2020, converted to GBP using the exchange rate on the date of grant.

Fixed pay comprises:

- Salaries - salary effective at 1 July 2020.
- Benefits - an estimated value of all benefits receivable in the 2021 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 ended 30 June 2020, 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 2020 (audited)

The table below details remuneration paid or payable to the Directors during the financial years ended 30 June 2020 and 30 June 2019.

£000s		Salary and fees	Benefits ¹	Pension	Bonus ¹¹	Multi-year variable ^{2, 3,4,5,6,7,10}	Total	Total fixed remuneration	Total variable remuneration ¹⁰	
Executive Directors										
	John Cotterell	2020	350	13	53	331	1,997	2,744	416	2,328
		2019	350	13	47	258	2,566	3,234	410	2,824
	Mark Thurston	2020	225	10	18	147	3,147	3,547	253	3,294
		2019	225	29	18	120	2,234	2,626	272	2,354
Non-Executive Directors										
	Trevor Smith	2020	60	—	—	—	172	232	60	172
		2019	60	—	—	—	306	366	60	306
	Andrew Allan	2020	55	—	—	—	172	227	55	172
		2019	55	—	—	—	301	356	55	301
	Ben Druskin ^{8,9}	2020	56	—	—	—	172	228	56	172
		2019	55	—	—	—	301	356	55	301
	Mike Kinton	2020	55	—	—	—	172	227	55	172
		2019	55	—	—	—	306	361	55	306
	David Pattillo ^{8,9}	2020	61	—	—	—	172	233	61	172
		2019	62	—	—	—	301	363	62	301
	Sulina Connal	2020	42	—	—	—	127	169	42	127
		2019	—	—	—	—	—	—	—	—

- 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 and in respect of Mark Thurston in 2019, a one-off payment in lieu of accrued but untaken holiday in the year of the Company's IPO.
- 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 vest in four equal tranches from 31 October 2019 to 31 October 2022. For the purposes of the 2019 report, awards were valued using a three-month average share price up to 30 June 2019 (converted daily into GBP) of £26.89. This figure has been updated in respect of the tranche vesting on 31 October 2019 (only) using the actual price at vesting (£33.39).
- For Mark Thurston and the Non-Executive Directors, including the value of RSU awards granted on 26 July 2018. For the purposes of the 2019 report awards were valued using the share price at grant (the IPO offer price) of £15.20. This figure has been updated in respect of the tranches vesting on 31 January 2019 and 31 October 2019 (only) using the actual prices at vesting (£17.95 and £33.39 respectively).
- For Mark Thurston and the Non-Executive Directors, the value of LTIP awards vesting based on performance up to 30 June 2019. Performance conditions were satisfied in full. For the purposes of the 2019 report, awards were valued using a three-month average share price up to 30 June 2019 of £26.89. This figure has been updated using the actual prices at vesting on 27 July 2019 (£30.85) and 16 August 2019 (£29.60) respectively.

5. For Mark Thurston and the Non-Executive Directors, the value of LTIP awards vesting based on performance up to 30 June 2020. 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 2020 of £35.80; this figure will be restated next year based on the actual price at vesting.
6. For the Executive Directors, including the value of EIP awards granted on 31 July 2019, of which 100% qualifies for vesting based on performance up to 30 June 2020. 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 2020 of £35.80; this figure will be restated next year for the tranche vesting in the 2020 financial year based on the actual price at vesting.
7. For the Non-Executive Directors, including the value of RSU awards granted on 30 January 2020. For the purpose of this table, awards have been valued using the share price at grant of £35.57; this figure will be restated next year for the tranche vesting in the 2020 financial year based on the actual price at vesting.
8. For the two Non-Executive Directors based in the US, annual fees for 2019 have been converted to GBP using an exchange rate of 1:1.294, being the average exchange rate over the 2019 financial year.
9. For the two Non-Executive Directors based in the US, annual fees for 2020 have been converted to GBP using an exchange rate of 1:1.2606, being the average exchange rate over the 2020 financial year.
10. Includes RSU awards granted under the EIP to the Non-Executive Directors and (historically) Mark Thurston which are subject to time-based vesting only.
11. The CEO and CFO received the maximum bonus for FY2020 in line with the remuneration policy of £300,000 and £140,000 respectively. The additional bonus amount paid and reflected in the table above is in relation to the one-off special Employee Benefit Trust cash bonus paid to all eligible employees.

Impact of share price appreciation on value of share-based awards (audited)

Share price appreciation has been calculated as the increase between the total value of (1) an award at the date of grant (for awards granted at or prior to IPO, using the IPO offer price of £15.20 per share and converted into GBP on the date of IPO and for awards granted post-IPO, using the share price at the applicable date of grant, converted into GBP using the exchange rate on that date); and (2) that disclosed above in the single figure remuneration table (using estimated values where necessary as described in the notes above). No discretion has been applied to the outcomes in respect of share-based awards as a result of share price appreciation.

£000s		Multi-year variable	Amount attributable to share price appreciation ²
Executive Directors			
John Cotterell	2020	1,997	353
	2019	2,566	1,198
Mark Thurston	2020	3,147	1,413
	2019	2,234	1,018
Non-Executive Directors			
Trevor Smith	2020	172	27
	2019	306 ¹	163
Andrew Allan	2020	172	27
	2019	301	158
Ben Druskin	2020	172	27
	2019	301	158
Mike Kinton	2020	172	27
	2019	306 ¹	163
David Pattillo	2020	172	27
	2019	301	158
Sulina Connal	2020	127	1
	2019	—	—

1. LTIP tranches vested on 5 June 2019 and 16 August 2019 at £30.06 and £29.60 respectively.

2. Any unvested award as at 30 June 2019 has been valued using a three-month average share price up to 30 June 2019 (converted daily into GBP) of £26.89. Any unvested award as at 30 June 2020 has been valued (or re-valued) using a three-month average share price up to 30 June 2020 (converted daily into GBP) of £35.80.

Annual bonus earned for performance in the 2020 financial year (audited)

Annual bonuses for 2020 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 £350m. Payout levels are measured on a straight-line basis based on the outcome for Adjusted PBT between threshold and maximum.

		Threshold	Maximum	Actual
Adjusted PBT for FY2020	£m	£59.5	£66	£68.6
Payout	% of max	50%	100%	100%

Both the revenue target and maximum PBT target were exceeded during the year, accordingly 100% of the bonus was payable (£300,000 and £140,000 to John Cotterell and Mark Thurston respectively).

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 31 July 2019, which were subject to a performance measure as described below. If the performance condition is satisfied, awards vest in four equal tranches commencing 31 October 2020 and each year for three years thereafter.

Participant	Number of awards	Share price on date of grant ¹	Face value ²	Date of grant	Date of vesting
John Cotterell	55,788	£29.47	£1,644,072	31 July 2019	31 Oct 2020 to 31 Oct 2023
Mark Thurston	27,894	£29.47	£822,036	31 July 2019	31 Oct 2020 to 31 Oct 2023

1. Based on the share price of \$35.85 converted to GBP on the date of grant.

2. Based on the share price of \$35.85 converted to GBP on the date of grant and multiplied by the number of shares under award.

Although eligible to participate, the Executive Directors did not elect to re-enrol in the Company's Sharesave plan when it was relaunched in 2019.

Awards of Restricted Share Units (RSUs) were made under the EIP to the Non-Executive Directors on 30 January 2020. Awards vest subject to the participant remaining in service to the Company for the duration of the Appointment Period (participant's appointment at the AGM to the next AGM the following year).

Participant	Number of awards	Share price on date of grant ¹	Face value ²	Date of grant	Date of vesting ³
Trevor Smith	3,563	£35.57	£126,736	30 January 2020	07 December 2020
Andrew Allan	3,563	£35.57	£126,736	30 January 2020	07 December 2020
Ben Druskin	3,563	£35.57	£126,736	30 January 2020	07 December 2020
Mike Kinton	3,563	£35.57	£126,736	30 January 2020	07 December 2020
David Pattillo	3,563	£35.57	£126,736	30 January 2020	07 December 2020
Sulina Connal	3,563	£35.57	£126,736	30 January 2020	07 December 2020

1. Based on the share price of \$46.30 converted to GBP on the date of grant.

2. Based on the share price of \$46.30 converted to GBP on the date of grant and multiplied by the number of shares under award.

3. Awards vest on 31 October 2020 or, if later, the date of the 2020 AGM (actual date to be confirmed), and will therefore vest (provisionally) on 7 December 2020.

EIP and LTIP awards vesting based on performance to 30 June 2020 (audited)

PSU awards made on 31 July 2019 under the EIP were subject to a single performance measure with a revenue underpin measured over the 2020 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 £350m. Vesting is measured on a straight-line basis between threshold and maximum.

	Threshold	Maximum	Actual
Adjusted PBT for FY2020	£m	£59.5	£66
Payout	% of max	50%	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 2020, with the remaining three tranches vesting on the 31 October in the three following years.

The third tranche of LTIP awards made to Mark Thurston (relating to previously banked awards under the LTIP), accounting for 40% of the total award, vested on 27 July 2020. The remaining award relating to FY2020 performance will vest in early September. The outstanding award for the Non-Executive Directors under the Company's legacy LTIP granted in August 2017 vested on 16 August 2020.

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 2020 financial year end (audited)

Award type	Held at 30 June 2019	Granted in year	Lapsed in year	Exercised in year	Held at 30 June 2020	Date of grant	Exercise price	Market price on exercise date ¹	Date from which exercisable	Date of expiry
John Cotterell										
2018 EIP PSU ²	90,000	—	—	22,500	67,500	26 July 2018	—	£32.47	³	26 July 2028
2019 EIP PSU ⁴	—	55,788	—	—	55,788	31 July 2019	—	—	⁵	31 July 2029
Mark Thurston										
LTIP	100,000	—	—	40,000	60,000	24 July 2015	—	£30.54 & £31.20	⁶	26 July 2025
EIP PSU ²	45,000	—	—	11,250	33,750	26 July 2018	—	£32.47	³	26 July 2028
EIP PSU ⁴	—	27,894	—	—	27,894	31 July 2019	—	—	⁵	31 July 2029
2018 Sharesave	377	—	—	—	377	23 October 2018	£25.87	—	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 in the 2019 remuneration report. The performance condition was met in full and as such 100% of this award vested.

3. Awards vest in four equal tranches from 31 October 2019 to 31 October 2022.

4. These awards were subject to a PBT performance condition over the 2020 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.

5. Awards vest in four equal tranches from 31 October 2020 to 31 October 2023.

6. 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 2020. The final tranche of these awards will vest in full in November based on performance during the 2020 financial year.

Directors' current shareholdings and interests in shares (audited)

The table below provides details on the Directors' current shareholdings as well as their interests in outstanding share awards as at 30 June 2020.

	Unconditionally-owned shares	Interests in share schemes				Percentage of salary applicable to share ownership requirement ¹
		EIP ⁷	LTIP	SAYE	Total	
Executive Directors						
John Cotterell	9,672,797 ^{2,3}	123,288	—	—	123,288	109,041%
Mark Thurston	19,716	61,644	60,000 ⁴	377	122,021	912%
Non-Executive Directors						
Trevor Smith	65,873	3,563	1,250 ⁵	—	4,813	—
Andrew Allan	463,950 ⁶	11,063	3,750	—	14,813	—
Ben Druskin	36,875	3,563	3,125	—	6,688	—
Mike Kinton	1,780,293	3,563	1,250 ⁵	—	4,813	—
David Pattillo	21,375	3,563	3,125	—	6,688	—
Sulina Connal	—	3,563	—	—	3,563	—

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 £39.19. Executive Directors are required to build and maintain a shareholding to the value of 200% of salary within five years of appointment. There is no formal policy or guideline regarding Non-Executive Director shareholdings.

2. Of which 2,000,000 shares are held in trust.

3. 151,885 Class A ordinary shares were subsequently sold between 1 July 2020 and 10 September 2020

4. 40,000 LTIP awards were subsequently exercised on 27 July 2020.

5. 1,250 LTIP awards were subsequently exercised on 17 August 2020.

6. Of which, 101,250 shares are held by Andrew's spouse, Elaine Allan.

7. John Cotterell and Mark Thurston will be granted PSUs over 45,360 and 22,680 shares under the EIP respectively in September 2020 when the Committee will have greater visibility regarding performance target setting. These are not included in the table above.

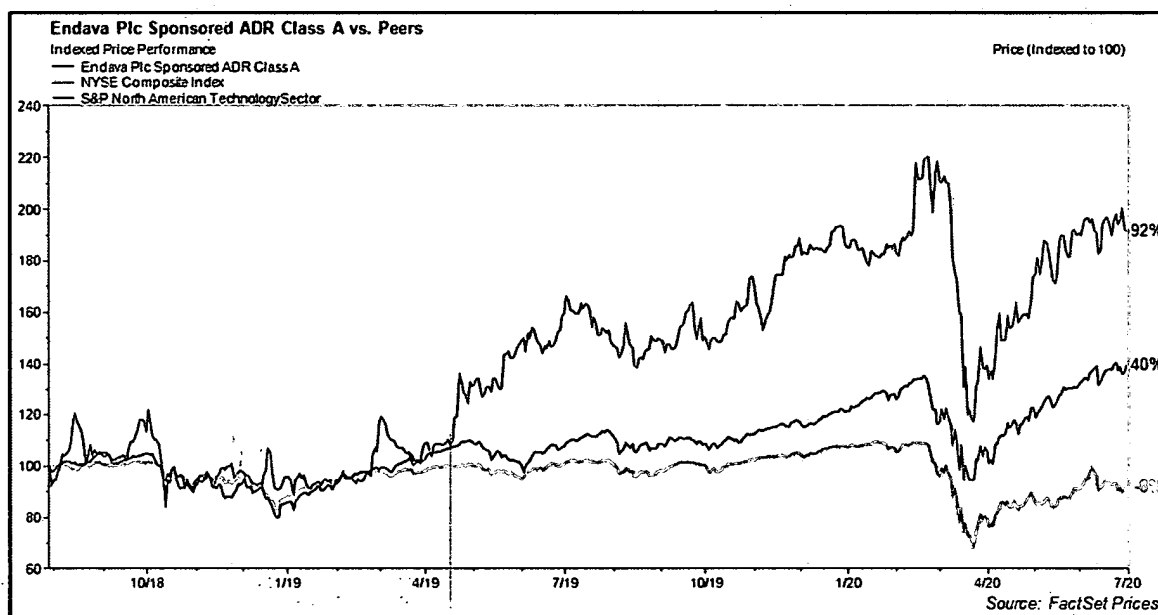
There have been no changes in Directors' shareholdings or interests in shares between 30 June 2020 and 10 September 2020 (the latest practicable date for inclusion in the report), other than those described above.

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 2020, 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.

	FY2020¹	FY2019
Single total figure of remuneration (£000s)	£2,744	£3,094
Annual bonus (% of maximum)	100%	100%
EIP payout (% of maximum)	100%	100%
JSOP payout (% of maximum)	N/A ²	100%

1. The reduction in the single figure payable to John Cotterell between FY2019 and FY2020 is explained in part by the effect of share price appreciation on the value of his PSU awards. As further set out in the share price appreciation table on page [49], £1,198,000 of the single figure of remuneration for FY2019 was attributable to share price appreciation whereas this figure was £353,000 for 2020.

2. No further interests in shares resulting from the JSOP plan were acquired in FY 2020 and no further JSOP interests are held by John Cotterell.

Percentage change in remuneration of the Directors compared to all Company employees

The table below illustrates the increase in salary, benefits and annual bonus for each Director and that of the Company's employees as a whole as between the 2019 and 2020 financial years.

Director	Percentage change		
	Salary/ fee	Benefits	Bonus
John Cotterell	0%	0%	28%
Mark Thurston	0%	-65% ¹	23%
Trevor Smith	0%	n/a	n/a
Andrew Allan	0%	n/a	n/a
Ben Druskin	0%	n/a	n/a
Mike Kinton	0%	n/a	n/a
David Pattillo	0%	n/a	n/a
Sulina Connal	n/a	n/a	n/a
Employees as a whole	2.8%	3.6%	2.1%

¹ The reduction in the benefits payable to Mark Thurston between FY2019 and FY2020 is explained by the effect of a one-off payment made in FY2019 of £18,800 in lieu of accrued but untaken holiday in the year of the Company's IPO. Excluding this one-off payment, the percentage change in benefits for Mark Thurston would be 0%.

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.

	FY2020	FY2019	Percentage
Employee costs (£m) ¹	£ 255	£ 189	35%
Employee costs excl discretionary EBT bonus (£m)	£ 227	£ 189	20%
Dividends paid (£m)	£ —	£ —	n/a
Revenue (£m)	£ 351	£ 288	22%
Adjusted profit before tax (£m)	£ 69	£ 52	32%

¹ The year on year employee costs increase, (in addition to salary and headcount increases) is largely attributed to the one-off Employee Benefit Trust (EBT) bonus payout cost incurred in FY2020 of £27.9m.

Shareholder voting on remuneration matters at AGM

The table below sets out the previous votes cast at our AGM in December 2019 in respect of the Annual Remuneration Report and the Directors' Remuneration Policy.

	Votes for		Votes against		Votes withheld
	%	Number	%	Number	Number
Annual Remuneration Report	99.99	218,654,928	0.01	22,745	4,229,200
Directors' Remuneration Policy	99.79	218,221,138	0.21	456,515	4,229,220

Withheld votes are not counted when calculating voting outcomes.

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, General Counsel, CFO, HR Director and others are invited to attend Committee meetings as required to provide advice and assistance. No member of the Committee or invitee, takes 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 received advice from Aon. 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 charged by Aon for services to the Committee during the year amounted to £25,500 (charged on a time spent basis).

Implementation of the remuneration policy in the 2021 financial year
Fixed pay

No salary increase was offered to Executive Directors for the 2021 financial year. Salaries for the coming year, therefore, are:

	FY2021	FY2020	Percentage change
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 £321,000 (91.7% of salary) and £150,750 (67% of salary) respectively for the 2021 financial year.

The performance targets applicable to the Executive Directors' annual bonuses will be set in September 2020 when the Committee expects to have more visibility and data on the business and economic impact of COVID-19. The bonus will be subject to a challenging Adjusted PBT performance measure. The amount of annual bonus payable will be assessed on a straight line basis between threshold performance (at which payout will be 0%), budget performance (at which payout will be 65%) and target performance (at and beyond which payout will be 100%).

Full disclosure of the performance targets will be provided in next year's annual report.

Long-term incentives

Awards of PSUs will be granted to Executive Directors in September 2020 when the Committee expects to have more visibility and data on the business and economic impact of Covid-19 in order to set the applicable targets.

These awards will be subject to independently weighted performance metrics measured over the 2021 financial year as follows: revenue (weighted as to 35%), Adjusted PBT (weighted as to 40%) and Sales Order Book targets (weighted as to 25%). The proportion of the awards subject to each performance metric will be assessed on a straight line basis between threshold performance (at which payout will be 0%), budget performance (at which payout will be 65%) and target performance (at and beyond which payout will be 100%). The awards will vest to the extent these performance metrics have been met in equal tranches over a four-year period from 31 Oct 2021 to 31 Oct 2024.

Subject to approval by the Remuneration Committee, John Cotterell and Mark Thurston will be granted PSUs over 45,360 and 22,680 shares under the FY21 EIP respectively in September 2020 when the Committee will have greater visibility regarding performance target setting. The face values of these awards are based on a total award value of \$2,200,000 and \$1,100,000 respectively, at the grant price of \$48.50 set on 1 July 2020 (the date on which the EIP annual awards were granted to other employees).

Full disclosure of the performance targets will be provided in next year's annual report.

Non-Executive Director fees

No changes are proposed to the fees payable to each Non-Executive Director for the 2021 financial year.

Significant changes in the implementation of the policy

Following a review of the performance conditions applicable to EIP awards and annual bonuses, the Committee has decided to move from measuring performance across two metrics and introduce three independently weighted performance metrics for the EIP in order to provide a more demanding set of targets covering company performance across revenue, Adjusted PBT and Order Book targets. The introduction of the Order Book performance condition will further incentivise participants and encourage achievement of overall Company targets through aligned interests and the encouragement of a "one-team" behaviour. In transitioning to a more challenging set of performance metrics, the Committee has decided that it is appropriate to remove the revenue underpin condition and that these new performance conditions will be applicable for all EIP awards granted to our Executive Directors and members of senior management. The revenue underpin condition will also cease to apply to annual bonus participants and as such, performance for the 2020/2021 annual bonus scheme will be based solely on Adjusted PBT for the 2021 financial year.

The grant of EIP awards for the Executive Directors and the setting of performance conditions applicable to the Executive Directors' annual bonuses has been deferred until September 2020 (instead of being granted and set, as applicable, at the end of July 2020) when the Committee expects to have more visibility and data on the business and economic impact of Covid-19. The Company expects to be able to make a better assessment of target setting at this time in order to set challenging targets for Executive Directors aligned with Company performance and shareholder value.

DIRECTORS' REPORT

Directors

The directors of the Group who were in office during the year and up to the 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' indemnities

The Company has entered into a deed of indemnity with each of its Directors under which the Company has agreed to indemnify the Directors to the extent permitted by law and the Company's articles of association. These indemnities meet the Companies Act 2006 definition of a qualifying third party indemnity provision. The Company also maintains Directors' and Officers' liability insurance policies on behalf of its Directors.

Proposed dividends

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

Political donations

The Group did not make any political donations, or incur any political expenditure in the year ended 30 June 2020.

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. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Other information

A review of the business as well as expected future developments, an indication of research and development undertaken in the period, a review of greenhouse gas emissions, energy consumption and energy efficiency action, and the Group's policy in respect of disabled employees are included in the Strategic Report.

In addition, a discussion summarising how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Directors during the financial year is also included in the Strategic Report.

Finally, the statement of corporate governance arrangements for the Company for the financial year is included in the Strategic Report under the heading "Governance".

Financial risk management

Details of financial risk management and the use of financial instruments are disclosed in Note 31 of the Group financial statements.

Independent auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as statutory auditor of the Company is to be proposed at the forthcoming annual general meeting.

Liquidity and going concern

The COVID-19 outbreak since early 2020, which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally, has brought about additional uncertainties in the Group's operating environment. The ongoing impact of COVID-19 has resulted in many countries around the world imposing lockdowns, shelter-in-place orders, quarantines, restrictions on travel and mass gatherings, including the cancellation of trade shows and other events, and the extended shutdown of non-essential businesses that cannot be conducted remotely.

The Group has been closely monitoring the impact of the developments on its businesses, mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have an adverse impact on the earnings of the Group. While there have been disruptions to manufacturing and supply chains around the world, the impact on the Group's operations and liquidity has not been substantial. The Group continues to support our customers in keeping their supply chains running.

In accordance with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', the Directors have considered the funding and liquidity position of the Group and have assessed the Group's ability to continue as a going concern for the foreseeable future. In doing so, the Directors have reviewed the Group's budget and forecasts, and have taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements.

The Group meets its day-to-day working capital requirements and medium-term funding requirements through its trading cash flows. At 30 June 2020, the Group had net assets of £236.3m and net current assets of £111.1m, of which £101.3m was cash and cash equivalents. In addition, the Group has a currently unused revolving credit facility (RCF) of £200m. The Directors remain satisfied with the Group's funding and liquidity position.

In response to the risks outlined above, and its potential impact on the Group's ability to continue as a going concern, the Directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes possible impacts of the global COVID-19 pandemic on the Group and reviews of liquidity and covenant forecasts. The potential financial impact of the COVID-19 pandemic has been modelled in our cash flow projections to produce a baseline forecast scenario. This baseline scenario reflects the current business disruption, deterioration in economic conditions and the resulting impact on customers and operations.

The Directors have also considered sensitivities in respect of potential downside scenarios over and above the baseline scenario, and the mitigating actions available in concluding that the Group is able to continue in operation for a period of at least 12 months from the date of approval of the financial statements. The specific scenarios modelled included a downside scenario with a U-shaped revenue impact from COVID-19 leading to three quarters of suppressed revenues followed by a gradual recovery, and a severe but plausible downside scenario with a broader U-shaped revenue impact leading to five quarters of suppressed revenues followed by a gradual recovery.

In the downside scenario, forecast revenue has been stressed by an extended period, reducing the baseline revenue forecast by 12%, with no reduction in the costs included in the baseline scenario. In this scenario our closing cash balance for the forecast period is reduced by £56m, but still remains positive at 30 June 2021 and 31 December 2021, and no draw-down from the RCF would be required.

In the severe but plausible downside scenario, forecast revenue has been stressed by a further extended period, reducing the baseline revenue forecast by 40%, and reducing baseline forecast cash by £87m. Again however, the resulting forecast cash position remains positive at 30 June 2021 and 31 December 2021, and no draw-down from the RCF would be required. This scenario also includes certain cost mitigation adjustments.

Our Q4 revenue in 2020 was £90.5m, which was a sequential decrease of 2% on our Q3 revenue of £92.2m. Q4 revenue was however, 5% and 10% higher than Q2 and Q1 respectively. This demonstrates that despite being in the COVID-19 lockdown environment during Q4, we were able to largely sustain revenue and we have a reasonable baseline which we expect to build on during the financial year ending 30 June 2021.

Throughout each of the scenarios considered, the Group's cash position continues to remain strong throughout the forecast period. As noted above, the Group has an unused RCF of £200m, funded by a group of banks. On the basis of the Group's existing cash reserves and projections, the Directors do not expect to need to draw down on the RCF in the foreseeable future, even in the most stressed scenario considered. Should a more extreme downside scenario occur, additional mitigating actions could be taken, such as reductions in other discretionary operating costs and non-committed capital expenditure.

Having considered the outcome of these assessments, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future, being at least 12 months from the date of approval of the financial statements, and accordingly continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, including the Strategic Report, the Directors' Report and the Directors' Remuneration Report, and the group and parent company 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

DocuSigned by:

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J E COTTERELL
CHIEF EXECUTIVE OFFICER
 125 Old Broad Street
 London
 EC2N 1AR

15 September 2020

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 2020 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 2020 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	£1.96m (2019: £1.44m) 4.5% (2019: 4.5%) of normalised profit (after excluding impact of non recurring items) before tax	
Coverage	100% (2019:100%) of group profit before tax	
Key audit matters		vs 2019
New risks	New: Evaluation of fair value of customer relationship intangible assets acquired through business combinations	▲
	New: Allowance for credit losses related to trade receivables and accrued income	▲
Recurring risks	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 judgement, 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:

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

	The risk	Our response
<p>Evaluation of fair value of customer relationship intangible assets acquired through business combinations</p> <p>(£9.1 million;</p> <p>2019: Nil)</p> <p>Refer to Note 3 (accounting policy) and Note 15 (financial disclosures).</p>	<p>The risk - high risk/high value</p> <p>The Group consummated two business combinations which resulted in the recognition of customer relationship intangible assets totalling £9.1 million.</p> <p>We determined the evaluation of the fair value of customer relationship intangible assets acquired through business combinations involves a high degree of subjective auditor judgement related to use of certain assumptions in the valuation models. The key assumptions used within the valuation models included expected future revenue growth, customer attrition rate, and the discount rates applied. Changes in these assumptions could have a significant impact on the fair value of the customer relationship intangible assets.</p>	<p>Our procedures included:</p> <p>Test of details:</p> <ul style="list-style-type: none"> - Assessing the expected future revenue growth used by the Group by comparing the assumptions used to the historical performance of acquired entities, and to the revenue growth rates of peer companies. - Assessing the customer attrition rate based on historical data of acquired entities. - Assessing the discount rate including the inputs used and the accuracy of the calculation. <p>Sensitivity analysis:</p> <ul style="list-style-type: none"> - Performing sensitivity analysis of key assumption (revenue growth rate) used in the calculation of customer relationship intangible assets by taking account of possible alternative scenarios that could arise individually and collectively. <p>Involvement of specialist:</p> <ul style="list-style-type: none"> - We involved a valuation professional with specialised skills and knowledge who assisted in evaluating: <ul style="list-style-type: none"> a. expected future revenue growth used by the Group to value the customer relationship intangible asset as compared to industry and macro-economic trend data; and b. the discount rates applied by comparing them to an independently developed range using publicly available market data for comparable entities. <p>Our results</p> <ul style="list-style-type: none"> - We found the Group's evaluation of fair value of customer relationship intangible assets acquired through business combination to be acceptable (2019: not a Key Audit Matter).

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

	The risk	Our response
<p>Valuation of the allowance for credit losses related to trade receivables and accrued income:</p> <p>(£3.6 million; 2019: £0.4 million)</p> <p>Refer to Note 3 (accounting policy) and Note 19 (financial disclosures).</p>	<p>The risk - high risk/high value</p> <p>The Group maintains a credit loss allowance (the allowance) of £3.6 million in respect of trade receivables and accrued income totalling £72.8 million as of June 30, 2020.</p> <p>The allowance is recorded based on the Group's historical, observable default rates and is adjusted by forward-looking estimates that includes consideration of macro-economic, customer segment and customer specific trends and conditions.</p> <p>We determined the evaluation of the allowance for credit losses related to trade receivables and accrued income, specifically the nature of any customer dispute and consideration of economic conditions that may affect the ability of customers to pay billed and unbilled fees.</p>	<p>Our procedures included:</p> <p>Personnel interview:</p> <ul style="list-style-type: none"> - For certain customers, we inquired of relevant Group operational and finance personnel to evaluate the rationale for establishing the allowance for trade receivables and accrued income. <p>Test of details and benchmarking:</p> <ul style="list-style-type: none"> - Assessing the Group's economic conditions analysis by sector compared to economic outlook data to evaluate the risk factors applied by the Group in determining which customers were at risk of default. - Inspecting relevant underlying documentation, including customer correspondence, historical collection trends, age of trade receivables, and realisation analyses to assess the Group's estimated allowance for customers at risk of default. <p>Our results</p> <ul style="list-style-type: none"> - We found the Group's valuation of the allowance for credit losses related to trade receivables and accrued income to be acceptable (2019: not a Key Audit Matter).

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

	The risk	Our response
<p>Revenue recognition: (£350.9 million; 2019: £287.9 million) Refer to Note 1 (accounting policy) and Note 5 (financial disclosures).</p>	<p>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 and the extent of audit effort required, this is considered to be an area that has a significant impact on our overall audit of the Group.</p>	<p>Our procedures included:</p> <p>Test of details:</p> <ul style="list-style-type: none"> - Obtaining and assessing direct confirmation of key contract terms on a sample of customers and compared them to signed customer contracts; - Evaluating whether the criteria for recognising the Company's revenues were in accordance with the relevant accounting requirements and standards; - For a sample of revenue transactions recognised during the year we determined whether revenue has been recognised in the correct accounting period. Our procedures included inspecting relevant supporting documents, including, among others, invoices, timesheet, customer acceptance, executed contracts and where applicable, with collection documents; - Inspection of credit notes issued after the end of the financial year to determine whether the revenues from the current financial year of reporting should be adjusted. <p>Our results</p> <ul style="list-style-type: none"> - We found revenue recognised to be acceptable (2019: acceptable)

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

	The risk	Our response
<p>Parent Company: Recoverability of the Company's investments in subsidiaries:</p> <p>(£88.9 million; 2019: £58.4 million)</p> <p>Refer to Note 1 (accounting policy) and Note 3 (financial disclosures) to Parent Company Financial Statements.</p>	<p>The risk - low risk/high value</p> <p>The carrying amount of the parent Company's investments in subsidiaries represents 39% (2019: 38.2%) 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.</p>	<p>Our procedures included:</p> <p>Test of details:</p> <ul style="list-style-type: none"> - Comparing the carrying amount of a sample of the highest value investments, representing 100% (2019: 100%) of the total investment balance with the relevant subsidiaries' balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; - 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 entity based on a value-in-use model. <p>Sensitivity analysis:</p> <ul style="list-style-type: none"> - Performing sensitivity analysis of key assumptions (discount rates and growth rates) used in the impairment model by taking account of possible downside scenarios that could arise individually. <p>Our results</p> <ul style="list-style-type: none"> - We found the Company's assessment of the recoverability of the investment in subsidiaries to be acceptable (2019: acceptable)

**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 £1.96 million (2019: £1.44 million), determined with reference to a benchmark of profit before tax, normalised to exclude the non-recurring items as disclosed in note 6, of which it represents 4.5% (2019: 4.5%).

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

Materiality for the parent company financial statements as a whole was set at £1.86 million (2019: £1.3 million), determined with reference to a benchmark of company total assets (2019: total assets), of which it represents 0.8% (2019: 0.8%).

We reported to the audit committee any corrected or uncorrected identified misstatements exceeding £98,000 (2019: £72,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 1 (2019: 2) reporting component, we subjected 1 (2019: 2) to full scope audits for group purposes.

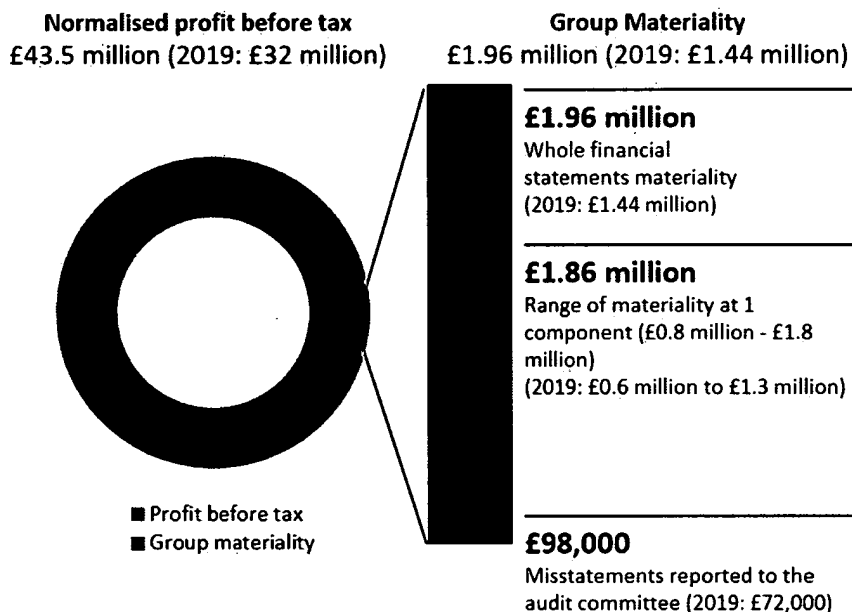
The Group team performed procedures on the items excluded from normalised group profit before tax and performed the audit of Group and the audit of the parent Company using the materiality levels set out below.

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

- Group revenue: 96% (2019: 100%)
- Group profit before tax: 100% (2019: 100%)
- Group total assets: 96% (2019: 100%)

The Group team set the following component materiality, having regard to the entities in scope for Group audit:

- £1.86 million (2019: £1.3 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 Group's and Company's business model, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was:

- Impact of Covid 19

As this risk could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risk materialise. We also considered less predictable but realistic second order impacts, such as the impact of economic uncertainty and the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year 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 matter.

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.

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

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 more fully in their statement set out on page 59, 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.

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

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.



David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

15 September 2020

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June

		2020	2019
	Note	£'000	£'000
Revenue	5	350,950	287,930
Cost of sales			
Direct cost of sales		(233,352)	(174,152)
Allocated cost of sales		(17,447)	(14,951)
Total cost of sales		(250,799)	(189,103)
Gross profit		100,151	98,827
Selling, general and administrative expenses		(78,279)	(65,857)
Operating profit	6	21,872	32,970
Finance expense	9	(1,940)	(6,299)
Finance income	10	3,109	3,429
Net finance income/(expense)		1,169	(2,870)
Gain on sale of subsidiary	6	2,215	—
Profit before tax		25,256	30,100
Tax on profit on ordinary activities	11	(3,846)	(6,093)
Profit for the year and profit attributable to the equity holders of the Company		21,410	24,007
Other comprehensive income			
Exchange differences on translating foreign operations		(2,240)	(5,987)
Total comprehensive income for the year attributable to the equity holders of the Company		19,170	18,020
Earnings per share (EPS):	13		
Basic EPS		£ 0.40	£ 0.48
Diluted EPS		£ 0.38	£ 0.44
Weighted average number of shares outstanding - basic		53,423,575	50,116,979
Weighted average number of shares outstanding - diluted		56,065,080	55,026,223

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

GROUP BALANCE SHEET

As at 30 June

Registered number 05722669

	NOTE	2020 £'000	2019 £'000 (Restated) ¹
Assets - Non current			
Goodwill	14	56,885	36,760
Intangible assets	16	38,751	28,910
Property, plant and equipment	17	12,747	10,579
Right-of-use assets	23	51,134	—
Deferred tax assets	12	13,340	9,550
Financial assets	23	639	—
Total		173,496	85,799
Assets - Current			
Trade and other receivables	19	82,614	65,917
Corporation tax receivable		2,922	790
Financial assets	23	584	—
Cash and cash equivalents		101,327	70,172
Total		187,447	136,879
Total assets		360,943	222,678
Liabilities - Current			
Lease liabilities	23	11,132	21
Trade and other payables	20	58,599	48,502
Corporation tax payable		1,449	2,920
Contingent consideration	15	1,442	1,244
Deferred consideration	15	3,764	1,516
Total		76,386	54,203
Liabilities - Non-current			
Lease liabilities	23	42,233	—
Deferred tax liabilities	12	5,861	2,033
Other liabilities		136	113
Total		48,230	2,146
Equity			
Share capital	24	1,099	1,089
Share premium	27	221	128
Merger relief reserve		25,527	21,573
Retained earnings	27	214,638	146,963
Other reserves	27	(3,817)	(1,577)
Investment in own shares	27	(1,341)	(1,847)
Total		236,327	166,329
Total liabilities and equity		360,943	222,678

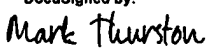
¹ See note 3.A2 for additional details

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

These financial statements were approved by the Board and authorised for issue on 15 September 2020 and are signed on their behalf by:

DocuSigned by:

 DF2C33C243BF48C...
JE Cotterell, Director

DocuSigned by:

 85735E12D7434A4...
MS Thurston, Director

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 June

	2020	2019
	£'000	£'000
Operating activities		
Profit for the year	21,410	24,007
Income tax charge	3,846	6,093
Non-cash adjustments (note 28)	28,622	21,390
Tax paid	(5,876)	(5,904)
UK research and development credit received	—	1,278
Net changes in working capital (note 28)	(7,759)	(11,516)
Net cash from operating activities	40,243	35,348
Investing activities		
Purchase of non-current assets (tangibles and intangibles)	(9,880)	(7,383)
Proceeds from disposal of non-current assets	195	57
Acquisition of business / subsidiaries, consideration in cash	(26,595)	(3,201)
Proceeds from sale of subsidiary net of cash disposed of	2,744	—
Cash and cash equivalents acquired with subsidiaries	3,289	—
Interest received	499	476
Net cash used in investing activities	(29,748)	(10,051)
Financing activities		
Proceeds from borrowings	—	3,500
Proceeds from sublease	668	—
Repayment of borrowings	(956)	(23,547)
Repayment of lease liabilities	(9,903)	—
Grant received	888	1,784
Interest paid	(829)	(343)
Net proceeds from initial public offering	—	44,828
Proceeds from sale of shares	30,917	—
Proceeds from exercise of options	93	133
Net cash from financing activities	20,878	26,355
Net change in cash and cash equivalents	31,373	51,652
Cash and cash equivalents at the beginning of the year	70,172	15,048
Net foreign exchange differences	(218)	3,472
Cash and cash equivalents at the end of the year	101,327	70,172

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 2018	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
Issuance of shares related to acquisition (restated) ¹	23	—	17,143	—	—	—	—	17,166
Exercise of options	5	128	—	428	(428)	—	—	133
Hyperinflation adjustment	—	—	—	—	53	—	—	53
Transaction with owners (restated)¹	93	(2,550)	17,143	428	63,631	—	—	78,745
Profit for the year	—	—	—	—	24,007	—	—	24,007
Other comprehensive income ²	—	—	—	—	—	—	(5,987)	(5,987)
Total comprehensive income for the year	—	—	—	—	24,007	—	(5,987)	18,020
Balance at 30 June 2019 (restated)¹	1,089	128	21,573	(1,847)	146,963	161	(1,738)	166,329
Equity-settled share-based payment transactions	—	—	—	—	15,966	—	—	15,966
Issue of shares related to acquisition	2	—	3,954	—	—	—	—	3,956
Sale of shares (EBT)	—	—	—	207	30,710	—	—	30,917
Exercise of options	8	93	—	299	(385)	—	—	15
Hyperinflation adjustment	—	—	—	—	(26)	—	—	(26)
Transaction with owners	10	93	3,954	506	46,265	—	—	50,828
Profit for the year	—	—	—	—	21,410	—	—	21,410
Other comprehensive income	—	—	—	—	—	—	(2,240)	(2,240)
Total comprehensive income for the year	—	—	—	—	21,410	—	(2,240)	19,170
Balance at 30 June 2020	1,099	221	25,527	(1,341)	214,638	161	(3,978)	236,327

¹ See note 3.A2 for additional details; ² See note 14 for additional details.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

For the year ended 30 June

1. GENERAL INFORMATION

REPORTING ENTITY

Endava plc (the “Company” and, together with its subsidiaries, the “Group” and each a “Group Entity”) is domiciled in London, United Kingdom. The address of the Company’s registered office is 125 Old Broad Street, London, EC2N 1AR. The Group’s expertise spans the entire ideation-to-production spectrum, creating value for our clients through creation of Product and Technology Strategies, Intelligent Digital Experiences, and World Class Engineering, delivered through our 24 capabilities, grouped into four key areas: Define, Design, Build and Run & Evolve.

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

The Group has applied the requirements of IFRS 16 ‘Leases’ from 1 July 2019. This has had a material impact on the financial statements, as further explained below.

A number of other new standards, interpretations and amendments to existing standards were also effective for the Group from 1 July 2019 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 16 - ‘Leases’

IFRS 16 replaces IAS 17 ‘Leases’ and related interpretations. The standard requires lessees to recognise right-of-use assets and lease liabilities for all leases meeting the lease definition set out by the standard unless certain exemptions are available. Accounting for lessors is largely unchanged.

The Group has adopted IFRS 16 using the modified retrospective basis of adoption with the date of initial application of 1 July 2019. Under this basis, the cumulative effect of initially applying the standard is applied as an adjustment to the opening balance of retained earnings as at 1 July 2019. Prior year comparatives have not been restated for the effect of IFRS 16 and are presented as historically disclosed under IAS 17.

The majority of the Group’s lease portfolio relates to property leases of offices and delivery centres. The Group also previously leased certain items of office equipment.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases except for short-term leases and leases of low value assets.

Previously, the Group classified its property leases as operating leases under IAS 17. Leased property was not capitalised and the lease payments were recognised as rent expense in the statement of comprehensive income on a straight-line basis over the lease term. Any prepaid or accrued rent were recognised under prepayments and accruals, respectively.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at an appropriate incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepayments or accruals relating to leases.

On transition, the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group elected to use the following practical expedients and recognition exemptions available when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- the recognition exemption for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases);
- accounting for leases ending within 12 months of the date of transition as short-term leases;
- the recognition exemption for lease contracts for which the underlying asset value is of low value (low-value assets);
- to use hindsight in determining the lease term where contracts contained options to extend or terminate the lease;
- exclusion of initial direct costs from the measurement of the right-of-use asset recognised on initial adoption of the standard;
- adjustment of the right-of-use asset on transition by the amount of any previously recognised onerous lease provision, as an alternative to performing an impairment review; and
- where appropriate, arrangements containing both lease and non-lease components being accounted for as though they comprise a single-lease component.

The Group also previously leased certain items of office equipment. These leases were classified as finance leases under IAS 17. The lease term of all such assets ended within 12 months of the date of initial application of IFRS 16, and therefore the Group did not recognise right-of-use assets in relation to these leases.

At transition, the Group did not have any arrangements in which it acted as a lessor.

Impact on financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets of £40.2 million, and additional lease liabilities of £40.2 million. The impact on the Group Balance Sheet on transition is summarised below.

	30 June 2019 £'000	IFRS 16 impact £'000	1 July 2019 £'000
Assets - Non current			
Right-of-use assets	—	40,222	40,222
Assets - Current			
Prepayments	5,734	(781)	4,953
Liabilities - Current			
Lease liabilities	(21)	(8,625)	(8,646)
Accruals	(33,326)	732	(32,594)
Liabilities - Non current			
Lease liabilities	—	(31,548)	(31,548)

The lease liability brought onto the balance sheet at transition of £40.2 million was measured by discounting the remaining lease payments using the incremental borrowing rate applicable to each lease at the date of initial application. The weighted average incremental borrowing rate applied was 2.75%.

The reconciliation of operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019 is summarised below:

	1 July 2019 £'000
Operating lease commitments disclosed as at 30 June 2019	58,473
Effect of discounting under the specific incremental borrowing rate	(3,937)
Adjustment as a result of different treatment of extension options	5,417
Short-term leases recognised as an expense on a straight-line basis	(435)
Adjustment for leases contracted but not yet commenced	(10,142)
Adjustment for service charges included in operating lease commitments, not included in lease liability under IFRS 16	(9,203)
Additional lease liabilities recognised as a result of IFRS 16	40,173
Existing finance leases	21
Total lease liabilities recognised as at 1 July 2019	40,194

We have presented right-of-use assets and the current and non-current elements of lease liabilities on the face of the Group Balance Sheet. Additionally, to support the additional lessee accounting disclosure requirements introduced by IFRS 16 we have added a dedicated note (note 23) which explains movements in the right-of-use assets during the year, along with other relevant disclosures.

There is no overall impact on the Group's cash and cash equivalents, however the Group Statement of Cash Flows has been revised to present the element of cash lease payments attributable to lease interest expense and the element attributable to repayment of lease liabilities within cash flows from financing activities.

New and amended accounting standards that have been issued but are not yet effective

The following new or amended standards and interpretations are applicable in future periods but are not expected to have a significant impact on the Group's consolidated financial statements and related disclosures.

Effective for annual periods beginning on or after January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Effective for annual periods beginning on or after June 2020:

- Amendments to IFRS 16: COVID 19-Related Rent Concessions

Effective for annual periods beginning on or after January 2022:

- Amendments to IFRS 1, IFRS 9 and IAS 41: Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

Effective for annual periods beginning on or after January 2023:

- 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 2020.

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.

Restatement for reclassification of share premium to merger relief reserve:

During FY2020, following a review of the share premium account, the Directors have determined that share premium of £17,143,000, which arose during the year ended 30 June 2019 upon settlement of the contingent equity consideration for the acquisition of Velocity Partners, should have been classified as merger relief reserve. The impact of this restatement at 30 June 2019 is to decrease share premium by £17,143,000 to £128,000 with a corresponding increase to the merger relief reserve by £17,143,000 to £21,573,000. There is no impact on total equity, on profit or earnings per share in the current year or on any earlier periods.

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 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. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including future revenue growth, client attrition rates, and discount rates impacting the valuation of client relationship intangible assets. To assist us in making these fair value determinations, we may engage third party valuation specialists.

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 ended 30 June 2019, 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 as of 30 June 2018, 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.

Further detailed information in relation to business combinations is included in note 15 to the financial statements.

Recoverability of trade and other receivables

We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

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. We know that certain debts due to us may not be paid through the default of a small number of our customers. Accordingly, we recognise an expected credit loss allowance, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and forward-looking informed credit assessment relating to customer specific trends and conditions, alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort. Due to the global financial uncertainty arising from the COVID-19 pandemic, management has considered the elevated credit risk on trade receivables. In addition, certain balances (where there was an objective evidence of credit impairment) have been provided for on an individual basis.

Further detailed information in relation to trade and other receivables is included in note 19 to the financial statements.

6. GOING CONCERN

The COVID-19 outbreak since early 2020, which has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally, has brought about additional uncertainties in the Group's operating environment. The ongoing impact of COVID-19 has resulted in many countries around the world imposing lockdowns, shelter-in-place orders, quarantines, restrictions on travel and mass gatherings, including the cancellation of trade shows and other events, and the extended shutdown of non-essential businesses that cannot be conducted remotely.

The Group has been closely monitoring the impact of the developments on its businesses, mainly because the continuous worsening of global business and economic conditions may impact the stability of operations and could have an adverse impact on the earnings of the Group. While there have been disruptions to manufacturing and supply chains around the world, the impact on the Group's operations and liquidity has not been substantial. The Group continues to support our customers in keeping their supply chains running.

In accordance with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', the Directors have considered the funding and liquidity position of the Group and have assessed the Group's ability to continue as a going concern for the foreseeable future.

In doing so, the Directors have reviewed the Group's budget and forecasts, and have taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of these financial statements.

The Group meets its day-to-day working capital requirements and medium-term funding requirements through its trading cash flows. At 30 June 2020, the Group had net assets of £236.3m and net current assets of £111.1m, of which £101.3m was cash and cash equivalents. In addition, the Group has a currently unused revolving credit facility (RCF) of £200m. The Directors remain satisfied with the Group's funding and liquidity position.

In response to the risks outlined above, and its potential impact on the Group's ability to continue as a going concern, the Directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes possible impacts of the global COVID-19 pandemic on the Group and reviews of liquidity and covenant forecasts. The potential financial impact of the COVID-19 pandemic has been modelled in our cash flow projections to produce a baseline forecast scenario. This baseline scenario reflects the current business disruption, deterioration in economic conditions and the resulting impact on customers and operations.

The Directors have also considered sensitivities in respect of potential downside scenarios over and above the baseline scenario, and the mitigating actions available in concluding that the Group is able to continue in operation for a period of at least 12 months from the date of approval of these financial statements. The specific scenarios modelled included a downside scenario with a U-shaped revenue impact from COVID-19 leading to three quarters of suppressed revenues followed by a gradual recovery, and a severe but plausible downside scenario with a broader U-shaped revenue impact leading to five quarters of suppressed revenues followed by a gradual recovery.

In the downside scenario, forecast revenue has been stressed by an extended period, reducing the baseline revenue forecast by 12%, with no reduction in the costs included in the baseline scenario. In this scenario our closing cash balance for the forecast period is reduced by £56m, but still remains positive at 30th June 2021 and 31st Dec 2021, and no draw-down from the RCF would be required.

In the severe but plausible downside scenario, forecast revenue has been stressed by a further extended period, reducing the baseline revenue forecast by 40%, and reducing baseline forecast cash by £87m. Again however, the resulting forecast cash position remains positive at 30th June 2021 and 31st Dec 2021, and no draw-down from the RCF would be required. This scenario also includes certain cost mitigation adjustments.

Our Q4 revenue in 2020 was £90.5m, which was a sequential decrease of 2% on our Q3 revenue of £92.2m. Q4 revenue was however, 5% and 10% higher than Q2 and Q1 respectively. This demonstrates that despite being in the COVID-19 lockdown environment during Q4, we were able to largely sustain revenue and we have a reasonable baseline which we expect to build on during fiscal 2021.

Throughout each of the scenarios considered, the Group's cash position continues to remain strong throughout the forecast period. As noted above, the Group has an unused RCF of £200m, funded by a group of banks. On the basis of the Group's existing cash reserves and projections, the Directors do not expect to need to draw down on the RCF in the foreseeable future, even in the most stressed scenario considered. Should a more extreme downside scenario occur, additional mitigating actions could be taken, such as reductions in other discretionary operating costs and non-committed capital expenditure.

Having considered the outcome of these assessments, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future, being at least 12 months from the date of approval of these financial statements, and accordingly continue to adopt the going concern basis in preparing the 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.

Accounting standards are applied on the assumption that the value of money (the unit of measurement) is constant over time. However, when the rate of inflation is no longer negligible, a number of issues arise impacting the true and fair nature of the accounts of entities that prepare their financial statements on a historical cost basis. To address such issues, entities apply IAS 29 Financial Reporting in Hyperinflationary Economies from the beginning of the period in which the existence of hyperinflation is identified.

Based on the statistics published in July 2018, the 3-year cumulative rate of inflation for consumer prices and wholesale prices in Argentina reached a level of about 123% and 119%, respectively. On that basis, Argentina was considered an hyperinflationary economy since 1 July 2018. At 30 June 2020 and 2019 the Company has recognised the effects of inflation in their financial statements. The Company also has a subsidiary in Venezuela that is considered a hyperinflationary economy but the functional currency of this company is the U.S. dollar.

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. Financial assets that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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 financial assets at amortised cost includes cash and cash equivalents, trade and substantially all other receivables.

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

iv) Impairment

The Group recognises an allowance for expected credit losses (ECLs) for trade receivables and contract assets. The Group applies the simplified approach available in IFRS 9. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and forward-looking informed credit assessment relating to customer specific trends and conditions alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort. Due to the global financial uncertainty arising from the COVID-19 pandemic, management has considered the elevated credit risk on trade receivables. In addition, certain balances (where there was an objective evidence of credit impairment) have been provided for on an individual basis.

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 capitalised 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 recoverable amount. The estimate of recoverable amount of goodwill may require valuations of certain internally generated and unrecognised intangible assets. If the carrying amount of goodwill exceeds the recoverable amount of that goodwill, an impairment loss is recognised in an amount equal to the excess. The Group tests for goodwill impairment on 30 June 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) Internally-generated intangible assets

Intangible assets arising from development are recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the ability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) Subsequent expenditure

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

(v) 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
Trade name	5 years
Supplier relationships	5 years
Non-compete agreement	3 years
Computer software	3 - 10 years
Licences	Shorter of licence period and up to 3 years
Software - own work capitalised	3 - 5 years

12. LEASE AGREEMENTS

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 July 2019

The Group assesses whether a contract is, or contains, a lease at the inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

As the majority of the Group's lease portfolio relates to property leases of offices and delivery centres, the Group has elected not to separate non-lease components and therefore accounts for the lease and non-lease component as a single lease component.

Right-of-use assets are initially measured at cost, comprising the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, right-of-use assets are adjusted for any remeasurement of lease liabilities. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Lease liabilities are initially measured at the present value of the lease payments that are due over the lease term, which have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to each lease. This is the rate that the Group would have to pay for a loan of a similar term, and with a similar security, to obtain an asset of a similar value.

The Group calculates the incremental borrowing rate applicable to each lease by obtaining information from various external sources in relation to interest rates and credit risk and makes certain adjustments to reflect the terms of the lease, the type of asset leased, the country and currency of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of any purchase options that are reasonably certain to be exercised;
- payments due over optional renewal periods that are reasonably certain to be exercised; and
- penalties for early termination of a lease where we are reasonably certain to terminate early.

Any variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. Lease liabilities are remeasured if there is a modification, a change in future lease payments due to a renegotiation or market rent review or a change of an index or rate, or the amount expected to be payable under a residual guarantee, or if we change our assessment of whether we will exercise a purchase, renewal or termination option. When a lease liability is remeasured, a corresponding adjustment is made to the related right-of-use asset.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group presents right-of-use assets and lease liabilities as separate line items on the face of the balance sheet.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, the head-lease and sub-lease are accounted for as two separate contracts. The head lease is accounted for as per the lessee policy above. The sub-lease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Where the lease transfers substantially all the risks and rewards of ownership to the lessee the contract is classified as a finance lease; all other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance sub-leases are recognised as receivables at the amount of the Group's net investment in the leases, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the discount rate used in the head lease.

Policy applicable before 1 July 2019

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.

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.

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.

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 an 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.

The Group accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Group identifies its distinct performance obligations under each contract. A performance obligation is a promise in a contract to transfer a distinct product or service to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring products or services to a customer. 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 relative standalone selling price which is generally directly observable from sales to similarly situated clients. 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 are 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 contract 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 leases, running costs related to the Group's revolving credit facility 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 6 July 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, 24, 26 and 27 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 less than 10% in both 2020 and 2019 and 10.5% in 2018 of our total revenue.

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:

	2020	2019
	£'000	£'000
United Kingdom	38,284	26,436
North America	28,321	29,248
Europe	30,491	6,779
RoW ¹	11,287	13,786
Total	108,383	76,249

¹ Rest of World

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:

	2020	2019
	£'000	£'000
United Kingdom	155,507	129,513
North America	100,089	79,231
Europe	85,882	79,186
RoW ¹	9,472	—
Total	350,950	287,930

¹ Rest of World (RoW) is a new geography which is being separately reported in the financial year ended 30 June 2020. In previous years, clients located in RoW were regarded as immaterial.

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

	2020	2019
	£'000	£'000
Payments and Financial Services	185,175	152,179
TMT	90,255	78,888
Other	75,520	56,863
Total	350,950	287,930

The Group's revenue by contract type is as follows:

	2020	2019
	£'000	£'000
Time and materials contracts	305,766	n/a*
Fixed price contracts	45,184	n/a*
Total	350,950	287,930

* A comparable breakdown of revenue by contract type is not available for previous financial years, due to internal billing systems changes that were implemented in the 2019 fiscal year.

As at 30 June 2020, the aggregate transaction value of revenue that has not been recognised relating to unsatisfied, or partially satisfied, performance obligations was £61 million. This relates to fixed price contracts with forward contractual commitments. This revenue is expected to be recognised over the following time periods:

	£'000
Less than 1 year	28,405
1 to 2 years	16,917
2 to 3 years	11,040
More than 3 years	4,228
Total	60,590

Revenue recognised in the 2020 fiscal year relating to performance obligations that were satisfied, or partially satisfied, in previous years was not material.

6. OPERATING PROFIT

	2020	2019
	£'000	£'000
OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING)		
Depreciation and impairment of owned property, plant & equipment	4,795	3,969
Depreciation of assets held under finance leases	21	34
Depreciation of right-of-use assets	9,072	—
Amortisation of intangible assets	4,837	3,897
Net gain on disposal of property, plant and equipment	(11)	(23)
Net gain on disposal of right-of-use asset	(23)	—
Net gain on disposal of subsidiary	(2,215)	—
Gain on derecognition of right-of-use assets sub-leased	(472)	—
Research and development expenditure credit	(1,600)	(1,278)
Government grants	(670)	(819)
Share-based compensation	15,663	12,022
Discretionary EBT bonus	27,874	—
Expected credit loss on trade receivables	3,169	8
Initial public offering expenses	—	1,055
Sarbanes-Oxley compliance readiness expenses	—	1,440
Secondary offering expenses	—	1,009
Operating lease costs:		
Land and buildings	1,053	9,941

Disposal of Endava Technology SRL (“the Captive”)

Pursuant to an agreement entered into with Worldpay in November 2016, Endava granted Worldpay an option to acquire a captive Romanian subsidiary that Endava created and staffed for Worldpay. On 1 June 2019, Endava entered into an agreement to sell the Captive to Worldpay and to terminate the option and transfer agreement. On 31 August 2019 the transaction was completed and the employees of the Captive became employees of Worldpay. Endava has agreed to provide Worldpay certain transition services under a Transition Services Agreement between Endava and Worldpay, which remains in place following the closing of the sale of the Captive. The aggregate selling price of the Captive was £3.6 million and the Group recognised a gain on disposal of subsidiary of £2.2 million.

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 expenses 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.

Operating lease costs for the year ended 30 June 2020 include short-term lease rent (not in scope for IFRS 16), property taxes and other property related costs.

AUDITOR'S REMUNERATION:

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

	2020	2019
	£'000	£'000
Audit of the financial statements	840	741
Subsidiary local statutory audits	103	95
SOX attestation fees	832	—
Total audit fees	1,775	836
Secondary offering expenses	—	150
Other SEC filings review expenses	—	36
Total audit related fees	—	186
Total auditor's remuneration	1,775	1,022

7. PARTICULARS OF EMPLOYEES (INCLUDING DIRECTORS)

	2020	2019
AVERAGE NUMBER OF STAFF EMPLOYED BY THE GROUP DURING THE YEAR (INCLUDING DIRECTORS)		
Number of operational staff	5,633	4,902
Number of administrative staff	601	503
Number of management staff	8	7
TOTAL	6,242	5,412

	2020	2019
	£'000	£'000
AGGREGATE PAYROLL COSTS OF THE ABOVE WERE:		
Wages and salaries	222,918	163,399
Social security and pension costs	16,288	13,767
Share option charge	15,663	12,022
TOTAL	254,869	189,188

8. KEY MANAGEMENT REMUNERATION

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

	2020	2019
	£'000	£'000
Remuneration paid	1,405	1,281
Company contribution to pension scheme	71	65
Share-based compensation	1,731	1,164
TOTAL	3,207	2,510

EMOLUMENTS OF HIGHEST PAID DIRECTOR:

Remuneration paid	694	620
Company contribution to pension scheme	53	47
Share-based compensation	970	501
TOTAL	1,717	1,168

There were 2 directors who were members of a pension scheme during the year (2019: 2).

The highest paid director exercised 22,500 options in the year (2019: 654,195) and was granted 55,788 options under a long-term incentive plan (2019: 90,000).

9. FINANCE EXPENSE

	2020	2019
	£'000	£'000
Interest charge on bank borrowings	10	90
Running costs related to revolving credit facility	809	248
Interest charge on leases	1,066	3
Other interest charge	6	4
Fair value movement of financial liabilities	49	5,954
TOTAL	1,940	6,299

10. FINANCE INCOME

	2020	2019
	£'000	£'000
Interest income on bank deposits	497	450
Other interest income	58	36
Gain on derecognition of right-of-use assets sub-leased	472	—
Fair value movement of financial assets	30	—
Foreign exchange gain	2,052	2,943
TOTAL	3,109	3,429

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

	2020	2019
	£'000	£'000
UK corporation tax based on the results for the year ended 30 June 2020 at 19% (2019 :19%)	123	4,636
Overseas tax	5,130	5,207
Current Tax	5,253	9,843
Deferred Tax	(1,407)	(3,750)
Total tax	3,846	6,093

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

RECONCILIATION OF THE TAX RATE ON GROUP PROFITS

	2020		2019	
	£'000	%	£'000	%
Profit on ordinary activities before taxation	25,256		30,100	
Profit on ordinary activities at UK statutory rate	4,799	19.0 %	5,719	19.0 %
Differences in overseas tax rates	(912)	(3.6)%	(922)	(3.1)%
Impact of share-based compensation	400	1.6 %	288	1.0 %
Utilisation of previously unrecognised tax losses	(97)	(0.4)%	—	—
Non-taxable gain on sale of subsidiary	(421)	(1.7)%	—	—
Other permanent differences	63	0.2 %	632	2.1 %
Adjustments related to prior periods	(221)	(0.9)%	164	0.5 %
Tax on unremitted earnings/Withholding tax on dividends	399	1.6 %	212	0.7 %
Impact of rate change on deferred tax	(164)	(0.6)%	—	—
Total	3,846	15.2 %	6,093	20.2 %

The other permanent differences of £63,000 as of 30 June 2020 are mainly related to certain expenses that are not expected to be tax deductible in any jurisdiction net of tax credits.

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.

TAX ON ITEMS CHARGED TO EQUITY AND STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	£'000	£'000
Deferred tax - share-based compensation	(1,015)	(4,077)
Current tax - share-based compensation	(2,821)	(2,159)
Total credit to equity and statement of comprehensive income	(3,836)	(6,236)

UNREMITTED EARNINGS

The aggregate amount of unremitted profits at 30 June 2020 was approximately £27,500,000 (2019 - £29,000,000). 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 £886,000 has been provided on these profits as of 30 June 2020 (2019 - £609,000).

12. DEFERRED TAX ASSETS AND LIABILITIES

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

DEFERRED TAX 2020	AT 1 JULY 2019	EXCHANGE ADJUSTMENTS	CREDIT / (CHARGE) TO PROFIT	CREDIT TO EQUITY	ACQUISITION	AT 30 JUNE 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	(130)	—	85	—	—	(45)
Tax losses	867	—	32	—	—	899
Share-based compensation	6,854	—	1,016	1,015	—	8,885
Intangible assets	(440)	(167)	344	—	(2,657)	(2,920)
Other temporary differences	366	(24)	(70)	—	388	660
Total	7,517	(191)	1,407	1,015	(2,269)	7,479

DEFERRED TAX 2019	AT 1 JULY 2018	EXCHANGE ADJUSTMENTS	CREDIT / (CHARGE) TO PROFIT AND LOSS	CREDIT TO EQUITY	AT 30 JUNE 2018
	£'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

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:

	2020	2019
	£'000	£'000
Deferred tax assets	13,340	9,550
Deferred tax liabilities	(5,861)	(2,033)
Net deferred tax	7,479	7,517

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.

	2020	2019
	£'000	£'000
Profit for the period attributable to equity holders of the Company	<u>21,410</u>	<u>24,007</u>
Weighted average number of shares outstanding	<u>53,423,575</u>	<u>50,116,979</u>
Earnings per share - basic (£)	<u>£ 0.40</u>	<u>£ 0.48</u>

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.

	2020	2019
	£'000	£'000
Profit for the period attributable to equity holders of the Company	<u>21,410</u>	<u>24,007</u>
Fair value movement of financial liabilities	<u>—</u>	<u>—</u>
Profit for the year attributable to equity holders of the Company including impact of fair value adjustment of contingent consideration	<u>21,410</u>	<u>24,007</u>
Weighted average number of shares outstanding	<u>53,423,575</u>	<u>50,116,979</u>
Diluted by: options in issue and contingent shares	<u>2,641,505</u>	<u>4,909,244</u>
Weighted average number of shares outstanding (diluted)	<u>56,065,080</u>	<u>55,026,223</u>
Earnings per share - diluted (£)	<u>£ 0.38</u>	<u>£ 0.44</u>

14. GOODWILL

2020	£'000
Cost	
At 1 July 2019	36,760
Acquired through business combinations	20,463
Effect of foreign exchange translations	(338)
At 30 June 2020	56,885
2019	£'000
Cost	
At 1 July 2018	41,062
Acquired through business combinations	—
Effect of foreign exchange translations	(4,302)
At 30 June 2019	36,760
Net book value	
At 30 June 2020	56,885
At 30 June 2019	36,760

The Group has one Cash Generating Unit (“CGU”) and accordingly goodwill is reported under one CGU. Goodwill acquired in a business combination is allocated, from the acquisition date, to the CGU, that is expected to benefit from synergies of the combination and represents the lowest level within the entity at which the goodwill is monitored for internal reporting purposes.

During the 2020 financial year, the Group acquired 100% of Intuitus Limited’s (“Intuitus”) voting rights and obtained control of Intuitus, which resulted in an increase in goodwill of £8,569,000. All goodwill is recorded in local currency of the acquired company, which is Sterling and has been allocated to the Group CGU. The Group also completed the acquisition of Exozet GmbH (“Exozet”), acquiring 100% of the voting rights and obtaining control. This resulted in an increase in goodwill of £11,893,000. All goodwill is recorded in the local currency of the acquired company, which is the Euro and has been allocated to the Group CGU.

During the 2018 financial year, 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. The Goodwill has been allocated to the Group CGU.

During 2019 financial year, 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 gave rise to a total reduction in the carrying value of Goodwill of £4,649,000 that was 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 had 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 was not material in the context of the overall value of goodwill or net assets, it was, in the judgement of the Directors, appropriate to affect the change in allocation in the 2019 financial year.

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 2020, 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 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Growth rate	20%	20%
Discount rate	11.4%	14.5%
Terminal growth rate	1.5%	1.5%

Management's impairment assessment for 2020 and 2019 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 2020 and 30 June 2019, there were no indicators of impairment that suggested that the carrying amount of the Group's goodwill is not recoverable.

15. BUSINESS COMBINATIONS

Acquisition of Exozet GmbH

On 17 December 2019 (the "Exozet Acquisition Date"), the Group entered into a Share Purchase Agreement ("the Exozet Purchase Agreement") pursuant to which the Group acquired all of the issued and outstanding equity of Exozet GmbH ("Exozet"). Exozet has a team of 156 employees based in Germany and Austria with end-to-end expertise from consulting to design, implementation and technical innovation.

The acquisition accounting of Exozet GmbH acquisition was considered provisional as at 30 June 2020, pending final conclusion on the opening working capital adjustment.

The consideration includes elements of cash, contingent and deferred compensation and equity consideration. The following table summarises the acquisition date fair values of each major class of consideration transferred:

	£'000
Initial cash consideration	15,976
Fair value of deferred consideration	1,677
Fair value of equity consideration	847
Fair value of credit loss utilisation/refund consideration	215
Total consideration transferred	18,715

Under the Exozet Purchase Agreement, the Group paid the former equity holders of Exozet a cash purchase price of £16.0 million. In addition, the Group recognised a fair value of £1.7 million of deferred consideration attributed to a holdback amount, payable within 12 months of the acquisition date. The Company issued 24,392 Class A ordinary shares in the form of ADSs to the sellers as part of the purchase price, with a fair value of £0.8 million. The credit loss refund consideration of £0.2 million represents amounts due to the former equity holders of Exozet if brought forward tax losses are successfully utilised.

Under the Purchase Agreement, there are other amounts that are payable in future periods based on the continued service of certain employees of Exozet. £2.9 million worth of share units under the 2018 Equity Incentive Plan were granted to the Sellers on completion of the acquisition, which vest over a 4-year period and are all subject to continued employment. A portion of the overall share units is also subject to achievement of specific revenue and EBITDA goals over the earn-out period. As all share units are based on continued service provided to the post-combination entity, they have been excluded from consideration and will instead be accounted for as ongoing remuneration under IFRS 2.

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

	Fair Value £'000
Intangible asset - Client relationships	6,955
Other intangible assets	1,030
Property, plant and equipment	128
Right-of-use asset	1,136
Deferred tax asset	604
Trade and other receivables	2,611
Cash and cash equivalents	801
Borrowings	(956)
Trade and other payables	(1,501)
Corporation tax payable	(310)
Lease liability	(1,136)
Deferred tax liability	(2,540)
Fair value of identifiable net assets	6,822

Other than intangible assets, the fair value approximates the carrying value of the net assets acquired.

Intangible assets subject to valuation include client relationships. Other intangible assets that exist include technology related intangibles (own work capitalised).

The multi period excess earnings method ("MEEM") was applied to determine the fair value of the client 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 Exozet's clients 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 MEEM, 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 technology related asset relates to internal hours for development of specific intellectual property. Such internal projects are approved by Management only if future benefits are specified and likely. Management concluded that the net book value at acquisition date represents a reasonable estimate of its fair 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 client relationship was £2.0 million based on a book base of £7 million and a tax base of £nil at the date of acquisition.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Consideration transferred	18,715
Fair value of identifiable net assets	(6,822)
Goodwill	11,893

The goodwill arising from the acquisition represents the knowledge and experience of the workforce, who are instrumental to securing future revenue growth and in the development of new IP and know-how, the revenue and cost synergies that are achievable and the growth opportunities that are available within the broader digital agency market. There is no goodwill amount that is expected to be deductible for tax purposes.

Revenue and Loss of Exozet from the Exozet Acquisition Date to 30 June 2020:

	£'000
Revenue	8,054
Loss	100

Management estimate of Revenue and Profit of Exozet for the reporting period ended 30 June 2020 (had the acquisition occurred at the beginning of the reporting period):

	£'000
Revenue	15,623
Profit	501

Acquisition Related Costs:

	£'000
Legal and professional fees	620

The acquisition related costs are expensed as incurred.

Acquisition of Intuitus Limited

On 1 November 2019 (the "Intuitus Acquisition Date"), the Group entered into a Share Purchase Agreement ("the Intuitus Purchase Agreement") pursuant to which the Group acquired all of the issued and outstanding equity of Intuitus Limited ("Intuitus"), obtaining control. Intuitus is a leading independent provider of technology and digital due diligence, and other technology advisory services to Private Equity clients. In connection with its acquisition of Intuitus, the Group acquired over 100 active clients, most of which are Private Equity firms based in the United Kingdom and Continental Europe, as well as in the United States and Middle East.

The acquisition accounting of the Intuitus acquisition was considered final as at 30 June 2020.

The consideration includes elements of cash, deferred compensation and equity consideration. The following table summarises the acquisition date fair values of each major class of consideration transferred:

	£'000
Initial cash consideration	9,024
Fair value of deferred consideration	1,889
Fair value of equity consideration	3,110
Total consideration transferred	14,023

Under the Intuitus Purchase Agreement, the Group paid the former equity holders of Intuitus a cash purchase price of £9.0 million. In addition, the Group recognised a fair value of £1.9 million of deferred consideration attributed to a holdback amount, payable within 18 months of the acquisition date. The Company also issued 98,147 Class A ordinary shares in the form of ADSs to the sellers as part of the purchase price, with a fair value of £3.1 million.

Under the Purchase Agreement, there are other amounts that are payable in future periods based on the continued service of certain employees of Intuitus. £2.5 million worth of share units under the 2018 Equity Incentive Plan were granted to the Sellers on completion of the acquisition, which vest over a 4-year period and are all subject to continued employment. A portion of the overall share units is also subject to achievement of specific revenue and profit margin goals over the earn-out period. As all share units are based on continued service provided to the post-combination entity, they have been excluded from consideration and will instead be accounted for as ongoing remuneration under IFRS 2.

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

	Fair Value £'000
Intangible asset - Client relationships	2,547
Intangible asset - Trade name	272
Intangible asset - Supplier relationships	120
Other intangible assets	9
Property, plant and equipment	82
Right-of-use asset	548
Deferred tax asset	225
Trade and other receivables	2,054
Cash and cash equivalents	2,488
Corporation tax receivable	247
Trade and other payables	(2,041)
Lease liability	(539)
Deferred tax liability	(558)
Fair value of identifiable net assets	5,454

Other than intangible assets, the fair value approximates the carrying value of the net assets acquired.

Intangible assets subject to valuation include: Intuitus trade name, network of contractors (supplier relationship), client relationships and workforce. Other intangibles considered but not valued included: software, favourable and unfavourable agreements and non-compete agreements. The income approach (relief from royalty) was used to value Intuitus trade name, the income approach (excess earnings) for client relationships and the cost approach for network of contractors and workforce.

The fair value of the assembled workforce acquired is included in the amount initially recorded as goodwill.

The relief from royalty method assumes that the value of an intangible asset is equal to the present value of the amount the business would be prepared to pay to lease or rent that asset under a contract if it did not own the asset. The value of an intangible asset under this method is calculated as the difference between the business value estimated under two sets of cash flow projections: a) the value of the business with all assets in place at the valuation date, and b) the value of the business with all assets in place but the subject asset at the valuation date.

The multi period excess earnings method (“MEEM”) was applied to determine the fair value of the client 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 Intuitus’s clients 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 MEEM, 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 cost approach is based on the current cost to recreate or duplicate the asset less an appropriate allowance for a decrease in value due to the passage of time or obsolescence. Incorporated in the cost approach is the economic principle of substitution, which states that an informed purchaser would pay no more for an asset than the cost of purchasing or producing a substitute asset with the same utility as the appraised asset.

Deferred tax

The deferred tax liability at acquisition on the client relationship and other intangibles (trade name and supplier relationship) was £0.6 million based on a book base of £2.9 million and a tax base of £nil at the date of acquisition.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Consideration transferred	14,023
Fair value of identifiable net assets	(5,454)
Goodwill	8,569

The goodwill arising from the acquisition represents the assembled workforce and expected synergies from combining Intuitus operations into the Group’s existing operations. The acquisition will enhance the Company’s capability and accelerates its market penetration within the private equity sector. There is no goodwill amount that is expected to be deductible for tax purposes.

Revenue and Loss of Intuitus from Intuitus Acquisition Date to 30 June 2020:

	<u>£'000</u>
Revenue	3,368
Loss	267

Management estimate of Revenue and Loss of Intuitus for the reporting period ended 30 June 2020 (had the acquisition occurred at the beginning of the reporting period):

	<u>£'000</u>
Revenue	5,222
Loss	465

Acquisition Related Costs:

	<u>£'000</u>
Legal and professional fees	208
Stamp duty	70
Total	<u>278</u>

The acquisition related costs are expensed as incurred.

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:

	<u>£'000</u>
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	<u>44,887</u>

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 was paid during 2020.

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 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 the Group receives 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 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)
Fair value of identifiable net assets	20,675

Other than intangible assets, the fair value approximates the carrying value of the net assets acquired.

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

The multi period excess earnings method ("MEEM") was applied to determine the fair value of the client 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' clients 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 MEEM, 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 client 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	<u>44,887</u>
Fair value of identifiable net assets	<u>(20,675)</u>
Goodwill	<u>24,212</u>

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	<u>15,281</u>
Profit	2,635

Management estimate of 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	<u>30,383</u>
Profit	4,327

Acquisition related costs:

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

Acquisition related costs are expensed as incurred.

16. INTANGIBLE ASSETS

GROUP 2020	CLIENT RELATIONSHIP	SOFTWARE AND LICENCES	NON- COMPETE AGREEMENT	TRADE NAME	SUPPLIER RELATION SHIPS	SOFTWARE OWN WORK - COMPLETED PROJECTS	SOFTWARE OWN WORK - PROJECTS IN PROGRESS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 July 2019	34,440	4,885	139	—	—	—	—	39,464
Additions	—	2,427	—	—	—	—	88	2,515
On acquisition of subsidiary / business	9,502	9	—	272	120	818	212	10,933
Reclassification	—	—	—	—	—	187	(187)	—
Disposals	—	(37)	—	—	—	—	—	(37)
Effect of foreign exchange translations	1,547	4	5	—	—	84	9	1,649
At 30 June 2020	45,489	7,288	144	272	120	1,089	122	54,524
Amortisation								
At 1 July 2019	9,414	1,001	139	—	—	—	—	10,554
Charge for the year	4,019	572	—	36	16	194	—	4,837
Disposals	—	(23)	—	—	—	—	—	(23)
Effect of foreign exchange translations	367	6	5	—	—	27	—	405
At 30 June 2020	13,800	1,556	144	36	16	221	—	15,773
Net book value								
At 30 June 2020	31,689	5,732	—	236	104	868	122	38,751

GROUP FINANCIAL STATEMENTS - NOTES

GROUP 2019	CLIENT RELATIONSHIP	SOFTWARE AND LICENCES	NON- COMPETE AGREEMEN	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

17. PROPERTY, PLANT AND EQUIPMENT

GROUP 2020	COMPUTERS & EQUIPMENT	FIXTURES & FITTINGS	MOTOR VEHICLES	FIXED ASSETS IN PROGRESS	TOTAL
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2019	14,679	10,158	9	1,157	26,003
Additions	4,203	2,803	—	359	7,365
On acquisition of subsidiary / business	143	67	—	—	210
Inflation adjustment	16	—	—	—	16
Disposals	(1,230)	(709)	—	—	(1,939)
Disposal costs from subsidiary disposal	(74)	(269)	—	—	(343)
Transfers	—	1,193	—	(1,193)	—
Effect of foreign exchange translations	(239)	(61)	—	—	(300)
At 30 June 2020	17,498	13,182	9	323	31,012
Depreciation					
At 1 July 2019	10,387	5,028	9	—	15,424
Charge for the year	2,800	2,016	—	—	4,816
Disposals	(1,174)	(614)	—	—	(1,788)
Disposals depreciation from subsidiary disposal	(15)	(15)	—	—	(30)
Effect of foreign exchange translations	(97)	(60)	—	—	(157)
At 30 June 2020	11,901	6,355	9	—	18,265
Net book value					
At 30 June 2020	5,597	6,827	—	323	12,747

GROUP 2019	COMPUTERS & EQUIPMENT £'000	FIXTURES & FITTINGS £'000	MOTOR VEHICLES £'000	FIXED ASSETS IN PROGRESS £'000	TOTAL £'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

18. SIGNIFICANT SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS

Significant shareholdings

At 30 June 2020, the Group held 100% of the share capital of the following entities:

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held	Principal activity
Endava (UK) Limited	UK	Ordinary	100%	Provision of IT Services
Endava ApS	Denmark	Ordinary	100%	Provision of IT Services
Endava (Ireland) Limited	Ireland	Ordinary	100%	Provision of IT Services
Endava Inc.	US	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 Romania SRL	Romania	Ordinary	100%	Provision of IT Services
ICS Endava SRL	Moldova	Ordinary	100%	Provision of IT Services
Endava d.o.o. Beograd	Serbia	Ordinary	100%	Provision of IT Services
Endava S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Intuitus Limited	UK	Ordinary	100%	Provision of IT Services
Endava (Managed Services) Limited	UK	Ordinary	100%	Provision of IT Services
Endava Singapore Pte. Ltd	Singapore	Ordinary	100%	Provision of IT Services
Endava Australia Pty Ltd	Australia	Ordinary	100%	Provision of IT Services
Endava Holding B.V.	The Netherlands	Ordinary	100%	Holding Company
Endava EOOD	Bulgaria	Ordinary	100%	Provision of IT Services
Endava B.V.	The Netherlands	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 Berlin GmbH	Germany	Ordinary	100%	Provision of IT Services
Exozet Neue Medienproduktion Wien GmbH	Austria	Ordinary	100%	Provision of IT Services
Endava Limited Guernsey Employee Benefit Trust	UK	Ordinary	100%	Employee Benefit Trust

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 2020, the executive officers and directors owned 13,168,074 ordinary shares, nominal value £0.02 per share (2019: 13,452,077 ordinary shares, nominal value £0.02 per share) and held awards over a further 403,114 ordinary shares, nominal value £0.02 per share (2019: 389,607 ordinary shares, nominal value £0.02 per share).

Since April 2020, one of our directors, Sulina Connal, is employed by Google as Director of Product Partnerships for News, Web and Publishing for EMEA. In the ordinary course of its business, from time to time Endava enters into agreements for cloud service or other solutions provided by Google in connection with services provided by Endava to its clients. All transactions with Google were entered into on an arms-length basis. For the year ended 30 June 2020, the aggregate cost incurred by Endava to Google for such services was £0.2 million.

We have entered into a customer relationship with PaperRound HND Service Ltd., a company in which Mike Kinton, a member of our board of directors, holds a controlling interest and serves as a director. All transactions with PaperRound were entered into on an arms-length basis and in the ordinary course of business. We did not generate revenue from PaperRound in the financial year ended 30 June 2020.

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

	2020	2019
	£'000	£'000
Trade receivables	60,474	47,928
Prepayments	6,779	5,734
Accrued income	8,694	7,019
Research and development tax credit	3,688	2,088
Other receivables	2,979	3,148
Total trade and other receivables	82,614	65,917

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 are disclosed net of expected credit loss allowance for doubtful debts, as shown below. Due to the global financial uncertainty arising from the COVID-19 pandemic, management has considered the elevated credit risk on trade receivables. In addition, certain balances (where there was an objective evidence of credit impairment) have been provided for on an individual basis. This has resulted in a charge of £3.2 million for expected credit loss provisions on trade receivables recognised in the Group Statement of Comprehensive Income. The majority of the overall allowance recognised as at 30 June 2020 relates to customer-specific provisions, provided for on an individual basis as explained above.

Trade receivables and accrued income represent client contract assets. Other than the expected credit loss allowance discussed above, and business-as-usual movements there were no significant changes in contract assets during the year.

	2020	2019
	£'000	£'000
Trade receivables - gross	64,058	48,365
Loss allowance	(3,584)	(437)
Trade receivables - net	60,474	47,928

20. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Trade payables	2,159	4,220
Other taxation and social security	8,293	5,634
Other liabilities	2,810	2,985
Accruals	42,134	33,326
Deferred income	3,203	2,337
Total trade and other payables	58,599	48,502

Deferred income represents client contract liabilities at year end where cash was received from clients but Endava is yet to perform the work. £2.1 million of the deferred income recognised at 1 July 2019 was recognised as revenue during the year. Other than business-as-usual movements there were no significant changes in the deferred income balance during the year.

21. FINANCIAL ASSETS AND LIABILITIES

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets

The Group has the following financial assets, all of which are classified and measured at amortised cost:

	2020	2019
	£'000	£'000
Financial assets at amortised cost		
Trade and other receivables (note 19)	82,614	65,917
Finance lease receivable (note 23)	1,223	—
Total financial assets*	83,837	65,917

* Financial assets, other than cash and cash equivalents

The accounting policies provide a description of the initial recognition and measurement, and also the subsequent measurement of financial assets.

Financial liabilities

The Group has the following financial liabilities:

	2020 £'000	2019 £'000
Lease liabilities:		
Current lease liabilities (note 23)	11,132	21
Non-current lease liabilities (note 23)	42,233	—
	53,365	21
Other financial liabilities at amortised cost		
Trade and other payables (note 20)	58,599	48,502
Other liabilities	136	113
	58,735	48,615
Financial liabilities at fair value through profit or loss		
Contingent consideration (note 15)	1,442	1,244
Deferred consideration (note 15)	3,764	1,516
	5,206	2,760
Total financial liabilities	117,306	51,396

The accounting policies provide a description of the initial recognition and measurement, and also the subsequent measurement of financial liabilities.

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).

Contingent consideration and deferred consideration have been classified within level 3.

Fair value movement of equity 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	(17,166)
Foreign exchange recognised in other comprehensive income	47
Fair value at 30 June 2019	—

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.	<p>Expected future cash flows (30 June 2018 - total maximum of £12.1million, minimum of £nil over 3 years)</p> <p>Fair value of ordinary shares (30 June 2018 - \$12.79)</p> <p>Discount rate (30 June 2018 - 3%)</p>	<p>The estimated fair value would increase (decrease) if:</p> <p>the expected cash flows were higher (lower); or</p> <p>the fair value of ordinary shares was higher (lower); or</p> <p>the risk-adjusted discount rate were lower (higher)</p>

22. BORROWINGS

Terms and conditions of outstanding borrowings as of 30 June 2020 and 2019 are as follows:

TYPE	NOMINAL INTEREST P.A.	YEAR OF MATURITY	AMOUNT 2020 £'000	AMOUNT 2019 £'000
Revolving credit facility	LIBOR/ EURIBOR + variable margin (0.80% -1.50%)	2020	—	—

The multicurrency revolving credit facility is unsecured.

The Group has an unsecured bank revolving credit facility with a carrying amount of £nil at 30 June 2020 (2019: £nil). Commitment fees are charged on the undrawn balance of the facility. The available revolving credit facility is £200 million.

The facility contains interest cover and net leverage financial covenants. The covenants are tested on a bi-annual basis based on trailing twelve months results. At 30 June 2020 and 30 June 2019, the Group complied with these financial covenants.

Parent Company Guarantees

A parent company guarantee was provided as part of the acquisition of Exozet Berlin GmbH which guarantees Endava GmbH's obligations and liabilities under the share purchase agreement.

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.

Subsidiary Guarantees

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

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

No claims are expected to arise from the above guarantees.

23. LEASE AGREEMENTS

The Group's lease portfolio consists of property leases of offices and delivery centres. The Group adopted IFRS 16 'Leases' at 1 July 2019 and applied the modified retrospective approach. For details of accounting policies refer to note 3. For details of the transitional impact of the change from IAS 17 and IFRIC 4 to IFRS 16 refer to note 2.

Disclosure required by IFRS 16
As a lessee:
Right-of-use assets

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Leasehold Buildings
	£'000
As at 1 July 2019	—
Adjustment on initial application of IFRS 16 (see note 2)	40,222
Additions	20,827
Disposals	(220)
Derecognition as a result of subleases	(1,336)
Modifications ¹	335
Depreciation charge	(9,072)
Effect of foreign exchange revaluation and translations	378
As at 30 June 2020	51,134

¹ Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and changes resulting from additional space rented. The carrying value of the corresponding right-of-use asset is also remeasured to reflect this change.

Lease liabilities

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the period:

	Leasehold Buildings £'000	Office Equipment £'000	Total £'000
As at 1 July 2019	—	21	21
Adjustment on initial application of IFRS 16 (see note 2)	40,173	—	40,173
Additions	20,818	—	20,818
Disposals	(242)	—	(242)
Modifications ¹	353	—	353
Interest	1,066	—	1,066
Payments	(9,882)	(21)	(9,903)
Effect of foreign exchange revaluation and translations	1,079	—	1,079
As at 30 June 2020	53,365	—	53,365

¹ Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and changes resulting from additional space rented.

The potential impact of lease covenants is considered to be immaterial.

The maturities of the Group's lease liabilities are as follows:

	2020 (IFRS 16) £'000	2019 (IAS 17) £'000
Less than 1 year	11,132	21
1 to 5 years	30,643	—
More than 5 years	16,168	—
Total undiscounted lease liabilities	57,943	21
Lease liabilities included in the balance sheet	53,365	21
Analysed as:		
Current	11,132	21
Non-current	42,233	—

Income Statement Impact

The following items have been recognised in the Group statement of comprehensive income for the current and prior year:

	2020 (IFRS 16) £'000	2019 (IAS 17) £'000
Depreciation expense on right-of-use assets	9,072	—
Interest expense on lease liabilities	1,066	3
Expense relating to short-term leases	437	—
Gain on sublease recognition	(472)	—
Gain on disposal of leases	(23)	—
Fair value movement of financial assets	(30)	—
Operating lease costs expensed	—	9,941
	10,050	9,944

The total Group cash outflow for leases as a lessee in the year was £9.90 million.

As a lessor:

During 2020, the Group entered into an arrangement to sub-lease a building that had been presented as part of a right-of-use asset. This has been classified as a finance sub-lease.

As a result of the above, the Group recognised a gain of £0.47 million on derecognition of the right-of-use asset pertaining to the building, which has been presented within Finance Income

During 2020, the Group recognised interest income on lease receivables of £0.03 million (2019: nil).

The total Group cash inflow for leases as a lessor in the year was £0.67 million.

During the year the investment in finance lease receivable decreased by £0.64 million due to payments received, net off by interest income.

The following table sets out the maturity analysis of lease payments receivable for sub-leases classified as finance leases showing the undiscounted lease payments to be received after the reporting date and the net investment in the finance lease receivable.

	Finance Leases 2020 £'000
Less than 1 year	584
1 to 2 years	534
2 to 3 years	78
Total undiscounted lease payments receivable	1,196
Unearned finance income	27
Net investment in finance lease receivable	1,223

IAS 17 Disclosure as at 30 June 2019
Commitments Under Finance Leases

Future minimum finance lease payments at 30 June 2019 were as follows:

	2019
	£'000
Amounts payable within 1 year	21
Amounts payable 1 to 3 years	—
Amounts payable 3 to 5 years	—
Amounts payable in more than 5 years	—
Total	21

Commitments Under Operating Leases

At 30 June 2019, the Group had commitments under non-cancellable operating leases as set out below:

	2019
	£'000
Office Buildings	
Amounts payable within 1 year	10,907
Amounts payable 1 to 3 years	19,868
Amounts payable 3 to 5 years	12,406
Amounts payable in more than 5 years	15,292
Total	58,473

24. SHARE CAPITAL
AUTHORISED SHARE CAPITAL

	2020	2019
	£'000	£'000
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

ALLOTTED, CALLED UP AND FULLY PAID:

	2020	£'000	2019	£'000
	No.		No.	
Class A ordinary shares	28,823,893	577	18,599,985	372
Class B ordinary shares	20,455,733	409	23,696,345	474
Class C ordinary shares	5,648,543	113	12,128,997	243
ORDINARY SHARES OF £0.02 EACH	54,928,169	1,099	54,425,327	1,089

The Company issued 502,842 new shares for the year ended 30 June 2020 (30 June 2019: 4,621,182) in relation to exercise of options and equity consideration related to acquisitions.

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, prior to their automatic conversion into Class A ordinary shares, each had one vote per share. Any dividend declared by the Company shall be paid on Class A ordinary shares, and the class B ordinary shares (and, prior to the automatic conversion of the Class C ordinary shares, 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 and Class B ordinary shares (and, prior to the automatic conversion of the Class C ordinary shares, 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 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.

25. DISTRIBUTIONS MADE

During the year ended 30 June 2020, the Company did not declare and pay any cash dividends (2019: £nil).

26. 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 EBT, through which 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 to as "Trigger Events."

On the date of a Trigger Event, the EBT trustee has an option to acquire the beneficial interest belonging to the participant. If the EBT trustee exercises this option, the EBT trustee will then either transfer shares of a value equal to, or pay cash to the participant in an amount equal to, the value of the option, calculated according to the terms of the JSOP. 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 endeavours 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 2020, the EBT held 551,723 shares (30 June 2019: 1,906,462), out of which 167,611 (30 June 2019: 715,548) are allocated to employee JSOPs.

For the year ended 30 June 2020, 67,937 awards under the JSOP were exercised (2019: 2,724,917) settled by shares of the EBT, 480,000 JSOPs were cancelled and 306,802 options under LTIP were exercised (2019: 72,601) 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 financial year ended 30 June 2020, the Company 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 United Kingdom.

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 period ended 30 June 2019.

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 2019	31,505	715,548	1,128,699	784,844	560,169	243,235	—
Options granted during the year	—	—	—	710,673	267,834	—	—
Options exercised during the year	10,660	67,937	309,952	236,046	4,421	123,426	—
Options forfeited during the year	—	480,000	37,725	155,204	64,375	2,693	—
Options outstanding at 30 June 2020	20,845	167,611	781,022	1,104,267	759,207	117,116	—
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	—
Weighted average exercise price 30 June 2020 - £	0.43	—	—	—	22.12	—	—
Weighted average exercise price 30 June 2019 - £	0.59	—	—	—	19.59	—	—
Weighted average contractual life 2020 - years	5	17	5	3	2	1	—
Weighted average contractual life 2019 - years	5	17	6	3	2	2	—

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

	2020	2019
Exercise price	£0.00 - £25.84	£0.00 - £19.59
Risk free rate	1.0%-1.6%	1.0%-2.91%
Expected volatility	30.0%-36.0%	30.0%-36.0%
Expected dividends	—	—
Fair value of option	£12.96-£43.10	£4.52-£29.54

For the year ended 30 June 2020, the Group recognised £15,663,000 (2019: £12,022,000) of share-based payment charge in respect of the above share option schemes.

27. MOVEMENTS IN EQUITY

Share capital, share premium and merger relief reserve

New ordinary shares were issued as part of the equity consideration for Intuitus and Exozet acquisitions. The Company issued 98,147 Class A ordinary shares represented by ADSs to former equity holders of Intuitus and issued 24,392 Class A ordinary shares represented by ADSs to former equity holders of Exozet, which resulted in an increase in share capital and merger relief reserve of £2,000 and £3,954,000, respectively.

New ordinary shares were also issued for the exercise of options which resulted in an increase in share capital of £8,000 and share premium of £93,000.

Investment in own shares and retained earnings

During the year ended 30 June 2020, the Company declared and paid a non-recurring, discretionary employee bonus. The EBT funded the bonus through sales of the Company's Class A ordinary shares in two tranches: 500,000 shares sold at \$38 in November 2019 and 480,000 shares sold at \$41.75 in May 2020.

The EBT, whose beneficiaries are the Company's employees, was holding certain Class A ordinary shares for sale in the event it decided to fund a discretionary cash bonus to the Company's employees. The sale of shares resulted in a decrease in investment in own shares of £207,000 and increase in retained earnings of £30,710,000. From the total proceeds of £30,917,000, the Company settled the intercompany balance between the Company and the EBT of £2,860,000, paid transaction fees of £24,000 and the remaining funds were paid as bonus to our employees. Any individuals employed by the Company prior to the IPO date of 27 July 2018 and who had been continually employed up to, and including, the bonus calculation date, was eligible for the bonus. The Company recognised a bonus expense of £27,874,000 during the reporting period and incurred £159,000 foreign exchange differences resulted from exchange rate volatility upon payment.

67,937 JSOPs and 306,802 LTIPs were exercised and settled by shares owned by the EBT. This resulted in a decrease in investment in own shares of £299,000.

28. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

ADJUSTMENTS	2020	2019
	£'000	£'000
Depreciation, amortisation and impairment of non-financial assets	18,725	7,900
Foreign exchange (gain) / loss	(2,162)	(2,224)
Interest income	(499)	(476)
Fair value movement of financial liabilities	49	5,954
Interest expense	1,893	343
(Gain) / loss on disposal of non-current assets	(11)	(23)
Share-based compensation expense	15,663	12,022
Hyperinflation effect gain	(26)	(9)
Research and development tax credit	(1,600)	(1,278)
Gain on sale of subsidiary	(2,215)	—
Gain on sublease recognition	(472)	—
Gain on right-of-use asset disposals	(23)	—
Fair value movement of financial assets	(30)	—
Grant income	(670)	(819)
Total adjustments	28,622	21,390

NET CHANGES IN WORKING CAPITAL

	2020	2019
	£'000	£'000
Increase in trade and other receivables	(14,120)	(16,343)
Increase in trade and other payables	6,361	4,827
Net changes in working capital	(7,759)	(11,516)

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	29,465	26,462	(36,768)	605	—	19,764
2019	19,764	3,500	(23,547)	304	—	21
2020	21	—	(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
2018	664	148	(1,633)	5	—	(816)
2019	(816)	1,786	(819)	(24)	—	127
2020	127	888	(670)	(14)	—	331

The grant receivable in 2018 was presented in trade and other receivables and the grant payable in 2019 and 2020 were presented in trade and other payables.

29. CAPITAL COMMITMENTS

Amounts contracted but not provided for in the financial statements amounted to £nil in the year ended 30 June 2020 (2019 - £nil).

30. CONTINGENT LIABILITIES

The Group and Company had no contingent liabilities at 30 June 2020 or 30 June 2019.

31. FINANCIAL INSTRUMENT RISK

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

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

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

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 2020	GBP	EUR	USD	RON	OTHERS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets	133,613	14,802	21,060	5,324	9,142	183,941
Financial liabilities	(30,012)	(7,593)	(5,885)	(37,733)	(36,083)	(117,306)
TOTAL	103,601	7,209	15,175	(32,409)	(26,941)	66,635

30 JUNE 2019	GBP	EUR	USD	RON	OTHERS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'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

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

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

During the year ended 30 June 2020, the Sterling/RON volatility ranged from the RON strengthening against Sterling by 6% to weakening by 7%.

	GBP/RON:	Profit impact	Equity impact
		£'000	£'000
30 JUNE 2020	6 %	(587)	(522)
30 JUNE 2020	(7)%	722	641

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

INTEREST RATE SENSITIVITY

At 30 June 2020, 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:

	2020 £'000	2019 £'000
Cash and cash equivalents	101,327	70,172
Trade and other receivables	82,614	65,917
TOTAL	183,941	136,089

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:

	2020 £'000	2019 £'000
Not more than 3 months	2,347	2,595
More than 3 months but not more than 6 months	1,329	357
More than 6 months but not more than 1 year	—	—
More than 1 year	—	—
Total	3,676	2,952

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 2020, the Group's non-derivative financial liabilities had contractual maturities (including interest payments where applicable) as summarised below:

30 JUNE 2020	CURRENT 0 – 6 MONTHS £'000	CURRENT 6 - 12 MONTHS £'000	NON- CURRENT 1 – 5 years £'000	NON- CURRENT +5 years £'000
Bank loans	—	—	—	—
Finance lease obligations	5,652	5,480	30,643	11,590
Trade and other payables	58,599	—	—	—
Deferred consideration	1,827	1,937	—	—
Contingent consideration	—	1,442	—	—
Other liabilities	—	—	136	—
TOTAL	66,078	8,859	30,779	11,590

There were no forward foreign currency options in place at 30 June 2020.

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	CURRENT	NON-	NON-
	0 – 6	6 - 12	CURRENT	CURRENT
	MONTHS	MONTHS	1 – 5 years	+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	—

32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

	2020	2019
	£'000	£'000
Equity	236,327	166,329
Loans and borrowings	—	21
Less: Cash and cash equivalents	(101,327)	(70,172)
TOTAL CAPITAL	135,000	96,178

33. SUBSEQUENT EVENTS

On 17 August 2020, Endava completed the acquisition of the Comtrade Digital Services Business ("CDS") by acquiring the total issued share capital of Comtrade CDS, digitalne storitve, d.o.o., a company registered in Slovenia ("CDS Slovenia"), and Comtrade Digital Services d.o.o., a company registered in Serbia ("CDS Serbia"). CDS Slovenia and CDS Serbia together own and operate (either directly or through subsidiaries) all of the trade and assets that comprise CDS. CDS was formerly a division of Comtrade Group B.V. ("Comtrade"). CDS is headquartered in Dublin, Ireland, has delivery centres across the Adriatic, and provides strategic software engineering services and solutions to clients in Europe and in the United States.

The acquisition was made pursuant to the terms of a share purchase agreement between Endava (UK) Limited, Comtrade Group B.V. and Comtrade Solutions Management Holdinška Družba d.o.o., dated August 17, 2020.

The total consideration was €60 million payable in cash, which amount remains subject to post-closing adjustments based on the cash, debt and working capital of CDS as of the closing date. 10% of the purchase price will be held back for 24 months and be available to satisfy any warranty or indemnity claims. Pursuant to the terms of a transitional services agreement, Comtrade will continue to provide certain services to Endava with respect to CDS for a period of time following completion of the acquisition.

COMPANY BALANCE SHEET

Registered number 05722669

As at 30 June

	NOTE	2020 £'000	2019 £'000 (Restated) ¹
ASSETS – NON CURRENT			
Investments	3	85,012	58,367
Deferred tax assets	4	689	28
Other assets	12	46,444	33,244
TOTAL		132,145	91,639
ASSETS - CURRENT			
Trade and other receivables	5	53,156	31,652
Corporation tax receivable	11	300	988
Cash and cash equivalents		37,997	28,461
TOTAL		91,453	61,101
TOTAL ASSETS		223,598	152,740
LIABILITIES – CURRENT			
Trade and other payables	6	23,851	28,399
Deferred consideration		1,937	—
TOTAL		25,788	28,399
EQUITY			
Share capital	8	1,099	1,089
Share premium		221	128
Merger relief reserve		25,527	21,573
Retained earnings		170,802	101,390
Capital redemption reserve		161	161
TOTAL EQUITY		197,810	124,341
TOTAL LIABILITIES AND EQUITY		223,598	152,740

¹ See note 1 for additional details

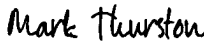
The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 15 September 2020 and are signed on their behalf by:

DocuSigned by:

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JE Cotterell, Director

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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 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 (restated)¹	93	(2,550)	17,143	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 (restated)¹	1,089	128	21,573	101,390	161	124,341
Equity-settled share-based payment transactions	—	—	—	11,600	—	11,600
Issue of shares related to acquisition	2	—	3,954	—	—	3,956
Exercise of options	8	93	—	0	—	101
TRANSACTION WITH OWNERS	10	93	3,954	11,600	—	15,657
Profit for the year	—	—	—	57,812	—	57,812
Total comprehensive income for the year	—	—	—	57,812	—	57,812
BALANCE AT 30 JUNE 2020	1,099	221	25,527	170,802	161	197,810

¹ See note 1 for additional details

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

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 June

	2020	2019
	£'000	£'000
Operating activities		
Profit before tax	56,968	6,815
Adjustments (note 10)	(67,140)	(15,450)
Tax received	871	732
Net changes in working capital (note 10)	(23,678)	3,651
Net cash used in operating activities	(32,979)	(4,252)
Investing activities		
Dividends received	61,187	11,598
Investments in subsidiaries	(12,122)	—
Proceeds from sale of subsidiary	3,506	—
Interest received	575	391
Loans to group companies	(13,200)	(7,326)
Net cash from investing activities	39,946	4,663
Financing activities		
Proceeds from borrowings	—	3,500
Repayment of borrowings	—	(23,504)
Interest paid	(1,008)	(330)
Net proceeds from initial public offering	—	44,828
Proceeds from sale of shares	3,045	—
Proceeds from exercise of options	93	133
Net cash from investing activities	2,130	24,627
Net change in cash and cash equivalents	9,097	25,038
Cash and cash equivalents at the beginning of the year	28,461	380
Net foreign exchange differences	439	3,043
Cash and cash equivalents at the end of the year	37,997	28,461

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 2020.

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. There have been no new or amended accounting standards or interpretations adopted during the year that have a significant impact on the Company financial statements.

RESTATEMENT FOR RECLASSIFICATION OF SHARE PREMIUM TO MERGER RELIEF RESERVE

During the year ended 30 June 2020, following a review of the share premium account, the Directors have determined that share premium of £17,143,000, which arose upon settlement of the contingent equity consideration for the acquisition of Velocity Partners, should have been classified as merger relief reserve. The impact of this restatement at 30 June 2019 is to decrease share premium by £17,143,000 to £128,000 with a corresponding increase to the merger relief reserve by £17,143,000 to £21,573,000. There is no impact on total equity, on profit or earnings per share in the current year or on any earlier periods.

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. Further information in relation to the Group's going concern assessment has been included in the Directors' Report in the consolidated financial statements.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, income and expenses. Actual results 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 judgements that have the most significant effect on the amounts recognised in the Company financial statements, are as follows:

Assessment of the recoverable amount of the investment in subsidiaries

Impairment reviews are carried out to ensure that the value of the investment in subsidiaries is not carried at above their recoverable amounts. The tests are dependent on management's estimates in respect of the forecasting of future cash flows, the discount rates applicable to the future cash flows and expected growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts. Additional estimates have been applied by management regarding the potential financial impact of the COVID-19 pandemic in respect of the anticipated future cash flows. Further detail is set out in note 3.

INVESTMENTS

Investments in subsidiary undertakings are stated at historical cost, less any provision for impairment. The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income and reflected in an allowance against the carrying value. Where an event results in the asset's recoverable amount being higher than the previously impaired carrying value, the original impairment may be reversed through the statement of comprehensive income in subsequent periods.

EMPLOYEE BENEFIT TRUST ("EBT")

On June 28, 2011, the Company established the Employee Benefit Trust to operate in conjunction with our JSOP and other incentive arrangements. The beneficiaries of the Employee Benefit Trust are our employees, including former employees, and directors. The Trustee is an independent trustee.

The EBT is accounted for as a legal entity separate from the Company but as a subsidiary of the entity. Any loan from the reporting entity to the trust is accounted for as a loan in accordance with its terms. If the EBT is funded by the Company making an investment in the EBT, then the Company recognises the investment in the subsidiary as an asset.

Transactions with the EBT

During the year ended 30 June 2020, the Company declared and paid a non-recurring, discretionary employee bonus. The EBT, whose beneficiaries are the Company's employees, was holding certain Class A ordinary shares for sale in the event it decided to fund a discretionary cash bonus to the Company's employees. The EBT funded the bonus through sales of the Company's Class A ordinary shares in two tranches: 500,000 shares sold at \$38 in November 2019 and 480,000 shares sold at \$41.75 in May 2020.

From the proceeds, the EBT settled the intercompany balance between Endava plc and the EBT of £2,860,000, paid transaction fees of £24,000 and distributed dividends of £27,872,000 in cash to Endava plc to fund the bonus payment to our employees.

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 2020 of £57.8 million (2019: £7.0 million).

3. INVESTMENTS

COST AND NET BOOK VALUE	£'000
At 1 July 2019	58,367
Additions	29,018
Impairment	(2,373)
AT 30 JUNE 2020	85,012

Additions during the year of £29,018,000 comprises £14,023,000 in relation to the acquisition of Intuitus Limited, £11,898,000 in relation to share-based compensation for equity awards granted to participants employed by its subsidiaries, and £3,097,000 in relation to a change of ownership of Endava Uruguay SRL.

During the reporting period, the company recognised an impairment loss of £2,373,000 related to the investment held in Intuitus, as a result of the negative impact of the COVID-19 pandemic that affected the private-equity space in which Intuitus operates.

At 30 June 2020, 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 (UK) Limited	UK	Ordinary	100%	Provision of IT Services
Endava ApS	Denmark	Ordinary	100%	Provision of IT Services
Endava (Ireland) Limited	Ireland	Ordinary	100%	Provision of IT Services
Endava Inc.	US	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 Romania SRL	Romania	Ordinary	100%	Provision of IT Services
ICS Endava SRL	Moldova	Ordinary	100%	Provision of IT Services
Endava d.o.o. Beograd	Serbia	Ordinary	100%	Provision of IT Services
Endava S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Intuitus Limited	UK	Ordinary	100%	Provision of IT Services
Endava (Managed Services) Limited ¹	UK	Ordinary	100%	Provision of IT Services
Endava Singapore Pte. Ltd ¹	Singapore	Ordinary	100%	Provision of IT Services
Endava Australia Pty Ltd ¹	Australia	Ordinary	100%	Provision of IT Services
Endava Holding B.V. ²	The Netherlands	Ordinary	100%	Holding Company
Endava EOOD ³	Bulgaria	Ordinary	100%	Provision of IT Services
Endava B.V. ³	The Netherlands	Ordinary	100%	Provision of IT Services
Endava LLC ⁴	US	Ordinary	100%	Provision of IT Services
Endava Holdings Inc ⁵	US	Ordinary	100%	Provision of IT Services
Endava Nearshore Ventures LLC ⁵	US	Ordinary	100%	Provision of IT Services
Endava Vnz S.C.A. ⁶	Venezuela	Ordinary	100%	Provision of IT Services
Endava Argentina SRL ⁷	Argentina	Ordinary	100%	Provision of IT Services
Endava Colombia S.A.S. ⁸	Colombia	Ordinary	100%	Provision of IT Services
Endava Uruguay SRL ⁹	Uruguay	Ordinary	100%	Provision of IT Services
Endava Berlin GmbH ¹⁰	Germany	Ordinary	100%	Provision of IT Services
Exozet Neue Medienproduktion Wien GmbH ¹¹	Austria	Ordinary	100%	Provision of IT Services
Endava Limited Guernsey Employee Benefit Trust	UK	Ordinary	100%	Employee Benefit Trust

1. Held by Endava (UK) Limited (100%)

2. Held by Endava Plc (99.8%) and Endava (UK) Ltd (0.2%)

3. Held by Endava Holding B.V. (100%)

4. Held by Endava Inc (100%)

5. Held by Endava LLC (100%)

6. Held by Endava LLC (99.9996%) and Endava Nearshore Ventures LLC (0.0004%)

7. Held by Endava Holdings Inc (94.89%) and Endava Inc (5.11%)

8. Held by Endava Holdings Inc (100%)

9. Held by Endava Holdings Inc (99%) and Endava Inc (1%)

10. Held by Endava GmbH (100%)

11. Held by Endava Berlin GmbH (100%)

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 2020	AT 1 JULY 2019	CREDIT / (CHARGE) TO PROFIT AND LOSS	AT 30 JUNE 2020
	£'000	£'000	£'000
Accelerated capital allowances	2	—	2
Tax losses	—	654	654
Other temporary differences	26	7	33
TOTAL	28	661	689

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

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

	2020	2019
	£'000	£'000
Amounts owed by group undertakings	51,726	31,200
Prepayments	1,327	452
Other debtors	103	—
TOTAL TRADE AND OTHER RECEIVABLES	53,156	31,652

6. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Trade payables	112	122
Amounts owed to group undertakings	11,992	21,993
Other taxation and social security	6,155	3,859
Other liabilities	2,391	459
Accruals	3,201	1,966
TOTAL TRADE AND OTHER PAYABLES	23,851	28,399

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 trade and other payables and deferred consideration 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	2020	2019
	£'000	£'000
Trade and other receivables	53,156	31,652
Cash and cash equivalents	37,997	28,461
TOTAL FINANCIAL ASSETS	91,153	60,113

FINANCIAL LIABILITIES	2020	2019
	£'000	£'000
Trade and other payables	23,851	28,399
Deferred consideration	1,937	—
TOTAL FINANCIAL LIABILITIES	25,788	28,399

8. SHARE CAPITAL & OTHER RESERVES

SHARE CAPITAL

	2020	2019
	£'000	£'000
AUTHORISED SHARE CAPITAL:		
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

ALLOCATED, CALLED UP AND FULLY PAID:	2020		2019	
	No.	£'000	No.	£'000
Class A ordinary shares	28,823,893	577	18,599,985	372
Class B ordinary shares	20,455,733	409	23,696,345	474
Class C ordinary shares	5,648,543	113	12,128,997	243
TOTAL	54,928,169	1,099	54,425,327	1,089

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

The Company issued 502,842 new shares for the year ended 30 June 2020 (30 June 2019: 4,621,182) in relation to exercise of options and equity consideration related to acquisitions.

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 American Depositary Shares (ADSs), and Class C ordinary shares, prior to their automatic conversion into Class A ordinary shares, each had one vote per share. Any dividend declared by the Company shall be paid on Class A ordinary shares, and the class B ordinary shares (and, prior to the automatic conversion of the Class C ordinary shares, 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 and Class B ordinary shares (and, prior to the automatic conversion of the Class C ordinary shares, 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 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 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 days commencing on the IPO, no transfers of Class C ordinary shares were 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.

SHARE PREMIUM

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 RESERVES

Other components of equity include the following:

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

9. RELATED PARTY TRANSACTIONS

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

2020 ENDAVA PLC	SALES TO	PURCHASES
	GROUP COMPANIES	FROM GROUP COMPANIES
	£'000	£'000
Endava (UK) Ltd	17,681	10,522
ICS Endava SRL	88	4,228
Endava Romania SRL	1,944	9,751
Endava GmbH	2	—
Endava DOOEL Skopje	25	(500)
Endava Inc	7	—
Endava d.o.o. Beograd	1,236	142
Endava B.V.	1	225
Endava S.A.S.	17	153
Endava EOOD	21	61
Endava Technology SRL	11	(183)
Endava LLC	955	—
Endava Argentina	—	111
Endava Colombia Med	—	15
Endava Uruguay	—	7
TOTAL	21,988	24,532

2019 ENDAVA PLC	SALES TO	PURCHASES
	GROUP COMPANIES	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

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

2020 Endava PLC	INTEREST RECEIVED FROM GROUP	INTEREST PAID TO GROUP COMPANIES
	£'000	£'000
Endava Inc	932	—
Endava Romania SRL	155	—
Endava GmbH	520	—
Endava LLC	—	130
TOTAL	1,607	130

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

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

2020 ENDAVA PLC	DIVIDENDS RECEIVED FROM GROUP	DIVIDENDS PAID TO GROUP COMPANIES
	£'000	£'000
Endava Romania SRL	11,171	—
Endava Technology SRL	810	—
Endava (UK) Limited	19,564	—
Endava Holding B.V.	1,770	—
Endava Limited Guernsey Employee Benefit Trust	27,872	—
TOTAL	61,187	—

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

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

2020 ENDAVA PLC	RECEIVABLES FROM GROUP COMPANIES	PAYABLES TO GROUP COMPANIES
	£'000	£'000
Endava (UK) Ltd	30,741	4,159
Endava (Managed Services) Ltd	1,171	—
ICS Endava SRL	—	679
Endava Romania SRL	1,632	2,029
Endava GmbH	1,004	—
Endava DOOEL Skopje	—	14
Endava Inc.	13,968	—
Endava d.o.o. Beograd	2,208	18
Endava Limited Guernsey Employee Benefit Trust	47	278
Endava B.V.	—	53
Endava Holding B.V.	—	914
Endava EOOD	7	7
Endava S.A.S.	—	153
Endava LLC	955	3,558
Endava Argentina	—	112
Endava Colombia Med	—	11
Endava Uruguay	—	7
TOTAL	51,726	11,992

2019 ENDAVA PLC	RECEIVABLES FROM GROUP COMPANIES	PAYABLES TO GROUP COMPANIES
	£'000	£'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	58
Endava Holding B.V.	—	898
Endava EOOD	172	—
Endava ApS	4	—
Endava S.A.S.	106	—
Endava LLC	185	5,077
TOTAL	31,200	21,993

10. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

ADJUSTMENTS	2020 £'000	2019 £'000
Interest expense	939	445
Interest income	(1,986)	(1,510)
Disposal of subsidiary	(3,506)	—
Dividend income	(61,187)	(11,702)
Discount unwind for deferred consideration	49	—
Foreign exchange gain	(3,822)	(2,683)
Impairment of investment in subsidiaries	2,373	—
TOTAL ADJUSTMENTS	(67,140)	(15,450)

	2020	2019
	£'000	£'000
NET CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(19,199)	(1,515)
(Decrease)/increase in trade and other payables	(4,479)	5,166
TOTAL CHANGES IN WORKING CAPITAL	(23,678)	3,651

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
2019	19,700	3,500	(23,504)	304	—	—
2020	—	—	—	—	—	—

11. CORPORATION TAX RECEIVABLE

The corporation tax receivable of £300,000 (2019: £988,000) relates to payments due from other UK companies in the group for losses surrendered for group relief.

12. OTHER ASSETS

Other assets relate to intercompany loans to various subsidiaries, as detailed below.

	2020	2019
	£'000	£'000
Endava Inc	25,323	24,541
Endava GmbH	21,009	—
Endava Romania SRL	—	5,490
Endava Limited Guernsey Employee Benefit Trust	—	3,104
Endava S.A.S	112	109
TOTAL	46,444	33,244

Amounts owed by Endava Inc relate to an interest bearing intercompany loan of £25,323,000 (2019: £24,541,000). This is a 10-year loan which matures in December 2027 and bears interest at a rate of 12 month USD LIBOR plus variable margin (0.8% - 1.4%).

Amounts owed by Endava GmbH relate to an interest bearing intercompany loan of £21,009,000 (2019: £nil). This is a 5-year loan which matures in December 2024 and bears interest at a fixed rate of 4.64%.