

AVEVA Solutions Limited

Strategic Report, Directors' Report and Financial Statements
for the year ended 31 March 2022

Registered number: 00803680



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Company information and advisers

DIRECTORS

Peter Herweck
James Kidd

COMPANY SECRETARY

Helen Lamprell

REGISTERED OFFICE

High Cross
Maddingley Road
Cambridge CB3 0HB

REGISTERED NUMBER

00803680

AUDITOR

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

BANKERS

Barclays Bank plc
9–11 St Andrews Street
Cambridge CB2 3AA

SOLICITORS

Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London
E1 6PW

Mills & Reeve LLP
Botanic House
100 Hills Road
Cambridge CB2 1PH

Strategic report

Principal activities

The Company has continued to be involved in the marketing and development of computer software for engineering and related applications. This is sold either directly to customers primarily as either right-to-use or right-to-access software, or via fellow group undertakings from whom the Company earns royalty income based on the Group's Transfer Pricing model.

Results and dividends

The Key Performance Indicators (KPIs) used by the Company to measure its own performance are revenue, profit before tax and headcount.

The Company made a profit before taxation for the year of £20.2 million (2021: £151.5 million loss). The increase in profit for the year has been primarily driven by an increase of net Intra Group Royalty revenue and a large loss on foreign exchange not recurring from the previous year. The loss in the prior year was due to a large foreign exchange loss arising as a result of the significant amount of US Dollars held between October 2020 and March 2021 to fund the acquisition of OSIsoft LLC. Revenue increased by 50% to £317,701,000 primarily due to an increase in internal revenue arising from sales of software and services, for which the Company owns the intellectual property or employs the staff, from other entities within the group. The Company maintained its leading position and market share because of its strong brand position, significant customer base and continued business development with key accounts. Average headcount for the year ended 31 March 2022 was 776 (2021: 552). Total staff costs for the year increased 29% to £82.0 million (2021: £63.6 million).

AVEVA's (the Company's) customers are primarily Owner Operators (OOs) and Engineering, Procurement and Construction (EPC) contractors associated with complex process plant and marine assets who operate in the Power, Oil & Gas, Marine, Paper & Pulp, and many process related industries. Most large-scale engineering projects are unique and of such a scale that they cannot be prototyped, but employ a concurrent design and build approach, often involving many partners across the globe working together on a single project. AVEVA has unparalleled experience and understanding of providing software and services to this complex market.

The Company is continuing to invest in Research & Development to ensure that it retains its competitive advantage across all its product range. The Directors feel that this, together with continuing strength in the Company's end user markets, gives the Company strong prospects for growth in revenue and profitability.

The Company's results are as follows:

	£000
Retained profit reserves at 31 March 2021	2,893,203
Total comprehensive income for the year, net of tax	21,420
Share-based payment reserve adjustment	16,135
Retained profit reserves at 31 March 2022	2,930,758

Review of principal risks and uncertainties

Talent

As a technology company, we are heavily reliant on the people we employ and we compete for the best talent globally. If we are unable to attract or retain the niche skills and experience we need to drive the business forward, creating innovation and growth, this could materially impact our success. The AVEVA brand must remain attractive for us to successfully attract and retain developers, technical sales staff, consultants and leadership.

Mitigating activities include building talent pipelines in niche/hard-to-hire areas, using AVEVA's connections to Schneider Electric to source talent, review of compensation packages in various territories, improving talent review processes, increasing in-house talent acquisition expertise, partnering with universities, leveraging employee referral programmes and strengthening employee engagement activities.

SaaS subscription

This risk encompasses all the risk elements related to our shift towards a SaaS subscription model, including product and portfolio readiness, cloud strategy and capabilities, the current structure of the organisation and ability to scale, and competition from other large platform providers and system integrators. Failure to move towards a SaaS subscription model could negatively impact recurring revenue and cash flow generation.

The shift to cloud is a core theme of our five-year business planning process, with functional strategies and investments aligned with our strategic plans. We also have a multi-year business transformation programme to drive operational readiness for the shift to SaaS and grow AVEVA's user base through access to new markets and additional cloud products. Targeted investments have also been made in sales and marketing.

Sustainability

Increased focus on sustainability and greater stakeholder expectations for management of ESG issues creates reputational, regulatory and product-related risk for AVEVA. If not well managed, this risk could lead to loss of existing customers or failure to acquire new customers, failure to maintain our ratings in sustainable investment indices and broader reputational impact, leading to loss of investment, failure to attract or retain the talent and niche skills our business requires and failure to meet new ESG-related reporting regulations.

During FY22, we established a dedicated sustainability function and ESG governance structure. To inform the company's prioritisation of ESG management, target-setting, and disclosures, we conducted a robust materiality assessment. A key pillar of our ESG framework is to reduce reliance on fossil fuel industries by seizing opportunities to help customers use digitalisation to thrive in a low-carbon future. To increase what we call our technology handprint, or impact, we are developing sustainability-related offerings and product features and further leveraging AVEVA's partner ecosystems. Sustainability-focused marketing and sales enablement strategies are also in place to support diversification.

Strategic report (continued)

Review of principal risks and uncertainties (continued)

Competitors

AVEVA operates in highly competitive markets. Other technology companies could acquire, merge or move into AVEVA's market space to compete with AVEVA's offering creating a material threat, or existing competitors could respond quicker to market demands and trends resulting in reduced market share and missed growth opportunities for AVEVA. Our industry is characterised by rapid technological change, evolving industry standards, evolving business models and consolidations

AVEVA carefully monitors customer requirements, trends and other suppliers operating within our chosen markets. We invest in innovation and strive to offer superior products to meet these market needs. The integration of AVEVA's PI Business further mitigates this risk, providing us with a distinct competitive advantage and market position. Other areas of specific mitigation include leveraging our relationship with Schneider Electric, attractive proposals for additional complementary products for existing customers and flexibility to meet changing market demands and competitive forces.

Product Security

AVEVA's products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers or create negative financial implications. This risk reflects AVEVA's portfolio of products, their functionality and increasing threats in the external cyber environment.

Our products are extensively tested prior to commercial launch. In addition, AVEVA has a robust security development life cycle as a key component of our overall software development process, and we have created formal and collaborative relationships with third-party security researchers, security organisations and regulatory entities to proactively ensure our software is as safe and secure as is reasonable.

Cyber Security

Cyber and physical threats continue to grow. We depend on our IT systems not only to run our business but also to deliver services and capabilities to customers, compounding our exposure to this risk.

To reduce our risk, we conduct continual security assessments of our digital assets. These are combined with regular external penetration testing to ensure a suitable security posture is maintained. AVEVA's global security team focuses on: reducing the likelihood of regulatory sanctions and fines being levied; protecting our brand and our digital and physical assets; protecting customer and employee data; and building stakeholders' confidence in our overall security posture.

Regulatory Compliance

We are required to comply with international and local laws in each of the jurisdictions in which we operate. If one or more of our employees or anyone acting on our behalf commit or are alleged to have committed a violation of law, we could face substantial investigative, defence and/or remediation costs. We could also be exposed to severe financial penalties and reputational damage.

We use compliance policies and guidance materials plus clear communications and training platforms for all employees and external partners. Management is supported by local professional advisers. Further oversight is maintained by the corporate legal and finance functions, which regularly receive support from external advisers, in particular with regard to risk assessment, which is periodically carried out on key areas of exposure to compliance risk.

Pandemic-related economic disruption

Because of the global Covid-19 pandemic, AVEVA, like many global companies, operates in an environment with continued economic disruption and declining GDPs. This could have many impacts including significantly decreased demand for our products and services, unexpected disruptions in the industries that we serve or the potential for restricted access to funding. Our customers may seek to minimise expenditures by terminating subscriptions or licence arrangements or attempting to renegotiate or delay previously-agreed payment dates. Customers may also be more cautious and take more time to make purchase decisions.

The Company and Group remains in a strong cash and financial position. Our leadership continues to review our financial position and is prepared to take mitigating steps as necessary.

Internal Systems

AVEVA depends on its many IT systems for day-to-day operations and to meet its customers' expectations. If they fail to operate effectively and efficiently then this could result in reputational damage, negative employee engagement or poor customer experiences.

A key strategic programme to support mitigations is in place. It features committed investment, executive support and a global multi-phase plan. For our third-party providers, we are now undertaking a more formal approach with questionnaires and assessments of capabilities before commercial commitment is finalised.

Disruptive Technologies

Competitors could develop new and unforeseen technology, software or business models which threaten our value offering. If these became significantly commercially viable, they could have material impacts on our profits and prospects.

AVEVA largely mitigates this threat through its own leading innovation initiatives and remaining at the forefront of technological advances. This a core strategic strength of AVEVA. In addition, AVEVA continually scans the disruptive technology environment to ensure it is well informed and placed to respond to any material threats.

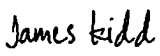
Strategic report (continued)

Section 172(1) statement

From the perspective of the Board, as a result of the group governance structure whereby the majority of the Company Board is embedded within the Group Board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group Board in relation both to the Group and to this entity. The Board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the Group Board has considered the matters set out in s172 (for the Group and for the entity) is set out on page 47 of the Group's Strategic report, which does not form part of this report.

Copies of the financial statements can be obtained as set out in note 25.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by

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James Kidd
Director
14th December 2022

Directors' report

Directors

The Directors who served during the year are as shown below:

Craig Hayman (resigned 7 July 2021)
 Peter Herweck (appointed 28 May 2021)
 James Kidd
 David Ward (resigned 9th April 2021)

Results and dividends

The profit for the year, after taxation, amounted to £19,911,000 (2021 – £153,171,000 loss).

No dividends have been declared for the period (2021: Nil).

Creditors payment practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with by the other party. The number of creditor days was 14 at the year-end (2021: 25 days).

Intellectual property

The Company owns intellectual property both in its software tools and in the products derived from them. This includes the product families known as AVEVA Plant and AVEVA Marine. The Directors consider such properties to be of significant value to the business and have a comprehensive programme to protect it.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim as well as reasonable adjustments to the workplace and other support mechanisms.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, employee newsletters, the AVEVA Group intranet and presentations from senior management. There is an employee representative committee which meets on a regular basis to discuss a wide range of matters affecting their current and future interests. All employees are entitled to receive an annual discretionary award related to the overall profitability of the AVEVA Group subject to the performance of the individual and the AVEVA Group. The Company and wider AVEVA Group conducts employee-wide surveys from time to time to gauge the success or otherwise of its policies and uses this information to improve matters as appropriate.

Research & Development

The Company continues an active programme of Research & Development which covers updating of and extension to its range of products. The Research & Development expense for the year was £48.5 million (2021: £33.1 million).

Financial instruments

The Company's principal financial instruments comprise cash and short-term deposits and forward foreign exchange contracts. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Company enters into forward currency contracts to manage currency risks arising from the Company's operations. It is, and has been, throughout the period under review, the Company's policy that no speculative trading in financial instruments shall be undertaken.

Going concern

The Company has received a letter of support from its intermediate parent company, AVEVA Group plc. This indicates that it will receive financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period up to 31 December 2023.

After making enquiries, considering the cash flow requirements for the Company, and the potential impact of market volatility (such as the continued impact of Covid-19, the impact of the crisis in Ukraine and rising inflation levels) the Directors have a reasonable expectation that the Company has sufficient resources to continue operating for the period up to 31 December 2023. The Directors have also considered the impact of this market volatility on the wider AVEVA Group, the latest going concern assessment of AVEVA Group plc, and the reliance that can be placed upon the letter of support in the context of the AVEVA Group's wider performance if required. Therefore, the going concern basis has been used in preparing these financial statements.

Stakeholder statements

Employees

Both of the executive directors are members of the Board of AVEVA Group plc, the intermediate parent company. The Board of AVEVA Group plc has taken the lead in carrying out the duties in respect of the Group's employees which includes AVEVA Solutions Limited. This includes, employee engagement, and promoting a culture of inclusion, diversity and wellbeing (including the effect of principal decisions taken by the Company during the financial year on employee interests). The Board of the Company has also considered relevant matters where appropriate. Further details of how the Board of AVEVA Group plc has carried out these responsibilities (for the Group and for the Company) is set out on pages 90-92 of the Group's Integrated Annual Report and Accounts 2022, which does not form part of this report.

Directors' report (continued)

Other stakeholders

The Board of the Company has adopted a similar approach for other stakeholders as employees in discharging its responsibilities. The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Group and Company has engaged with other stakeholders including customers, partners, communities, and others, including the effect of principal decisions taken by the Company during the financial year, is set out on page 42- 46 of the Group's Integrated Annual Report and Accounts 2022, which does not form part of this report.

Post balance sheet events

There are no adjusting or non-adjusting post balance sheet events impacting the Company.

Auditor

A resolution to appoint PricewaterhouseCoopers LLP as Statutory auditor for AVEVA Group plc for the financial period ended 31 March 2023 was approved by members at the Annual General Meeting of AVEVA Group plc on 15 July 2022. Ernst & Young LLP (the Group and Company's auditors for the financial period ended 31 March 2022) did not seek reappointment due to mandatory auditor rotation. Ernst & Young LLP therefore ceased to hold office as the Group auditor at the conclusion of the Annual General Meeting and will cease as the Statutory auditor for this Company following the approval of these financial statements.

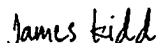
Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed above. Each of the persons who are Directors at the time this Directors' report is approved has confirmed that:

- so far as they are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and
- they have taken all the steps necessary as a Director in order to make themselves aware of any such relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

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James Kidd

Director

14th December 2022

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of AVEVA Solutions Limited

Opinion

We have audited the financial statements of AVEVA Solutions Limited for the year ended 31 March 2022 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in shareholders' equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the members of AVEVA Solutions Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements relating to General Data Protection Regulations, laws and regulations relating to anti-bribery and corruption, health and safety and employee matters.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and review of accounting estimates and judgements and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and legal counsel, journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business and challenging the assumptions and judgements made by management by reviewing third party evidence wherever possible. We also leveraged our data analytics platform in performing our work to assist in identifying higher risk transactions for testing. The results of our procedures did not identify any instances or irregularities, including fraud.

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

Independent Auditor's Report to the members of AVEVA Solutions Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, reading "Ernst & Young LLP".

Christopher Voogd (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

15 December 2022

Profit and loss account

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Revenue	3	317,701	211,213
Cost of sales		(20,922)	(38,301)
Gross profit		296,779	172,912
Operating expenses			
Research & Development costs		(48,500)	(33,125)
Selling and administrative expenses	4	(231,192)	(123,138)
Gain/ (loss) on foreign exchange	5	3,166	(148,037)
Total operating expenses		(276,526)	(304,300)
Profit/(loss) from operations	5	20,253	(131,388)
Dividend income		3,400	2,378
Provision for investments in subsidiary	14	(325)	(29,186)
Finance revenue	7	136	16,062
Finance expense	8	(3,483)	(9,691)
Net finance revenue on pension scheme	21	259	331
Profit/(loss) on ordinary activities before tax		20,240	(151,494)
Tax expense	9	(329)	(1,677)
Profit/(loss) for the year attributable to equity holders of the parent		19,911	(153,171)

Statement of comprehensive income/(expense)

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Profit/(loss) for the year		19,911	(153,171)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on defined benefit plans	21	3,244	(2,122)
Currency translation		(393)	(41)
Income tax effect	9	(1,596)	403
Total of items that will not be reclassified to profit or loss in subsequent periods		1,255	(1,760)
Total comprehensive income/(expense) for the year, net of tax		21,166	(154,931)

Balance sheet

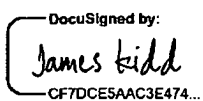
as at 31 March 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Goodwill		12,074	12,074
Intangible assets	11	7,563	10,752
Tangible assets	12	5,784	6,696
Right-of-use assets	13	6,622	6,658
Investments	14	2,932,788	2,935,255
Defined benefit pension surplus	21	16,580	13,077
		2,981,411	2,984,512
Current assets			
Debtors: amounts falling due within one year	15	261,314	206,926
Debtors: amounts falling due after more than one year	15	3,511	14,044
Cash and cash equivalents	16	35,546	22,433
		300,371	243,403
Creditors: Amounts falling due within one year	17	(308,663)	(285,106)
Net current liabilities		(8,292)	(41,703)
Non-current liabilities:			
Creditors: amounts falling due after one year	18	(10,545)	(17,539)
Lease liability	18	(5,685)	(5,936)
		(16,230)	(23,475)
Net assets		2,956,889	2,919,334
Capital and reserves			
Called-up share capital	23	2,540	2,540
Share Premium		3,688	3,688
Merger reserve	23	19,903	19,903
Profit and loss account		2,930,758	2,893,203
Total shareholders' funds		2,956,889	2,919,334

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

The financial statements were approved by the Board of Directors and authorised for issue on 14th December 2022.

They were signed on its behalf by:

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James Kidd
Director

Statement of changes in shareholders' equity

as at 31 March 2022

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total £000
At 31 March 2020		2,539	916,047	19,903	67,911	1,006,400
Loss for the year		-	-	-	(153,171)	(153,171)
Other comprehensive expense		-	-	-	(1,760)	(1,760)
Total comprehensive expense		-	-	-	(154,931)	(154,931)
Tax arising on share options		-	-	-	(523)	(523)
Cost of employee benefit trust shares issued to employees		-	-	-	6,771	6,771
Share Issue	22	1	2,694,205	-	-	2,694,206
Capital Reduction	22	-	(3,606,564)	-	3,606,564	-
Equity dividends	10	-	-	-	(632,589)	(632,589)
At 31 March 2021		2,540	3,688	19,903	2,893,203	2,919,334
Profit for the year		-	-	-	19,911	19,911
Other comprehensive income		-	-	-	1,255	1,255
Total comprehensive income		-	-	-	21,166	21,166
Tax arising on share options		-	-	-	254	254
Cost of employee benefit trust shares issued to employees		-	-	-	16,135	16,135
At 31 March 2022		2,540	3,688	19,903	2,930,758	2,956,889

Notes to the financial statements

1 General information

AVEVA Solutions Limited (the Company) is a Limited Liability Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of AVEVA Group plc in accordance with s400 of the Companies Act 2006. The consolidated financial statements of AVEVA Group plc are available to the public and can be obtained as set out in note 25.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes.

2 Key accounting policies

Explained below are the key accounting policies of the Company.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. These financial statements reflect the results and financial position of the Company as a separate entity and do not reflect the results and financial position of the Group of which this Company is the parent undertaking.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 "Revenue from Contracts with Customers".
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of AVEVA Group plc. The consolidated financial statements of AVEVA Group plc are available to the public and can be obtained as set out in note 25.

Going concern

The Company has received a letter of support from its intermediate parent company, AVEVA Group plc. This indicates that it will receive financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period up to 31 December 2023.

After making enquiries, considering the cash flow requirements for the Company, and the potential impact of market volatility (such as the continued impact of Covid-19, the impact of the crisis in Ukraine and rising inflation levels) the Directors have a reasonable expectation that the Company has sufficient resources to continue operating for the period up to 31 December 2023. The Directors have also considered the impact of this market volatility on the wider AVEVA Group, the latest going concern assessment of AVEVA Group plc, and the reliance that can be placed upon the letter of support in the context of the AVEVA Group's wider performance if required. Therefore, the going concern basis has been used in preparing these financial statements.

Notes to the financial statements (continued)

b) New standards, amendments and IFRIC interpretations

The Group has applied for the first time in the reporting period commencing 1 April 2021:

- amendments to IFRS 16 'Covid-19 related rent concessions beyond 30 June 2021'; and
- amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 'Interest rate benchmark reform – Phase 2'.

These amendments did not impact the Group's financial statements.

c) Revenue

The Company generates its revenue principally through the supply of:

- Subscriptions
- Maintenance
- Perpetual licences
- Services; and
- Royalty income

Revenue is recognised upon transfer of control of the promised software and/or services to customers. The Company enters into contracts which can include combinations of software licences, support and maintenance fees and other professional services, each of which is capable of being distinct and usually accounted for as separate performance obligations. Where there are multiple performance obligations, revenue is measured at the value of the expected consideration received in exchange for the services, allocated by the relative stand-alone selling prices of each of the performance obligations.

Subscription

The Company offers a number of non-cancellable, fixed-term subscription licensing models of between one month and five years and include on-premise software rentals, cloud hosted software and Software as a Service ('SaaS').

On-premises rentals

Rentals consist of two separate components: a software licence; and support and maintenance, which are two distinct performance obligations. The software licence is a right to use licence which is recognised at a point in time when the contract is agreed, and the software is made available to the customer. The support and maintenance element is recognised on a straight-line basis over the rental period.

SaaS

SaaS subscriptions are agreements with customers to provide the right to access software. The software, maintenance and support, and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the subscription period. Where software is licensed for use exclusively within the AVEVA Cloud, the software has been developed or has undergone redevelopment for optimisation within the AVEVA Cloud infrastructure. This optimisation and the performance of the software within the AVEVA Cloud forms a key element of the overall customer software solution. This means that the software and AVEVA Cloud hosting services are highly interrelated and as a result are not distinct performance obligations. The software and hosting services are therefore accounted for as one single performance obligation. The support and maintenance services within SaaS agreements are provided as part of the overall software as a service solution and have the same pattern of transfer to the Company's customers. On this basis, the support and maintenance services form part of the combined output to the Company's customers and as a result are included within the combined single performance obligation.

Maintenance

Revenue classified as maintenance includes annual fees as well as separate support and maintenance contracts. For both, revenue is recognised over time on a straight-line basis over the period of the contract, which is typically 12 months. Customers that have purchased an initial licence pay obligatory annual fees each year. Annual fees consist of the continuing right to use, and support and maintenance, which includes core product upgrades and enhancements, and remote support services. Users must continue to pay annual fees in order to maintain the right to use the software. Customers that have purchased a perpetual licence have the option to pay for support and maintenance.

Perpetual licences

Customers are charged an initial or perpetual licence fee for on-premises software which is usually limited by a set number of users or seats. Initial and perpetual licences provide the customer with the right to use the software and are distinct from other services. Revenue is recognised at a point in time when the contract is agreed, and the software is made available to the customer.

Services

Services consist primarily of consultancy, implementation services and training. Revenue from these services is recognised as the services are performed by reference to the costs incurred as a proportion of the total estimated costs of the service project.

If an arrangement includes both licence and service elements, an assessment is made as to whether the licence element is distinct in the context of the contract, based on whether the services provided significantly modifies or customises the base product. Where it is concluded that a licence is distinct, the licence element is recognised as a separate performance obligation. In all other cases, revenue from both licence and service elements is recognised over time.

Royalty income

Income in respect of royalties received from other companies within the AVEVA Group is recognised when the issue of a licence to an end-user has been reported to the Company.

Notes to the financial statements (continued)

2 Key accounting policies (continued)

d) Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Legislation has been enacted to allow UK companies to elect for the Research & Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the super-deduction rules. At the balance sheet date, management has concluded that the election will be made and therefore the RDEC is recorded as income included in profit before tax, netted against Research & Development expenses as the RDEC is of the nature of a government grant.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The income tax effects of items recorded in either other comprehensive income or equity are recognised in the Statement of comprehensive income or the Statement of changes in shareholders' equity respectively. Otherwise, income tax is recognised in the Profit and loss.

Revenue, expenses and assets are recognised net of the amount of sales taxes except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales taxes included.

The net amount of sales taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance sheet.

e) Transfer of trade and assets between entities under common control

The Company applies the 'pooling of interest' method of accounting on transfer of trade and assets between entities under common control by the Group. Under this method, the assets and liabilities of combining entities are reflected at their carrying amounts and no additional goodwill is recognised apart from the existing goodwill of the acquired entity. No restatement of financial information in the consolidated financial statements is being made for the periods prior to the combination under common control.

f) Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following had the most significant effect on the financial statements:

Revenue recognition

The assessments and estimates used by the Company for revenue recognition could have a significant impact on the amount and timing of revenue recognised. Revenue from sales of software licences when these are combined with the delivery of significant implementation or customisation services is recognised in line with the delivery of the services to the customer. This policy involves the assessment of which customer projects include significant customisation or implementation and also an assessment of the stage of completion of such projects.

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17%.

Notes to the financial statements (continued)

2 Key accounting policies (continued)

f) Significant accounting estimates and judgements (continued)

Provision for impairment of receivables

The Company provides against trade receivables using a lifetime expected credit loss allowance. Loss allowances are calculated using historical account payment profiles and the corresponding historical credit losses experienced and adjusted for forward looking factors specific to the debtor and the economic environment. In addition, provision for the impairment of receivables is made on a customer-specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Company's customers and management considers a number of factors, including the financial strength of the customers, the level of default that the Company has suffered in the past, the age of the receivable outstanding and the Company's trading experience with that customer. The provision for impairment of receivables at 31 March 2022 was £673,000 (2021: £646,000).

Income taxes

The Company is subject to income tax in the UK and there are instances where significant judgement is required in determining the provision for tax. The Company recognises provisions for tax based on estimates of taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determinations are made. Areas of tax judgement and where the ultimate tax determination is uncertain include transfer pricing and deferred tax asset recognition.

Retirement benefit obligations

The determination of the Company's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 21 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Company's future pension obligations, actuarial gains and losses included in the Statement of comprehensive income in future years and the future staff costs. In mitigation of significant changes in assumptions affecting the Group's future pension obligations, the pension scheme operates a liability-driven investment strategy, which means as inflation and interest rates change, the value of the asset portfolio will rise and fall, offsetting the impact on the net position. The net carrying amount of retirement benefit at 31 March 2022 was a surplus £16,580,000 (2021: £13,077,000).

Impairment of investments in subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the investments in subsidiaries are written down to their recoverable amount. The recoverable amount is the greater of net selling price and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

3 Revenue

An analysis of the Company's revenue is as follows:

	2022			2021		
	Services transferred at a point in time £000	Services transferred over time £000	Total £000	Services transferred at a point in time £000	Services transferred over time £000	Total £000
Subscriptions	25,978	5,355	31,333	37,380	12,170	49,550
Maintenance	-	13,488	13,488	-	4,911	4,911
Perpetual licences	644	3,000	3,644	494	-	494
Services	-	9,490	9,490	-	6,114	6,114
Total software revenue	26,622	31,333	57,955	37,874	23,195	61,069
Royalties from fellow group companies			259,746			150,144
Total revenue			317,701			211,213

Services consists of consultancy, implementation services and training fees.

Internal sales have increased significantly from the prior year due to significant sales made by fellow group companies of products for which the intellectual property is owned by the Company.

Notes to the financial statements (continued)

3 Revenue (continued)

Total software revenue, split by geographical area of customer, is shown below:

	2022 £000	2021 £000
United Kingdom	20,011	26,640
Rest of Europe, Middle East and Africa	30,216	22,409
Asia Pacific	3,211	11,997
Americas	4,517	23
	57,955	61,069

The Company has recognised the following assets and liabilities relating to contracts with customers:

	31 March 2022 £000	31 March 2021 £000
Trade receivables (see note 15)	29,850	29,750
Contract assets (see note 15)	41,019	42,888
Contract liabilities (see note 17)	9,686	5,894

A contract asset is recognised when the software licence performance obligation is satisfied, and therefore revenue recognised, but the full licence amount has not been billed. This situation arises when customers purchase a multi-year rental or subscription which is billed on an annual basis. When invoices are raised the contract assets are reclassified to trade receivables.

Contract liabilities are recognised when the customer is billed prior to the satisfaction of the performance obligation. This situation arises when a contract includes post contractual support as part of a rental or subscription contract or a support and maintenance contract. Post contractual support is a service transferred to the customer over time, with billing upfront or annually.

4 Selling and administrative expenses

An analysis of selling and administrative expenses is set out below:

	2022 £000	2021 £000
Selling and distribution expenses	119,360	42,651
Administrative expenses	111,832	80,487
	231,192	123,138

5 Profit/(loss) from operations

Profit/(loss) from operations is stated after charging/(crediting):

	2022 £000	2021 £000
Depreciation of owned property, plant and equipment	1,239	1,216
Depreciation of right-of-use assets	706	1,754
Amortisation of intangible assets:		
– Purchased software rights	2,593	2,904
– Developed technology	600	671
Auditors' remuneration		
– audit of the Company financial statements	72	39
Staff costs (see note 6)	81,990	63,579
Research & Development costs	48,500	33,125
(Profit) on disposal of investment in subsidiary	(325)	(81)
Net foreign exchange (gains)/ losses	(3,166)	148,037

During the year ended 31 March 2021, the Company held over \$3.5 billion cash deposits of US dollars on behalf of fellow group companies prior to the acquisition of OSIs LLC in March 2021 and as a result of small fluctuations in the exchange rate this time, the Company incurred a foreign exchange loss in the prior year. The foreign exchange gains for the year ended 31 March 2022 arise solely from normal trading transactions.

Notes to the financial statements (continued)

6 Staff costs

Staff costs relating to employees (including Directors) are shown below:

	2022 £000	2021 £000
Wages and salaries	52,404	45,641
Social security costs	5,782	5,337
Pension costs	7,669	5,830
Share-based payments	16,135	6,771
	81,990	63,579

The average monthly number of persons (including Directors) employed by the Company was as follows:

	2022 Number	2021 Number
Project delivery and customer support	75	61
Research, development and product support	293	220
Sales and marketing	110	94
Administration	298	177
	776	552

Directors' remuneration

	2022 £000	2021 £000
Emoluments	3,740	3,747
Company contributions to defined contribution pension schemes	-	-
	3,740	3,747

The above details of directors' remuneration includes the remuneration of directors, who are paid by the immediate parent company and recharged to the Company as part of a management charge.

	2022 Number	2021 Number
The number of Directors at March who:		
Are members of a defined contribution pension scheme	1	3
Exercised options over shares in the parent company	1	3
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	1	3
	2022 £000	2021 £000

Remuneration of the highest paid Director:

Aggregate remuneration and benefits (excluding gains on exercise of share options and value of shares received) under long-term incentive schemes	1,380	824
	1,380	824

7 Finance revenue

	2022 £000	2021 £000
Bank interest receivable and other interest earned – third party	133	671
Bank interest receivable and other interest earned – intercompany	3	15,391
	136	16,062

Notes to the financial statements (continued)

8 Finance expense

	2022 £000	2021 £000
Bank interest payable and similar charges – third party	1,699	317
Bank interest payable and similar charges – intercompany	1,659	9,176
Interest on lease liabilities	125	198
	3,483	9,691

9 Taxation

a) Tax on profit/ (loss)

The major components of income tax expense for the years ended 31 March 2022 and 2021 are as follows:

	2022 £000	2021 £000
Tax charged in Profit and loss		
<i>Current tax</i>		
UK corporation tax	1,350	(20)
Adjustments in respect of prior periods	(4,857)	(2,772)
	(3,507)	(2,792)
Foreign tax	5,206	5,427
Total current tax	1,699	2,635
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(424)	(1,241)
Effect of tax rate change on opening balance	(1,041)	-
Adjustment in respect of prior periods	95	283
Total deferred tax (note 20)	(1,370)	(958)
Total tax expense reported in Profit and loss	329	1,677
	2022 £000	2021 £000
Tax relating to items charged/ (credited)/directly to Statement of comprehensive income/(expense)		
Deferred tax on actuarial remeasurements on retirement benefit obligation	1,596	(403)
Tax charge reported in Statement of comprehensive income/(expense)	1,596	(403)

Notes to the financial statements (continued)

9 Taxation (continued)

b) Reconciliation of the total tax charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2022 £000	2021 £000
Profit/ (Loss) before taxation	20,240	(151,494)
Tax on profit/(loss) before tax at standard UK corporation tax rate of 19% (2021: 19%)	3,846	(28,784)
Effects of:		
– expenses not deductible for tax purposes	1,543	1,294
– provision for investment in subsidiary	-	5,545
– preference share dividend	-	(2,802)
– loss on foreign exchange	-	28,128
– irrecoverable withholding tax	-	1,989
– non-taxable Group income	(646)	(452)
– Group relief surrendered	4,932	-
– differing tax rates	(202)	-
– foreign tax credits	5,643	-
– patent box benefit	(9,930)	(752)
– adjustments in respect of prior years	(4,857)	(2,489)
Total tax expense reported in Profit and loss	329	1,677

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25 per cent from 1 April 2023. This change was enacted during the accounting period. As a result, existing temporary differences on which deferred tax has been provided have been revalued, where appropriate, to reflect the fact that they will now unwind at 25 per cent rather than 19 per cent. The impact of this is to increase the deferred tax asset by £256,000 (£1,041,000 credit to the income statement and a debit to Other comprehensive income of £785,000).

10 Dividends paid and proposed on equity shares

	2022 £000	2021 £000
Declared and paid during the year		
Final dividend paid for the year ended 31 March 2022 of £nil (2021: £249.18) per ordinary share	-	632,589

11 Intangible assets

	Developed technology £000	Purchased software rights £000	Purchased brands £000	Total £000
Cost				
At 1 April 2021	15,423	19,555	802	35,780
Additions	-	4	-	4
At 31 March 2022	15,423	19,559	802	35,784
Amortisation				
At 1 April 2021	13,135	11,091	802	25,028
Charge for the year	600	2,593	-	3,193
At 31 March 2022	13,735	13,684	802	28,221
Net book value				
At 31 March 2021	2,288	8,464	-	10,752
At 31 March 2022	1,688	5,875	-	7,563

Notes to the financial statements (continued)

12 Tangible fixed assets

	Long leasehold building improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Total £000
Cost				
At 1 April 2021	2,105	6,412	5,065	13,582
Additions	-	1,138	40	1,178
Disposals	-	(234)	(1,014)	(1,248)
At 31 March 2022	2,105	7,316	4,091	13,512
Depreciation				
At 1 April 2021	915	3,518	2,453	6,886
Charge for the year	51	946	242	1,239
Disposals	-	(198)	(199)	(397)
At 31 March 2022	966	4,266	2,496	(7,728)
Net book value				
At 31 March 2021	1,190	2,894	2,612	6,696
At 31 March 2022	1,139	3,050	1,595	5,784

13 Leases

a) Background

As at 31 March 2022 the Group was entered into lease contracts as a lessee for various properties, vehicles, and items of office equipment for use in its operations. The Group does not operate as a lessor. For details of accounting policies refer to note 2.

b) 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:

	Long leasehold buildings £000	IT equipment £000	TOTAL £000
As at 1 April 2021	6,654	4	6,658
Additions	2,069	-	2,069
Depreciation expense	(706)	-	(706)
Disposals	(1,395)	(4)	(1,399)
As at 31 March 2022	6,622	-	6,622

c) Lease liabilities

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

	Long leasehold buildings £000	IT equipment £000	TOTAL £000
As at 1 April 2021	7,113	4	7,117
Additions	2,069	-	2,069
Accretion of interest	125	-	125
Payments	(931)	-	(931)
Disposals	(1,348)	(4)	(1,352)
As at 31 March 2022	7,028	-	7,028
Current			1,343
Non-current			5,685

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

Notes to the financial statements (continued)

14 Investments

	Investment in shares of parent undertakings £000	Investment in subsidiary undertakings £000	Total £000
Cost and net book value			
At 31 March 2021	13,623	2,921,632	2,935,255
Additions	529	819	1,348
Disposal	-	(715)	(715)
Return of capital	-	(3,100)	(3,100)
At 31 March 2022	14,152	2,918,636	2,932,788

During the year the company acquired £529,000 of shares in its parent company undertakings under the Global Employee Share Purchase Plan.

During the year the company increased its investment in AVEVA Limited (£500,000), and AVEVA Asia Pacific Sdn. Bhd. (£46,000). It also made an investment in AVEVA Software Brasil Ltda. (£4,000), currency fluctuations increased the value of its investment in AVEVA East Asia Limited (£269,000).

During the year the company sold AVEVA Colombia S.A.S and AVEVA Software India Private Limited at a loss of £179,000, liquidated Fabtrol Systems, UK Limited at a loss of £95,000 and impaired the investment (£51,000) in Aveva Limited Liability Company in Russia.

During the year 8over8 Limited was liquidated with a return of capital of £3,100,000.

During the year ended 31st March 2021, the Company subscribed for 9,765 shares in AVEVA Inc. for a consideration of US\$2,579 million and subsequently a further 13 shares for US\$5 million. An additional US\$94m was provided as a capital contribution.

Additionally, the Company subscribed for one share in AVEVA Limited for £500 million and, following conversion from preference shares to ordinary shares, 2,791,200,000 US\$0.000000001 shares for US\$3,479 million. AVEVA Limited subsequently made a return of capital of £3,026,737,000 prior to the year end, reducing the value of the investment held by the Company.

At year end, it was determined that the residual value held by the Company in AVEVA Limited was not supported by the entity's prospective future cash flows and consequently, the investment has been impaired to value of the entity's net asset balance.

Investment in subsidiary undertakings

At 31 March 2022 the Company had the following principal subsidiary undertakings.

	Country of incorporation or registration	Principal activity	Description and proportion of shares and voting rights held
AVEVA Software Brasil Ltda.	Brazil	Software marketing	100% of ordinary shares of BRL 1 each
AVEVA Solutions (Shanghai) Co., Ltd	China	Software marketing	100% of ordinary shares
AVEVA Denmark A/S	Denmark	Software marketing and development	100% of ordinary shares of DKK 1 each
AVEVA SAS	France	Software marketing	100% ordinary shares of €9 each
AVEVA GmbH	Germany	Software marketing	100% ordinary shares
AVEVA East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK\$1 each
AVEVA Information Technology India Private Limited	India	Software marketing	99.99% ordinary shares of 10 Rupees each
AVEVA K.K.	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
AVEVA Korea Limited	Korea	Software marketing	100% ordinary shares of KRW 500,000 each
AVEVA Sdn. Bhd.	Malaysia	Software marketing	100% ordinary shares of MYR1 each
AVEVA Asia Pacific Sdn. Bhd.	Malaysia	Software marketing	100% ordinary shares of MYR1 each
AVEVA AS	Norway	Software marketing and development, training and consultancy	100% ordinary shares of NOK 500 each
AVEVA Limited Liability Company	Russia	Software marketing	99% of ordinary shares
AVEVA AB	Sweden	Software development and marketing	100% of ordinary shares of SEK 10 each
AVEVA Inc.	USA	Software marketing	100% common stock of US\$1 each
LFM Software Limited	UK	Software development and marketing	100% of ordinary shares
AVEVA Yazlim Ve Hizmetleri Anonim Şirketi	Turkey	Software development and marketing	100% of ordinary shares

Notes to the financial statements (continued)

14 Investments (continued)

In addition to the principal subsidiaries listed in the previous table, AVEVA Solutions Limited also has the following subsidiaries:

AVEVA Software Arabia For Information Technology OPC	AVEVA Consulting Limited
AVEVA Managed Services Limited	AVEVA To The Power of PI Limited
AVEVA Limited	CADCentre Limited
Tribon Solutions (UK) Limited	CADCentre Property Limited
AVEVA Engineering IT Limited	CADCentre Pension Trustee Limited
AVEVAPI Limited	CADCentre Engineering IT Limited

15 Debtors

	2022 £000	2021 £000
Current		
Amounts falling due within one year:		
Trade receivables	29,850	29,750
Amounts owed by group undertakings	147,637	97,358
Prepayments and other receivables	28,792	23,585
Contract assets	41,019	42,888
UK corporation tax receivable	13,176	12,235
Deferred tax (note 20)	840	812
Financial asset (note 19)	-	298
	261,314	206,926

Trade receivables and amounts owed by group undertakings, which generally have 30 to 90 day terms, are typically held within a business model with the objective to hold in order to collect contractual cash flows. As such, trade receivables are recorded initially at fair value, and at amortised cost thereafter.

<i>Amounts falling due after one year:</i>	2022 £000	2021 £000
Prepayments and other receivables	3,511	14,044
	3,511	14,044

In the year ended 31 March 2021, the Company signed a multi-year, non-cancellable contract with a supplier to secure the long-term provision of key services to the Company and fellow group undertakings. Due to the non-cancellable nature of the contract, an "other receivable" was created for the contractual commitment assumed, reducing on a straight-line basis over the life of the contract. A corresponding accrual has also been created which is reducing in line with value of invoices over the commitment period (see note 18).

16 Cash and cash equivalents and treasury deposits

	2022 £000	2021 £000
Cash at bank and in hand	35,546	22,433

17 Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade payables	16,233	28,040
Amounts owed to group undertakings	247,882	218,112
Social security, employee taxes and sales taxes	1,932	6,807
Contract liabilities	9,686	5,894
Accruals and other payables	31,587	25,072
Lease liability (note 13)	1,343	1,181
	308,663	285,106

The amount owed to AVEVA Financing Limited, included within amounts owed to group undertakings, was interest bearing at 1-month LIBOR. It had no fixed date of repayment and was repaid during the year. At 31 March 2022, the amount outstanding was therefore £nil (2021: £9,000,000).

Trade payables and the remaining amounts owed to group undertakings are non-interest bearing and are normally settled on terms of between 30 and 60 days. Social security, employee taxes and sales taxes are non-interest bearing and are normally settled on terms of between 19 and 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Notes to the financial statements (continued)

18 Creditors: amounts falling due after one year:	2022 £000	2021 £000
Accruals and other liabilities	10,545	17,539
Lease liability (note 13)	5,685	5,936
	16,230	23,475

In the year ended 31 March 2021, the Company signed a multi-year, non-cancellable contract with a supplier to secure the long-term provision of key services to the Company and fellow group undertakings. Due to the non-cancellable nature of the contract, an accrual was created for the contractual commitment assumed, reducing as the liability is settled. A corresponding asset has also been created which is being amortised on a straight-line basis over the commitment period (see note 15) within "prepayments and other receivables".

19 Financial assets

The Company uses forward foreign exchange contracts to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes. During the prior year, the Company also entered into a hedge arrangement with AVEVA Limited, a subsidiary company, in order to hedge the US dollars being held on deposit prior to the acquisition of OSIsoft by fellow group undertakings. The Company has not applied hedge accounting during the current or preceding year.

At 31 March 2022, the fair value of forward foreign exchange contracts was an asset of £nil (2021: £298,000 liability). The fair value has been determined with reference to quoted market prices. The total gain in the year ended 31 March 2022 relating to the change in value of financial instruments at fair value through profit and loss (FVTPL) was £298,000 gain (2021: gain of £184,069,000).

	2022 £000	2021 £000
Current financial assets		
Fair value of forward foreign exchange contracts	-	298

Borrowing facilities

The Company and Group have access to a £250.0 million facility. The facility is unsecured but carries the support of the Company and other operating entities within the AVEVA group. Interest on drawings is calculated at a floating market rate of interest, being either Euribor, SONIA or USD LIBOR plus a variable margin linked to the Group's net leverage ratio. A commitment fee, linked to the margin, is also payable on undrawn amounts. The RCF term was extended during the year and has a maturity of 25 February 2025 (2021: 25 February 2024). The facility includes the mechanism to request an additional one-year extension, subject to the lender's acceptance.

As at 31 March 2022 the RCF remained undrawn (2021: £nil).

a) Credit risk

The Company's principal financial assets are cash and cash equivalents, and trade and other receivables. Counterparties for cash and cash equivalents are governed by the Group treasury policy, which has been approved by the Group Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies.

The Company trades only with recognised, creditworthy third parties and provides credit to customers in the normal course of business. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. Expected credit loss allowances are made against trade receivables based on credit risk characteristics. The Company has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. Due to the credit control procedures in place, we believe all the receivables are of good quality. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The exposure to credit risk is mitigated where necessary by either letters of credit or payments in advance.

b) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. As noted above, the Company has access to £250.0m of undrawn borrowing facilities.

Notes to the financial statements (continued)

20 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and the movements thereon during the current and previous year:

	Losses £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Intangibles £000	Share options £000	Unremitted earnings £000	Other £000	Total £000	Profit & loss £000	OCI £000	Equity £000
At 1 April 2020	-	17	(2,840)	(408)	2,907	(350)	648	(26)	-	-	-
Credit/(charge) to income statement	1,692	209	(48)	224	(870)	100	(349)	958	958	-	-
Charged to other comprehensive income	-	-	403	-	-	-	-	403	-	403	-
Charged to equity	-	-	-	-	(523)	-	-	(523)	-	-	(523)
At 31 March 2021	1,692	226	(2,485)	(184)	1,514	(250)	299	812	958	403	(523)
Effect of tax rate change opening balance	535	71	(785)	(58)	478	(79)	94	256	1,041	(785)	-
At 31 March 2021 - restated	2,227	297	(3,270)	(242)	1,992	(329)	393	1,068	-	-	-
Credit/(charge) to income statement	(372)	(165)	(65)	242	199	329	161	329	329	-	-
Credit/(charge) to other comprehensive income	-	-	(811)	-	-	-	-	(811)	-	(811)	-
Credited to equity	-	-	-	-	254	-	-	254	-	-	254
At 31 March 2022	1,855	132	(4,146)	-	2,445	-	554	840	1,370	(1,596)	254

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £41,682,000 (2021: £34,895,000) of the undistributed earnings of overseas subsidiaries may still result in a liability principally as a result of withholding taxes levied by the overseas jurisdictions in which they operate.

21 Retirement benefit obligations

The movement on the provision for retirement benefit obligations was as follows:

	2022 £000	2021 £000
1 April	(13,077)	(14,948)
Past service cost	-	80
Pension scheme expenses	180	180
Net interest on pension scheme liabilities	1,542	1,629
Return on pension scheme assets	(1,801)	(1,960)
Actuarial remeasurements	(3,244)	2,122
Company contributions	(180)	(180)
At 31 March	(16,580)	(13,077)

The UK defined benefit scheme surplus has been recognised as a non-current asset as the Company has a right to any remaining surplus after all liabilities are paid. The Trustees may not distribute any surplus without the agreement of the Company. If such agreement is withheld, the trustees are required to repay any remaining funds to the Company.

a) Defined benefit scheme

The Company operates a UK defined benefit pension plan providing benefits based on final pensionable pay which is funded. This scheme was closed to new employees on 30 September 2002 (with the option of reopening if required) and was converted to a Career Average Revalued Earnings basis on 30 September 2004. The scheme closed to future benefit accrual with effect from 1 April 2015. Pensions are also payable to dependants on death. Administration on behalf of the members is governed by a trust deed, and the funds are held and managed by professional investment managers who are independent of the Company.

Contributions to the scheme are made in accordance with advice from an external, professionally qualified actuary, Broadstone Corporate Benefits Limited, at rates which are calculated to be sufficient to meet the future liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

Notes to the financial statements (continued)

21 Retirement benefit obligations (continued)

The principal assumptions used in determining the pension valuation were as follows:

	2022 %	2021 %
Main assumptions:		
Discount rate	2.60	2.00
Inflation assumption – RPI	3.75	3.30
Rate of salary increases	3.05	5.30
Rate of increase of pensions in payment	3.40	3.10
Rate of increase of pensions in deferment	3.05	2.60
Cash commutation	20% of pension	20% of pension

The duration of the scheme liabilities is estimated to be 15 years (2021: 16 years).

For the years ended 31 March 2022 and 2021, the mortality assumptions adopted imply the following weighted average life expectancies at age 65:

	2022 Years	2021 Years
Male pensioners	22.7	22.6
Female pensioners	23.8	23.8
Non-retired males	23.6	23.6
Non-retired females	26.0	25.0

Company contributions were £180,000 (2021 – £180,000). The total contributions in 2022/23 are expected to be approximately £180,000 (2021/22: £180,000).

The assumed discount rate, inflation rate and mortality all have a significant effect on the IAS 19 accounting valuation. The following table shows the sensitivity of the valuation to changes in these assumptions:

	Impact on surplus increase/(decrease)	
	2022 £000	2021 £000
0.25 percentage point increase to:		
– discount rate	(2,728)	(3,073)
– inflation (including pension increases linked to inflation)	1,595	1,894
Additional one-year increase to life expectancy	3,120	3,406

The assets and liabilities of the scheme at 31 March 2022 and 2021 were as follows:

	2022 £000	2021 £000
Equities	14,601	17,686
Bonds	6,737	13,166
Other	70,107	60,507
Total fair value of assets	91,445	91,359
Present value of scheme liabilities	(74,865)	(78,282)
Net pension asset	16,580	13,077

Notes to the financial statements (continued)

21 Retirement benefit obligations (continued)

The amounts recognised in the Profit and loss account and Statement of comprehensive (expense)/ income for the year are analysed as follows:

	2022 £000	2021 £000
Administrative expenses		
Past service cost	-	80
Company contributions	180	180
	180	260
Net finance income on pension scheme		
Interest income on pension scheme assets	(1,801)	(1,960)
Interest on pension scheme liabilities	1,542	1,629
	(259)	(331)
Taken to Statement of comprehensive income/(expense)		
Actual return on pension scheme assets	2,416	3,488
Less: interest income on pension scheme assets	(1,801)	(1,960)
	615	1,528
Changes in assumptions and experience adjustments on liabilities	2,629	(3,650)
Remeasurement gain/(loss) on defined benefit plan	3,244	(2,122)

Analysis of movements in the present value of the defined benefit pension obligations during the year are analysed as follows:

	2022 £000	2021 £000
At 1 April	78,282	75,130
Past service cost	-	80
Interest on pension scheme liabilities	1,542	1,629
Benefits paid	(2,330)	(2,207)
Actuarial gain due to experience	1,602	(1,831)
Actuarial loss/(gain) due to changes in the economic assumptions	(4,231)	5,481
At 31 March	74,865	78,282

The above defined benefit obligation arises from a plan that is wholly funded.

Changes in the fair value of plan assets are as follows:

	2022 £000	2021 £000
At 1 April	91,359	90,078
Interest income	1,801	1,960
Contributions by employer	180	180
Benefits paid	(2,330)	(2,207)
Expenses incurred	(180)	(180)
Actuarial gain	615	1,528
At 31 March	91,445	91,359

b) Defined contribution scheme

The Company operates a defined contribution retirement scheme for UK employees not eligible for the defined benefit scheme. The assets of the schemes are held separately from those of the Company. The total cost charged to income of £7,669,000 (2021: £5,830,000) represents contributions payable to the scheme by the Company at the rates specified in the rules of the plan.

Notes to the financial statements (continued)

22 Share-based payment plans

The Company provides rewards to certain employees under the share option schemes of its parent, AVEVA Group plc.

The Company has four equity-settled share schemes: the AVEVA Group plc Long Term Incentive Plan (LTIP); the AVEVA Group Management Bonus Deferred Share Scheme; the AVEVA Group plc Senior Employee Restricted Share Plan 2015; and the AVEVA Group plc Executive Share Option Scheme 2007. No grants have been made under the 2007 scheme which was approved at the Annual General Meeting on 12 July 2007.

The weighted average share price at the date of exercise for share options exercised during the period was 3,177 pence (2021: 4,584 pence). The options outstanding at 31 March 2022 had a weighted average exercise price of 3.52 pence (2021: 3.45 pence), and a weighted average remaining contractual life of 4.97 years (2021: 5.35 years). The average fair value of options granted during the year is 3,603 pence (2021: 3,776 pence).

23 Share capital and reserves

a) Called-up share capital

	2022 £000	2021 £000
Authorised		
Nil (2021: nil) ordinary shares of £1 each	-	-
Allotted, called-up and fully paid		
2,539,685 (2021: 2,539,685) ordinary shares of £1 each	2,540	2,540

The authorised share capital limit was revoked on 28 March 2018. The Company no longer has any authorised share capital, the restriction on authorised share capital was removed by shareholder resolution.

A capital reduction was undertaken 5 March 2021 and became effective on 15 March 2021 to transfer £3,606,564,000 from share premium to retained earnings

Additionally, the Company issued 1,000 shares to its immediate parent undertaking on 19 March 2021 as consideration for US\$5m preference shares in AVEVA US 1 Corp, a fellow group undertaking. These preference shares were subsequently contributed to AVEVA Inc as a capital contribution (see note 14).

b) Merger reserve

This represents the difference between the fair value and the nominal value of shares issued in connection with the acquisition of AVEVA AB in 2004.

c) Capital contribution

This represents the reimbursement by Schneider Electric Group of capital expenditure incurred in relation to the migration of Schneider Electric industrial software business companies into the AVEVA Group.

24 Related party transactions

The Company has taken advantage of the exemption of FRS 101:8(i) which exempts qualifying entities from disclosing related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member of that group.

25 Ultimate controlling party

The Company is a subsidiary undertaking of AVEVA Group plc which is incorporated in Great Britain. The smallest group in which the Company's results are consolidated is that headed by AVEVA Group plc, which is incorporated in Great Britain. The largest group in which the Company's results are consolidated is that headed by Schneider Electric SE, which is incorporated in France. The ultimate parent company is Schneider Electric SE. The consolidated financial statements for both AVEVA Group plc and Schneider Electric SE are available to the public and may be obtained from The Secretary, AVEVA Group plc, High Cross, Madingley Road, Cambridge, CB3 0HB. Copies of the accounts of Schneider Electric SE are available from 35 rue Joseph Monier, 92500 Rueil-Malmaison, France.