Consolidated Income Statement

for the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Revenue	3,4	**820.4**	833.8
Cost of sales		**(181.3)**	(190.7)
Gross profit		**639.1**	643.1
Operating expenses			
Research & Development costs		**(184.5)**	(184.6)
Selling and administrative expenses	5	**(419.8)**	(367.8)
Net impairment loss on financial assets		**(3.7)**	(7.6)
Other income	7	**5.5**	11.9
Total operating expenses		**(602.5)**	(548.1)
Profit from operations	6	**36.6**	95.0
Finance revenue	8	**0.6**	0.3
Finance expense	9	**(3.0)**	(3.3)
Profit before tax from continuing operations		**34.2**	92.0
Income tax expense	11(a)	**(9.4)**	(22.2)
Profit for the year attributable to equity holders of the parent		**24.8**	69.8

	Notes	2021 £m	2020 £m
Profit from operations		**36.6**	95.0
Amortisation of intangibles (excluding other software)	16	**95.7**	90.6
Share-based payments	27	**16.3**	12.0
(Gain)/loss on fair value of forward foreign exchange contracts		**(0.7)**	0.4
Exceptional items	7	**78.5**	18.8
Adjusted EBIT		**226.4**	216.8

	Notes	2021	2020
Earnings per share (pence)			
– basic	13	**11.35**	34.78
– diluted	13	**11.27**	34.60

All activities relate to continuing activities.

The accompanying notes are an integral part of this Consolidated Income Statement.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		**24.8**	69.8
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain arising on translation of foreign operations		**20.7**	4.2
Total of items that may be reclassified to profit or loss in subsequent periods		**20.7**	4.2
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement (loss)/gain on defined benefit plans	26	**(2.5)**	6.2
Deferred tax effect	11(a)	**0.5**	(1.2)
Total of items that will not be reclassified to profit or loss in subsequent periods		**(2.0)**	5.0
Total comprehensive income for the year, net of tax		**43.5**	79.0

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

Consolidated Balance Sheet

31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Goodwill	15	**3,904.1**	1,295.7
Other intangible assets	16	**1,662.3**	514.8
Property, plant and equipment	17	**48.5**	27.6
Right-of-use assets	23(b)	**111.9**	79.5
Deferred tax assets	25	**21.4**	19.1
Trade and other receivables	19	**19.4**	4.4
Customer acquisition costs		**0.3**	–
Investments	18	**0.4**	–
Retirement benefit surplus	26	**13.1**	14.9
		5,781.4	1,956.0
Current assets			
Trade and other receivables	19	**317.0**	242.2
Contract assets	3	**215.6**	142.4
Treasury deposits	20	**0.3**	0.1
Cash and cash equivalents	20	**286.6**	114.5
Restricted cash	20	**7.3**	–
Financial assets		**0.7**	–
Current tax assets		**18.9**	20.2
		846.4	519.4
Total assets		**6,627.8**	2,475.4
Equity			
Issued share capital	28(a)	**10.7**	5.7
Share premium	28(b)	**3,842.1**	574.5
Other reserves	28(c)	**1,209.6**	1,180.3
Retained earnings		**130.3**	181.2
Total equity		**5,192.7**	1,941.7
Current liabilities			
Trade and other payables	21	**271.3**	149.5
Contract liabilities	3	**239.7**	177.0
Lease liabilities	23(c)	**22.9**	16.6
Financial liabilities		**–**	0.4
Current tax liabilities		**45.6**	5.5
		579.5	349.0
Non-current liabilities			
Loans and borrowings	22	**654.0**	–
Lease liabilities	23(c)	**88.9**	53.3
Deferred tax liabilities	25	**82.0**	119.9
Other liabilities	21	**18.2**	0.7
Retirement benefit obligations	26	**12.5**	10.8
		855.6	184.7
Total equity and liabilities		**6,627.8**	2,475.4

The accompanying notes are an integral part of this Consolidated Balance Sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2021. They were signed on its behalf by:

Peter Herweck
Chief Executive Officer

James Kidd
Deputy CEO & CFO

Company number
2937296

Consolidated Statement of Changes in Shareholders' Equity

31 March 2021

					Other reserves						
	Notes	Share capital £m	Share premium £m	Merger reserve £m	Cumulative translation adjustments £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Treasury shares £m	Total other reserves £m	Retained earnings £m	Total equity £m
At 31 March 2019		5.7	574.5	615.6	18.4	101.7	452.5	(9.4)	1,178.8	165.5	1,924.5
Profit for the year		–	–	–	–	–	–	–	–	69.8	69.8
Other comprehensive income		–	–	–	4.2	–	–	–	4.2	5.0	9.2
Total comprehensive income		–	–	–	4.2	–	–	–	4.2	74.8	79.0
Share-based payments	27	–	–	–	–	–	–	–	–	12.0	12.0
Tax arising on share options		–	–	–	–	–	–	–	–	1.0	1.0
Investment in own shares	28	–	–	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Cost of employee benefit trust shares issued to employees	28	–	–	–	–	–	–	0.4	0.4	(0.4)	–
Equity dividends	12	–	–	–	–	–	–	–	–	(71.7)	(71.7)
At 31 March 2020		5.7	574.5	615.6	22.6	101.7	452.5	(12.1)	1,180.3	181.2	1,941.7
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24.8**	**24.8**
Other comprehensive income		**–**	**–**	**–**	**20.7**	**–**	**–**	**–**	**20.7**	**(2.0)**	**18.7**
Total comprehensive income		**–**	**–**	**–**	**20.7**	**–**	**–**	**–**	**20.7**	**22.8**	**43.5**
Issue of new shares	28	**0.5**	**465.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**465.7**
Rights issue	28	**4.5**	**2,831.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,835.5**
Transaction costs relating to issue of share capital	28	**–**	**(28.6)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28.6)**
Share-based payments	27	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16.3**	**16.3**
Tax arising on share options		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Investment in own shares	28	**–**	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**	**–**	**(1.1)**
Cost of employee benefit trust shares issued to employees	28	**–**	**–**	**–**	**–**	**–**	**–**	**9.7**	**9.7**	**(9.7)**	**–**
Equity dividends	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(82.4)**	**(82.4)**
At 31 March 2021		**10.7**	**3,842.1**	**615.6**	**43.3**	**101.7**	**452.5**	**(3.5)**	**1,209.6**	**130.3**	**5,192.7**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity. Details of other reserves are contained in note 28.

Consolidated Cash Flow Statement

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year		**24.8**	69.8
Income tax expense	11(a)	**9.4**	22.2
Net finance expense	8,9	**2.4**	3.0
Amortisation of intangible assets	16	**96.3**	91.7
Depreciation of property, plant and equipment and right-of-use assets	17,23	**28.2**	24.4
Loss on disposal of property, plant and equipment	6	**1.0**	0.7
Gain on disposal of pension scheme	26	**(0.3)**	(0.4)
Gain on disposal of subsidiaries	7	**–**	(7.7)
Share-based payments	27	**16.3**	12.0
Difference between pension contributions paid and amounts charged to operating profit	26	**0.3**	(1.2)
Research & Development expenditure tax credit		**(3.1)**	(2.3)
Changes in working capital:			
Trade and other receivables		**(4.8)**	(12.2)
Contract assets		**(70.8)**	(43.8)
Customer acquisition costs		**(0.3)**	–
Trade and other payables		**5.5**	(5.8)
Contract liabilities		**(13.0)**	10.7
Changes to fair value of forward foreign exchange contracts		**(0.7)**	0.3
Cash generated from operating activities before tax		**91.2**	161.4
Income taxes paid		**(32.8)**	(39.3)
Net cash generated from operating activities		**58.4**	122.1
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(10.9)**	(18.5)
Purchase of intangible assets	16	**(0.5)**	(0.6)
Payment on disposal of pension scheme		**(0.3)**	(2.0)
Acquisition of subsidiaries, net of cash acquired	14	**(3,029.5)**	(25.1)
Restricted cash from acquisition of business - held in escrow		**(7.3)**	–
Net payment for forward contracts under hedge accounting		**(74.2)**	–
Proceeds from sale of subsidiaries, net of cash		**–**	5.5
(Purchase)/sale of treasury deposits		**(0.2)**	0.5
Interest received	8	**0.5**	0.3
Net cash flows used in investing activities		**(3,122.4)**	(39.9)
Cash flows from financing activities			
Interest paid	9	**(2.8)**	(3.3)
Purchase of own shares	28(c)	**(1.1)**	(3.1)
Proceeds from borrowings, net of fees incurred	22	**645.6**	–
Payment of principal element of lease liability	23	**(18.5)**	(15.5)
Proceeds from rights issue	28	**2,835.5**	–
Transaction costs on issue of shares	28	**(28.6)**	–
Payment of facility arrangement fees		**(2.0)**	–
Dividends paid to shareholders of the parent	12	**(82.4)**	(71.7)
Net cash flows used in financing activities		**3,345.7**	(93.6)
Net increase/(decrease) in cash and cash equivalents		**281.7**	(11.4)
Net foreign exchange difference		**(109.6)**	(1.3)
Opening cash and cash equivalents	20	**114.5**	127.2
Closing cash and cash equivalents	20	**286.6**	114.5

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

Notes to the Consolidated Financial Statements

1 Corporate information

AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 202. AVEVA Group plc's shares are publicly traded on the Official List of the London Stock Exchange. The Parent Company financial statements of AVEVA Group plc are included on pages 179 to 184.

2 Key accounting policies

Explained below are the key accounting policies of the AVEVA Group plc and all its subsidiaries (the Group). The full Statement of Group Accounting Policies is included on pages 185 to 190.

a) Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

The accounting policies which follow set out those policies applied in preparing the financial statements, which have been consistently applied to all the years presented unless otherwise stated. The Group applies several new amendments to accounting standards, none of which have impacted the Consolidated Financial Statements.

The Consolidated Financial Statements are presented in pounds sterling (£) and all values are rounded to the nearest £0.1 million except when otherwise indicated.

In adopting the going concern basis for preparing the financial statements, 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 ongoing impacts of the global Covid-19 pandemic on the Group and reviews of liquidity and covenant forecasts.

The Group's business planning cycle has taken account of potential ongoing impacts of Covid-19 to create a base case going concern model, reflecting the current business disruption, economic conditions and the resulting impact on customers and their ability to continue operating effectively during the ongoing period of remote working.

The Directors have considered sensitivities in respect of potential downside scenarios over the base case going concern model and the mitigating actions available in concluding that the Group is able to continue in operation for a period of at least sixteen months from the date of approving the financial statements to 30th September 2022.

The specific scenarios modelled are:

Scenario 1: A 'stress test' scenario reducing base model revenue by circa 10% across the five-year forecast period.

Scenario 2: A further scenario was created to model circumstances required to breach AVEVA's credit facilities. This scenario assumes severe cash collection delays and does not include any mitigating actions that the Group would take. It is overall considered very unlikely.

Under the base case scenario, there is no expected requirement to draw down on the RCF across the going concern period. Under the two downside scenarios, the Group would utilise the RCF, but within the current liquidity levels available.

Throughout both downside scenarios, the Group continues to have liquidity headroom on existing facilities and against the RCF financial covenants during the period under assessment. Should a more extreme downside scenario occur, additional mitigating actions could be taken such as the cancellation or deferral of dividend payments and reductions in other discretionary operating costs. The financial statements for the year ended 31 March 2021 have therefore been prepared under the going concern basis of accounting.

b) Revenue

The Group generates its revenue principally through the supply of:

- subscription;
- maintenance;
- perpetual licences; and
- services.

Revenue is recognised upon transfer of control of the promised software and/or services to customers. The Group 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.

Where a contract is subject to a modification and the purpose of the modification is to increase the licence term by an agreed number of annual periods and in some cases to expand the list of included software, an adjustment is made to revenue at the date of the contract modification. The adjustment to revenue will incorporate the effects of both scenarios noted above.

Subscription

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

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 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 AVEVA's customers. On this basis, the support and maintenance services form part of the combined output to AVEVA's customers and as a result are included within the combined single performance obligation.

Perpetual licences

Customers are charged an initial or perpetual licence fee for on-premise or hosted 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.

Notes to the Consolidated Financial Statements continued

2 Key accounting policies continued

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.

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.

c) Non-GAAP measures

The Group presents the non-GAAP performance measure ‘adjusted earnings before interest and tax (EBIT)’ on the face of the Consolidated Income Statement. Adjusted EBIT is not defined by IFRSs and therefore may not be directly comparable with the adjusted EBIT measures of other companies.

The business is managed and measured on a day-to-day basis using adjusted results. To arrive at adjusted results, certain adjustments are made for normalised and exceptional items that are individually significant and which could, if included, distort the understanding of the performance for the year and the comparability between periods.

Normalised items

These are recurring items which management considers to have a distorting effect on the underlying results of the Group.

These items relate to:

- amortisation of intangible assets (excluding other software);
- share-based payment charges; and
- fair value adjustments on financial derivatives.

Other types of recurring items may arise; however, no others were identified in either the current or prior year. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

Management consider these items to be distorting as they do not reflect the underlying performance of the Group.

Exceptional items

These are items which are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to, the costs of significant restructuring exercises, fees associated with business combinations and costs incurred in integrating acquired companies. Exceptional items are discussed further in note 7.

Management consider these items to be distorting by nature, as they are significant non-recurring-items that are inherently not reflective of the future or underlying performance of the Group.

d) Significant accounting judgements

Determination of lease term for contracts with renewal or termination option

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 where it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, where it is reasonably certain not to be exercised.

The Group has entered into several lease contracts that include extension and/or termination options. Judgement is applied in evaluating whether it is reasonably certain that the Group will exercise the option to renew or terminate the lease. Relevant factors that may create an economic incentive to exercise either the renewal or termination option are considered. After the commencement date, the lease term is reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate.

e) Significant accounting estimates

Revenue recognition

The assessments and estimates used by the Group 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. Management used judgement in calculating this estimate by using a combination of historical data, cost to the business of providing services, and annual fees as a proportion of initials. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17%.

Impairment of assets

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other CGUs. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment, right-of-use assets and intangible assets other than goodwill 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 assets or CGUs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognised in the income statement in the selling and administrative expenses line item. Further details about the assumptions used and sensitivity analysis performed in the impairment review are set out in note 15.

Provision for impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. 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 assessing the impact of the forward-looking information available, management have considered the risk factors most likely to impact customers in light of the Covid-19 pandemic. Trade receivables were grouped based on industry and type of customer, and a further overlay applied to the risk matrix for specific higher risk industries.

Notes to the Consolidated Financial Statements continued

2 Key accounting policies continued

Provisions for the impairment of receivables have also been 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 Group's customers. In making this assessment, management considers a number of factors, including:

- the financial strength of the customers;
- the level of default that the Group has suffered in the past;
- the age of the receivable outstanding; and
- the Group's trading experience with that customer.

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Therefore, the significant estimates made relating to the provision for impairment of trade receivables are also applicable to impairment of contract assets.

The provision for impairment of trade receivables at 31 March 2021 was £7.9 million (2020: £7.6 million) and contract assets was £7.7 million (2020: £5.4 million). Details of the provision for impairment of receivables are contained in note 19.

To measure the expected credit losses, trade receivables and contract assets are grouped together based on shared risk characteristics. An increase of 100bps in all ECL rates would increase the provision for impairment of trade receivables by £2.5 million and contract assets by £1.7 million. A decrease of 100bps across all ECL rates would reduce the provision for impairment of trade receivables by £1.5 million and contract assets by £1.6 million.

Intangible assets

The combination with OSIsoft, LLC requires the Group to recognise at fair value the identifiable intangible assets of OSIsoft, LLC. Valuation methods vary by type of intangible asset, and include income approaches (royalty savings method, excess earnings method, and with and without method) and cost approaches (replacement cost method). Income approaches require estimates of future cash flows, discount rates, royalty rates, and customer attrition rates. Cost approaches require estimates of average salary costs, the proportion of development that can be performed on- and offshore, and the total man-hours required to develop a replacement product.

Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement. If the estimated useful lives of the intangible assets recognised on acquisition of OSIsoft, LLC were reduced by one year, the annual amortisation would increase by $27.1 million. If they were increased by one year, the annual amortisation would reduce by $21.3 million.

Retirement benefits

The determination of the Group's surplus, 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 26 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 Group's future pension surplus and obligations, actuarial gains and losses included in the Consolidated 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 carrying amount of retirement benefit surplus at 31 March 2021, net of obligations, was £0.6 million (2020: £4.1 million).

3 Revenue

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

Year ended 31 March 2021	Services transferred at a point in time £m	Services transferred over time £m	Total £m
Subscription	**236.1**	**123.6**	**359.7**
Maintenance	**–**	**197.7**	**197.7**
Perpetual licences	**141.6**	**–**	**141.6**
Services	**–**	**121.4**	**121.4**
	377.7	**442.7**	**820.4**

Year ended 31 March 2020	Services transferred at a point in time £m	Services transferred over time £m	Total £m
Subscription	228.7	88.1	316.8
Maintenance	–	201.7	201.7
Perpetual licences	179.3	–	179.3
Services	–	136.0	136.0
	408.0	425.8	833.8

Contract balances are as below:

	2021 £m	2020 £m	2019 £m
Trade receivables (non-current)	**0.7**	2.0	–
Trade receivables (current)	**245.3**	181.2	174.9
Contract assets	**215.6**	142.4	100.5
Contract liabilities	**239.7**	177.0	174.6

Contract assets have increased year-on-year predominantly due to the recognition of a number of multi-year subscription licences, resulting in the cumulative revenue recognised for these contracts being greater than the cumulative amounts invoiced. Contract assets are stated net of a provision of £7.7 million (2020: £5.4 million). The provision has increased year-on-year due to forward-looking considerations in light of Covid-19.

Trade receivables and contract liabilities have also increased year-on-year, primarily as a result of the acquisition of OSIsoft, LLC.

Revenue for the year ended 31 March 2021 includes £159.3 million (2020: £157.1 million) which was included in contract liabilities at the beginning of the year. Revenue of £3.1 million recognised in the year ended 31 March 2021 related to performance obligations satisfied in previous years (2020: £3.1 million).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March is as follows:

	2021 £m	2020 £m
Within one year	**425.8**	323.8
More than one year	**232.1**	178.0

Notes to the Consolidated Financial Statements continued

4 Segment information

The Executive Leadership Team (ELT) monitors and appraises the business based on the performance of three geographic regions: Americas; Asia Pacific; and Europe, Middle East and Africa (EMEA). These three regions are the basis of the Group's primary operating segments reported in the financial statements. Performance is evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Corporate costs include centralised functions such as Executive Management, Information Management, Finance and Legal. Balance sheet information is not included in the information provided to the ELT.

	Year ended 31 March 2021				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
Revenue					
Subscription	**94.6**	**95.5**	**169.6**	**–**	**359.7**
Maintenance	**84.3**	**46.7**	**66.7**	**–**	**197.7**
Perpetual licences	**42.1**	**47.4**	**52.1**	**–**	**141.6**
Services	**44.4**	**31.7**	**45.3**	**–**	**121.4**
Regional revenue total	**265.4**	**221.3**	**333.7**	**–**	**820.4**
Cost of sales	**(50.0)**	**(19.8)**	**(39.9)**	**(70.8)**	**(180.5)**
Selling and administrative expenses	**(64.4)**	**(40.7)**	**(68.0)**	**(120.3)**	**(293.4)**
Net impairment loss on financial assets	**(1.0)**	**(1.8)**	**(0.9)**	**–**	**(3.7)**
Regional contribution	**150.0**	**159.0**	**224.9**	**(191.1)**	**342.8**
Research & Development costs					**(116.4)**
Adjusted EBIT					**226.4**
Exceptional items, other normalised adjustments[1] and net interest					**(192.2)**
Profit before tax					**34.2**

1. Normalised adjustments include amortisation of intangible assets (excluding other software), share-based payments, and movements on fair value of forward exchange contracts.

	Year ended 31 March 2020				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
Revenue					
Subscription	81.2	95.6	140.0	–	316.8
Maintenance	85.9	47.9	67.9	–	201.7
Perpetual licences	57.6	52.1	69.6	–	179.3
Services	54.5	31.9	49.6	–	136.0
Regional revenue total	279.2	227.5	327.1	–	833.8
Cost of sales	(49.9)	(27.3)	(34.6)	(78.3)	(190.1)
Selling and administrative expenses	(69.4)	(44.7)	(72.5)	(112.0)	(298.6)
Net impairment loss on financial assets	(4.1)	(0.8)	(2.7)	–	(7.6)
Regional contribution	155.8	154.7	217.3	(190.3)	337.5
Research & Development costs					(120.7)
Adjusted EBIT					216.8
Exceptional items, other normalised adjustments[1] and net interest					(124.8)
Profit before tax					92.0

1. Normalised adjustments include amortisation of intangible assets (excluding other software), share-based payments, and movements on fair value of forward exchange contracts.

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £39.9 million and £780.5 million (2020: £37.8 million and £796.0 million) respectively. The USA accounted for 25% of the Group's revenue (2020: 25.0%). No other country is considered to be material to the Group (2020: none). Revenue is allocated to countries on the basis of the location of the customer. No single external customer accounted for a material amount of the Group's total revenue (2020: none).

Non-current assets (excluding deferred tax assets and retirement benefits) held in the UK and all foreign countries amounted to £1,673.7 million and £228.8 million (2020: £1,702.2 million and £219.8 million) respectively. Provisional goodwill and intangibles of £3,854.3 million arising from the acquisition of OSIsoft, LLC remained unallocated at 31 March 2021, as explained in note 14. There are material non-current assets (excluding deferred tax assets and retirement benefits) located in the USA amounting to £129.3 million (2020: £128.9 million). There are no material non-current assets located in any other individual country outside of the UK (2020: none).

5 Selling and administrative expenses

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

	2021 £m	2020 £m
Selling and distribution expenses	**226.8**	240.1
Administrative expenses	**193.0**	127.7
	419.8	367.8

6 Profit from operations

Profit from operations is stated after charging:

	2021 £m	2020 £m
Depreciation of right-of-use assets	**19.5**	17.1
Depreciation of owned property, plant and equipment	**8.7**	7.3
Amortisation of intangible assets:		
– included in Research & Development costs	**67.8**	63.5
– included in selling and distribution expenses	**27.9**	27.1
– included in administrative expenses	**0.6**	1.1
Loss on disposal of property, plant and equipment	**1.0**	0.7
Net foreign exchange losses	**1.6**	1.3

During the year the Group (including its subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2021 £m	2020 £m
Fees payable to the Group auditor for:		
– the audit of the Parent Company and Consolidated Financial Statements	**1.9**	1.0
– the audit of the Group's subsidiaries pursuant to legislation	**0.9**	0.7
Fees payable to the Group auditor and its associates for other services:		
– audit-related assurance services (including procedures over the rights issue prospectus)	**0.4**	–
	3.2	1.7

7 Exceptional items

	2021 £m	2020 £m
Acquisition costs	**44.4**	0.8
Integration activities	**37.3**	28.2
Restructuring costs	**2.3**	1.7
Other income	**(5.5)**	(11.9)
	78.5	18.8

The total cash net outflow during the year as a result of exceptional items was £63.2 million (2020: £23.3 million).

a) Acquisition costs

Acquisition costs in the year ended 31 March 2021 relate to adviser fees incurred in the acquisition of OSIsoft, LLC. In addition, fees incurred as a direct result of raising debt (£2.9 million) and equity (£28.6 million) have been offset against the carrying value of the associated financial liability and share premium respectively.

Acquisition costs in the year ended 31 March 2020 related to the acquisition of AssetPlus, and the trade and assets of MESEnter Co. Ltd.

b) Integration activities

Integration costs of £31.2 million (2020: £28.2 million) were incurred relating to the integration of heritage AVEVA and the Schneider Electric industrial software business (SES). This principally related to consultancy fees paid to advisers, and the costs of additional temporary resources required for the integration. Key activities included work undertaken to exit the Transitional Service Agreements (TSA) provided by Schneider Electric, and costs incurred in the continued build and UK rollout of a new harmonised global ERP system.

Services covered by the TSA relating to integration activities ceased in the year, and no further costs of this nature are expected. Future costs of integrating heritage AVEVA and SES will primarily relate to the global roll out of the new ERP system, which is expected to last until 2024.

To 31 March 2021 the Group expensed £6.1 million (2020: nil) relating to the integration of OSIsoft, LLC. It is expected that these costs will substantially increase and continue in future years.

c) Restructuring costs

Restructuring costs related to severance payments in a number of locations across the Group. The costs incurred for the year ended 31 March 2021 have been a continuation of the restructuring programme started following the merger of heritage AVEVA and SES, which is now complete. Further costs are expected to continue into the year ended 31 March 2022, arising from the integration of OSIsoft, LLC.

d) Other income

Other income contains £5.2 million (2020: £3.8 million) received from Schneider Electric in reimbursement for capital expenditure incurred as part of the Group's migration activities covered by TSAs following the Combination.

Prior year also included a £7.7 million gain on sale of three wholly owned distributor businesses.

e) Income statement impact

Exceptional items were included in the Consolidated Income Statement as follows:

	2021 £m	2020 £m
Cost of sales	**0.8**	0.6
Research & Development costs	**0.3**	0.4
Selling and distribution expenses	**4.6**	3.9
Administrative expenses	**78.3**	25.8
Other income	**(5.5)**	(11.9)
	78.5	18.8

8 Finance revenue

	2021 £m	2020 £m
Net return on pension assets	**0.1**	–
Bank interest receivable and other interest earned	**0.5**	0.3
	0.6	0.3

9 Finance expense

	2021 £m	2020 £m
Net interest on pension scheme liabilities	**–**	0.2
Bank interest payable and similar charges	**0.3**	0.6
Interest on term loan	**0.2**	–
Interest on lease liabilities	**2.5**	2.5
	3.0	3.3

Notes to the Consolidated Financial Statements continued

10 Staff costs

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

	2021 £m	2020 £m
Wages and salaries	**358.4**	350.9
Social security costs	**29.8**	28.7
Pension costs	**22.1**	19.2
Share-based payments	**16.3**	12.0
	426.6	410.8

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

	2021 Number	2020 Number
Project delivery and customer support	**1,695**	1,678
Research, development and product support	**1,429**	1,336
Sales and marketing	**1,107**	1,018
Administration	**649**	523
	4,880	4,555

Directors' remuneration

The Directors of AVEVA Group plc received remuneration as follows:

	2021 £m	2020 £m
Directors' remuneration	**7.1**	9.0
Aggregate gains on the exercise of share options	**17.4**	0.2
	24.5	9.2

	2021 Number	2020 Number
Number of Directors accruing benefits under defined contributions	**2**	2

11 Income tax expense

a) Tax on profit

The major components of income tax expense are as follows:

	2021 £m	2020 £m
Tax charged in Consolidated Income Statement		
Current tax		
– UK corporation tax	–	11.1
– Foreign tax	**41.9**	26.3
– Adjustments in respect of prior periods	**(1.9)**	(9.6)
	40.0	27.8
Deferred tax		
– Origination and reversal of temporary differences (note 25)	**(29.3)**	(9.9)
– Adjustments in respect of prior periods	**(1.3)**	4.3
	(30.6)	(5.6)
Total income tax expense reported in Consolidated Income Statement	**9.4**	22.2

	2021 £m	2020 £m
Tax relating to items charged directly to Consolidated Statement of Comprehensive Income		
Deferred tax on actuarial remeasurements on retirement benefits	**(0.5)**	1.2
Tax (credit)/charge reported in Consolidated Statement of Comprehensive Income	**(0.5)**	1.2

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 US (2020: US) corporation tax to the profit before tax are as follows:

	2021 £m	2020 £m
Tax on Group profit before tax at standard US (2020: US) corporation tax rate of 24% (2020: 24%)[1]	**8.2**	22.1
Effects of:		
– expenses not deductible for tax purposes	**8.8**	2.0
– non-deductible acquisition costs	**3.0**	–
– Research & Development incentives	**(5.3)**	(5.8)
– UK rate change impact on deferred tax	–	8.9
– irrecoverable withholding tax	–	1.2
– movement on unprovided deferred tax balances	**(1.9)**	(1.1)
– differing tax rates	**(0.2)**	0.2
– adjustments in respect of prior years	**(3.2)**	(5.3)
Income tax expense reported in Consolidated Income Statement	**9.4**	22.2

1. Reconciliation is performed starting from the standard US corporation tax rate as US taxable profits are greater than any other individual country.

The Group's effective tax rate for the year was 27.5% (2020: 24.1%). The Group's effective tax rate for the year before exceptional items was 21.7% (2020: 24.2%). The Group's effective tax rate before exceptional and other normalised adjustments was 21.2% (2020: 18.1%).

At the balance sheet date, the UK government had announced that it would increase the main rate of corporation tax to 25% from 1 April 2023. This change had not been substantively enacted at the balance sheet date and is consequently not included in these financial statements. The effect of this proposed tax rate increase would be to increase the deferred tax liability by £17.8 million consisting of a debit to the income statement of £17.0 million and a debit to other comprehensive income of £0.8 million.

Notes to the Consolidated Financial Statements continued

12 Dividends paid and proposed on equity shares

The following dividends were declared, paid and proposed in relation to the legal entity AVEVA Group plc:

	2021 £m	2020 £m
Declared and paid during the year[1]		
Interim 2020/21 dividend paid of 12.4 pence (2019/20: 12.4 pence) per ordinary share	**35.6**	25.0
Final 2019/20 dividend paid of 23.3 pence (2018/19: 23.3 pence) per ordinary share	**46.8**	46.7
	82.4	71.7
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2020/21 of 23.5 pence (2019/20: 23.3 pence) per ordinary share	**70.7**	46.8

1. Dividends per share for comparative periods have been restated and adjusted for a bonus factor of 0.80, to reflect the bonus element of the November 2020 rights issue. Previously stated interim dividend per share totals for both 2020/21 and 2019/20 were 15.5 pence per share, and final dividend per share for both 2019/20 and 2018/19 were 29.0 pence per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 4 August 2021 to shareholders on the register at the close of business on 9 July 2021.

13 Earnings per share

	2021 Pence	2020 (restated)[1] Pence
Earnings per share for the year:		
– basic	**11.35**	34.78
– diluted	**11.27**	34.60
Adjusted earnings per share for the year:		
– basic	**81.86**	87.20
– diluted	**81.31**	86.75

	2021 Number	2020 (restated)[1] Number
Weighted average number of ordinary shares for basic earnings per share	**218,531,149**	200,758,092
Effect of dilution: employee share options	**1,489,318**	1,030,456
Weighted average number of ordinary shares adjusted for the effect of dilution	**220,020,467**	201,788,548

1. Basic and diluted EPS figures for comparative periods have been restated and adjusted for a bonus factor of 0.80 to reflect the bonus element of the November 2020 rights issue. Amounts originally stated as at 31 March 2020 were 43.35 pence basic EPS and 43.13 pence diluted EPS. Originally stated adjusted EPS were 108.70 pence basic adjusted EPS and 108.15 pence diluted adjusted EPS.

The calculations of basic and diluted earnings per share (EPS) are based on the net profit attributable to equity holders of the parent for the year of £24.8 million (2020: £69.8 million). Basic EPS amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of AVEVA Group plc ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year as described above, plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 27.

Details of the calculation of adjusted EPS are set out below:

	2021 £m	2020 £m
Profit after tax for the year	**24.8**	69.8
Intangible amortisation (excluding software)	**95.7**	90.6
Share-based payments	**16.3**	12.0
Gain/(loss) on fair value of forward foreign exchange contracts	**(0.7)**	0.4
Exceptional items	**78.5**	18.8
Effect of acquisition accounting adjustments[1]	**3.3**	–
Tax effect on exceptional items	**(15.1)**	(4.6)
Tax effect on other normalised adjustments (excluding net finance expense)	**(23.0)**	(12.0)
Tax effect on acquisition accounting adjustments[1]	**(0.9)**	–
Adjusted profit after tax	**178.9**	175.0

1. Acquisition accounting adjustments relate to the revenue haircut made upon the combination with OSIsoft, LLC.

The denominators used are the same as those detailed above for both basic and diluted EPS.

The adjustment made to profit after tax in calculating adjusted basic and diluted EPS has been adjusted for the tax effects of the items adjusted. The Directors believe that adjusted EPS is more representative of the underlying performance of the business.

14 Business combinations

Acquisition of OSIsoft, LLC

On 19 March 2021 the Group acquired 100% of the voting shares of OSIsoft, LLC, a global leader in real-time industrial operational data software and services. The OSIsoft Group's main product is the PI System, a proprietary, vendor-agnostic data management software which enables customers to capture, store, analyse and share real-time industrial sensor-based data with business systems across all operations. This acquisition will significantly enhance the Group's product offering, provide customer diversification and greater geographical market penetration, create opportunities for material revenue and cost synergies, and accelerate and improve the Group's development of new software and technology. A consideration of £3,831.4 million (US$5,086.5 million) was paid.

The deal was funded by £3,365.7million (US$4,438.1 million) of cash; £2,806.9 million (US$3,734.3 million) raised via a rights issue (net of expenses), and £558.8 million (US$703.8 million) from existing cash and new debt facilities. The remainder was funded by a £465.7 million (US$648.4 million) issue of 13,655,570 ordinary shares on 22 March 2021 to Estudillo Holdings Corp, a company majority owned by Dr J. Patrick Kennedy and his family, which held a 50.3% interest in OSIsoft, LLC. At 31 March 2021, £7.3 million (US$10.0 million) remained in restricted cash in relation to consideration to be paid.

Notes to the Consolidated Financial Statements continued

14 Business combinations continued

The fair values of identifiable assets acquired and liabilities assumed at the acquisition date are:

	Carrying value at acquisition £m	Provisional fair value adjustment £m	Provisional fair value £m
Non-current assets			
Intangible assets	0.4	1,231.6	1,232.0
Property, plant and equipment	21.0	–	21.0
Right-of-use assets	36.2	–	36.2
Deferred tax assets	22.0	(15.8)	6.2
Trade and other receivables	2.9	–	2.9
Customer acquisition costs	10.3	(10.3)	–
Investments	0.4	–	0.4
Total non-current assets	93.2	1,205.5	1,298.7
Current assets			
Trade and other receivables	75.6	–	75.6
Contract assets	2.4	–	2.4
Customer acquisition costs	4.0	(4.0)	–
Cash and cash equivalents	150.6	–	150.6
Financial assets	0.4	–	0.4
Total current assets	233.0	(4.0)	229.0
Current liabilities			
Trade and other payables	(115.1)	–	(115.1)
Contract liabilities	(136.2)	60.5	(75.7)
Lease liabilities	(6.8)	–	(6.8)
Current tax liabilities	(29.9)	(8.0)	(37.9)
Total current liabilities	(288.0)	52.5	(235.5)
Non-current liabilities			
Lease liabilities	(37.9)	–	(37.9)
Retirement benefit obligations	(0.9)	–	(0.9)
Total non-current liabilities	(38.8)	–	(38.8)
Net identifiable assets and liabilities	**(0.6)**	**1,254.0**	**1,253.4**
Goodwill			2,578.0
Total consideration			**3,831.4**

Goodwill of £1,303.5 million is expected to be deductible for tax purposes.

The main factors leading to the recognition of goodwill are the value of the assembled OSIsoft, LLC workforce and the future synergy benefits expected to arise from integrating the two combined businesses.

Costs incurred that are directly attributable to raising debt (£2.9 million) and equity (£28.6 million) have been offset against the corresponding financial liability and share premium respectively. All remaining transaction costs were expensed and are included within selling and administrative expenses. Additional details are included within note 7.

The revenue and profit after tax included in the Consolidated Income Statement contributed by OSIsoft, LLC were £20.7 million and £10.8 million respectively, before a revenue haircut of £3.3 million. If the acquisition had occurred on 1 April 2020, the Consolidated Income Statement would have presented revenue of £1,196.1 million and profit after tax of £48.1 million (at an effective tax rate of 5.5%) before a revenue haircut of approximately £53.0 million.

15 Goodwill

	2021 £m	2020 £m
At 1 April	**1,295.7**	1,285.3
Acquisition of business[1]	**2,578.0**	11.3
Disposals[1]	**–**	(3.1)
Exchange adjustment	**30.4**	2.2
At 31 March	**3,904.1**	1,295.7

1. Goodwill arising on business combinations in the year-ended 31 March 2021 is unallocated as at 31 March 2021. Acquisitions and disposals in the year-ended 31 March 2020 were allocated to the EMEA CGU.

The following table shows the allocation of the carrying value of goodwill and indefinite life intangible assets (the AVEVA brand) at the end of the year by CGU.

	Goodwill		Purchased brands (indefinite life)	
	2021 £m	2020 £m	2021 £m	2020 £m
Americas	**386.9**	388.1	**25.3**	25.3
Asia Pacific	**282.6**	283.4	**16.0**	16.0
EMEA	**622.4**	624.2	**34.7**	34.7
Unallocated (provisional)	**2,612.2**	–	**–**	–
	3,904.1	1,295.7	**76.0**	76.0

The Group tests goodwill and purchased brands for impairment annually, or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. In 2021 the goodwill impairment testing was carried out on a VIU basis using the most recently approved management budgets for the year ending 31 March 2022 together with the most recent five-year business plan.

Projected cash flows beyond five years have been assumed at the long-term growth rate for that region and these have been used to formulate a terminal value for the discounted cash flow calculation in perpetuity.

Key assumptions

The key assumptions in the most recent annual budget on which the cash flow projections are based relate to:

- discount rates;
- long-term growth rates; and
- operating margins.

Discount rates: The cash flow projections have been discounted using the Group's pre-tax weighted average cost of capital adjusted for the country and market risk.

Long-term growth rates: Long-term growth rates used are assumed to be equal to the long-term growth rate in the gross domestic product of the region in which the CGU operates.

Operating margin: Operating margins are based upon past results. These are increased over the forecast period for planned improvements in gross margin, driven by a changing sales mix towards more profitable product streams. In addition, cost management strategies are assumed to be implemented that limit operating expense increases to on or around inflation.

Notes to the Consolidated Financial Statements continued

15 Goodwill continued

The key assumptions used in the VIU model were as follows:

	Discount rate			Long-term growth rate			Average operating margin		
	2021	2020	Break-even[1]	**2021**	2020	Break-even[1]	**2021**	2020	Break-even[1]
Americas	**12.0%**	11.7%	**21.3%**	**1.8%**	1.9%	(17.3)%	**29.7%**	25.6%	16.0%
Asia Pacific	**12.0%**	15.4%	**23.2%**	**2.0%**	1.9%	(22.9)%	**29.1%**	31.0%	14.3%
EMEA	**9.9%**	12.6%	**15.7%**	**1.8%**	1.9%	(7.8)%	**27.5%**	30.3%	16.6%

1. The break-even rate is the rate at which headroom within the CGU is reduced to nil, if all other assumptions remain unchanged. This is included for illustrative purposes and does not reflect a reasonably foreseeable change in assumptions.

Summary of results

During the year all goodwill and purchased brands were tested for impairment, with no impairment charge resulting.

Sensitivity to changes in key assumptions

The Group has considered the impact of changes in future cash flows and key assumptions on the base case VIU model, to create a sensitised VIU model. This has included applying the cumulative impact of:

- increasing pre-tax discount rates by 100bps, to reflect potential future increases in government bond yields and associated risk-free rates;
- decreasing long-term growth rates by 50bps, to reflect a worse than predicted long-term global economic outlook;
- restricting year-on-year revenue growth by 50% from the base case, to reflect the risk that future operational growth is not achieved; and
- restricting year-on-year operating margin improvements by 50%, to reflect the risk that future sales mix and efficiency improvements are not achieved.

It was concluded that the sensitised VIU model does not result in an impairment.

The headroom (i.e. the excess of the value of discounted future cash flows over the carrying amount of the CGU) under both the base case and worst-case scenario is below:

	2021		2020	
	Base case[1]	Sensitised[2]	Base case[1]	Sensitised[2]
Americas	**95%**	**37%**	28%	3%
Asia Pacific	**116%**	**38%**	44%	17%
EMEA	**74%**	**25%**	31%	6%

1. The excess of the recoverable amount over the carrying amount of the CGU before applying sensitivities.
2. Headroom after adjusting future cash flows and key assumptions to create a sensitised 'worst case' VIU model.

Unallocated goodwill

Unallocated goodwill relates to goodwill arising on the acquisition of OSIsoft, LLC as detailed in note 14. As the acquisition completed close to the end of the financial year it was not possible to allocate the goodwill to CGUs. As the initial allocation cannot be completed before the end of the first annual period in which the business combination was affected, the initial allocation shall be completed before the end of the first annual reporting period beginning after the acquisition date. The initial allocation will be reported in the Annual Report for the year ended 31 March 2022.

Unallocated goodwill has been reviewed for impairment indicators, by comparison of forecasts used to determine the purchase price of OSIsoft, LLC to actual results and revised forecasts as at 31 March 2021. No impairment indicators were identified.

16 Intangible assets

	Developed technology £m	Customer relationships £m	Purchased brands £m	Trademarks £m	Other software £m	Purchased software rights £m	Capitalised Research & Development £m	Total £m
Cost								
At 1 April 2019	151.1	240.1	76.0	28.3	7.0	324.4	37.9	864.8
Additions	–	–	–	–	0.6	–	–	0.6
Acquisition of business	16.2	0.6	–	–	–	–	–	16.8
Disposals	–	–	–	–	(0.5)	(0.2)	–	(0.7)
Transfer[1]	308.9	–	–	–	–	(308.9)	–	–
Exchange adjustment	8.2	4.7	–	1.5	0.3	0.8	(0.1)	15.4
At 31 March 2020	484.4	245.4	76.0	29.8	7.4	16.1	37.8	896.9
Additions	**–**	**–**	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Acquisition of business	**855.6**	**247.1**	**128.9**	**–**	**0.4**	**–**	**–**	**1,232.0**
Disposals	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Exchange adjustment	**(4.6)**	**(5.2)**	**1.7**	**(3.0)**	**(0.8)**	**(0.7)**	**0.5**	**(12.1)**
At 31 March 2021	**1,335.4**	**487.3**	**206.6**	**26.8**	**6.3**	**15.9**	**38.3**	**2,116.6**
Amortisation and impairment								
At 1 April 2019	98.2	73.4	–	18.4	5.2	51.8	32.6	279.6
Charge for the year	59.7	23.5	–	3.6	1.1	1.6	2.2	91.7
Disposals	–	–	–	–	(0.5)	(0.2)	–	(0.7)
Transfer[1]	41.9	–	–	–	–	(41.9)	–	–
Exchange adjustment	5.7	3.5	–	1.1	0.2	1.0	–	11.5
At 31 March 2020	205.5	100.4	–	23.1	6.0	12.3	34.8	382.1
Charge for the year	**63.0**	**23.9**	**0.5**	**3.5**	**0.6**	**2.7**	**2.1**	**96.3**
Disposals	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Exchange adjustment	**(13.3)**	**(7.2)**	**–**	**(2.4)**	**(0.4)**	**(0.5)**	**0.4**	**(23.4)**
At 31 March 2021	**255.2**	**117.1**	**0.5**	**24.2**	**5.5**	**14.5**	**37.3**	**454.3**
Net book value								
At 1 April 2019	52.9	166.7	76.0	9.9	1.8	272.6	5.3	585.2
At 31 March 2020	278.9	145.0	76.0	6.7	1.4	3.8	3.0	514.8
At 31 March 2021	**1,080.2**	**370.2**	**206.1**	**2.6**	**0.8**	**1.4**	**1.0**	**1,662.3**

1. During the prior year, assets with a cost of £308.9 million, accumulated amortisation of £41.9 million and net book value of £267.0 million were transferred from purchased software rights to developed technology, which is considered to better represent the nature of the assets.

For the purposes of the adjusted EPS calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £0.6 million (2020: £1.1 million).

The following intangible assets are individually material:

	Carrying value £m	Remaining amortisation period
Developed technology recognised on the reverse acquisition of AVEVA Group plc	189.8	5 years
Developed technology recognised on the acquisition of OSIsoft, LLC	863.0	8 years
Customer relationships recognised on the reverse acquisition of AVEVA Group plc	112.5	9 years
Customer relationships recognised on the acquisition of OSIsoft, LLC	249.5	10 years
AVEVA brand	76.0	Indefinite
OSIsoft brand	130.1	10 years

Notes to the Consolidated Financial Statements continued

17 Property, plant and equipment

	Long leasehold buildings and improvements £m	Computer equipment £m	Fixtures, fittings and office equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 April 2019	9.8	21.7	8.4	1.1	41.0
Additions	6.5	6.8	5.2	–	18.5
Disposals	(1.0)	(2.6)	(1.6)	(0.7)	(5.9)
Exchange adjustment	–	0.3	0.3	(0.1)	0.5
At 31 March 2020	15.3	26.2	12.3	0.3	54.1
Additions	**3.3**	**4.8**	**2.8**	**–**	**10.9**
Acquisition of business	**10.6**	**4.1**	**6.5**	**–**	**21.2**
Disposals	**(2.3)**	**(5.0)**	**(2.1)**	**(0.3)**	**(9.7)**
Exchange adjustment	**(1.1)**	**(1.6)**	**(0.7)**	**–**	**(3.4)**
At 31 March 2021	**25.8**	**28.5**	**18.8**	**–**	**73.1**
Depreciation					
At 1 April 2019	4.6	13.6	5.3	0.4	23.9
Charge for the year	1.6	4.4	1.0	0.3	7.3
Disposals	(1.0)	(2.3)	(1.5)	(0.4)	(5.2)
Exchange adjustment	0.1	0.2	0.2	–	0.5
At 31 March 2020	5.3	15.9	5.0	0.3	26.5
Charge for the year	**2.3**	**5.0**	**1.4**	**–**	**8.7**
Disposals	**(1.5)**	**(5.0)**	**(1.9)**	**(0.3)**	**(8.7)**
Exchange adjustment	**(0.4)**	**(1.1)**	**(0.4)**	**–**	**(1.9)**
At 31 March 2021	**5.7**	**14.8**	**4.1**	**–**	**24.6**
Net book value					
At 1 April 2019	5.2	8.1	3.1	0.7	17.1
At 31 March 2020	10.0	10.3	7.3	–	27.6
At 31 March 2021	**20.1**	**13.7**	**14.7**	**–**	**48.5**

18 Investments

The Group consists of a Parent Company, AVEVA Group plc, incorporated in the UK, and a number of subsidiaries held directly or indirectly by AVEVA Group plc, which operate and are incorporated around the world, each contributing to the Group's profits, assets and cash flows.

The Group's percentage of equity capital and voting rights is 100%.

The results of all subsidiaries have been consolidated in these financial statements.

At 31 March 2021, the Group held the following principal investments. The addresses of all subsidiaries, principal or dormant, are provided on pages 191 to 194.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Financing Limited	UK	AVEVA Software Italia S.p.A	Italy
AVEVA Solutions Limited	UK	AVEVA KK	Japan
OSIsoft (UK) Limited	UK	AVEVA Software KK	Japan
Schneider Electric Software GB Limited	UK	OSIsoft Japan KK	Japan
OSIsoft Argentina SRL	Argentina	AVEVA Asia Pacific Sendirian Berhad	Malaysia
Schneider Electric Software Argentina S.A.	Argentina	AVEVA Sendirian Berhad	Malaysia
AVEVA Pty Limited	Australia	Schneider Electric Software México SA de CV	Mexico
AVEVA Software Australia Holdings Pty Ltd	Australia	Asset+ Solutions B.V	Netherlands
AVEVA Software Australia Pty Ltd	Australia	Schneider Electric Software Holdings Netherlands BV	Netherlands
OSIsoft Australia Pty Ltd.	Australia	Schneider Electric Software Netherlands BV	Netherlands
OSIsoft Technologies Middle East W.L.L.	Bahrain	AVEVA AS	Norway
AVEVA do Brasil Informática Ltda	Brazil	OSIsoft Norway AS	Norway
AVEVA Software Brasil Ltda	Brazil	AVEVA Korea Limited	Republic of Korea
OSIsoft do Brasil Sistemas Ltda	Brazil	AVEVA Software Korea Limited	Republic of Korea
AVEVA Software Canada Inc.	Canada	OSIsoft Korea Co., Limited	Republic of Korea
OSIsoft Canada ULC	Canada	AVEVA Limited Liability Company	Russia
AVEVA Software Chile SpA	Chile	OSIsoft OOO (LLC)	Russia
AVEVA (Shanghai) Consultancy Co. Ltd (in liquidation)	China	Schneider Electric Software RU	Russia
AVEVA Solutions (Shanghai) Co. Ltd	China	AVEVA Software Singapore Pte Ltd.	Singapore
OSIsoft (Shanghai) Technology Co.Ltd.	China	OSIsoft Asia Pte. Ltd.	Singapore
Telvent Control System (China) Co. Ltd	China	OSIsoft South Africa (Pty) Limited	South Africa
OSIsoft Czech Republic s.r.o.	Czech Republic	AVEVA Software España S.L.U.	Spain
AVEVA Software Colombia S.A.S.	Colombia	OSIsoft Espana, S.L Sociedad Unipersonal	Spain
AVEVA Denmark A/S	Denmark	AVEVA AB	Sweden
AVEVA SA	France	OSIsoft Sweden AB	Sweden
OSIsoft France Sarl	France	AVEVA Software (Thailand) Co. Ltd	Thailand
Schneider Electric Software France SAS	France	OSIsoft Technologies Bilişim Hizmetleri Limited Sirketi	Turkey
AVEVA GmbH	Germany	AVEVA Software Middle East FZ-LLC	United Arab Emirates
OSIsoft Europe GmbH	Germany	AVEVA Inc.	USA
AVEVA East Asia Limited	Hong Kong	AVEVA Software, LLC	USA
AVEVA Information Technology India Private Limited	India	AVEVA US 1 Corp	USA
AVEVA Software Private Limited	India	AVEVA US 2 Corp	USA
AVEVA Solutions India LLP	India	AVEVA US Blocker Corp	USA
OSIsoft India Private Limited	India	OSIsoft, LLC	USA
OSIsoft Italy S.R.L.	Italy		

As at 31 March 2021, AVEVA Group plc held an 6.02% investment in Finca Global of £0.4 million (2020: nil) and a 20% investment in Dianomic Systems, Inc of £nil (2020: nil).

Notes to the Consolidated Financial Statements continued

19 Trade and other receivables

	2021 £m	2020 £m
Current		
Amounts falling due within one year:		
Trade receivables	**245.3**	181.2
Amounts owed from related parties (note 29)	**21.6**	28.4
Prepayments and other receivables	**50.1**	32.6
	317.0	242.2
Non-current		
Trade and other receivables	**19.4**	4.4
	19.4	4.4

Trade receivables are non-interest bearing and generally on terms of between 30 and 90 days. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

As at 31 March 2021, the provision for impairment of receivables was £7.9 million (2020: £7.6 million) and an analysis of the movements during the year was as follows:

	£m
At 1 April 2019	7.2
Charge for the year	2.9
Utilised	(2.2)
Exchange adjustment	(0.3)
At 31 March 2020	7.6
Charge for the year	**1.4**
Utilised	**(0.4)**
Exchange adjustment	**(0.7)**
At 31 March 2021	**7.9**

At 31 March, the ageing analysis of trade receivables and amounts owed from related parties (net of provision for impairment) was as follows:

			Past due not impaired			
	Total £m	Neither past due nor impaired £m	Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
At 31 March 2021						
Trade receivables	**245.3**	**167.2**	**66.9**	**6.1**	**3.7**	**1.4**
Amounts owed from related parties	**21.6**	**14.3**	**3.8**	**1.0**	**1.0**	**1.5**
	266.9	**181.5**	**70.7**	**7.1**	**4.7**	**2.9**
At 31 March 2020						
Trade receivables	181.2	121.1	52.5	3.0	4.6	–
Amounts owed from related parties	28.4	18.1	5.8	1.5	0.4	2.6
	209.6	139.2	58.3	4.5	5.0	2.6

Further disclosures relating to the credit quality of trade receivables are included in note 24.

20 Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**279.7**	112.8
Short-term deposits	**6.9**	1.7
Net cash and cash equivalents per cash flow	**286.6**	114.5
Treasury deposits	**0.3**	0.1
Restricted cash	**7.3**	–
	294.2	114.6

Treasury deposits represent bank deposits with an original maturity of over three months and are held with a fixed rate of interest.

Restricted cash represents funds held in escrow in relation to the acquisition of OSIsoft, LLC.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed short-term deposit rates.

Further disclosures relating to credit quality of cash and cash equivalents and treasury deposits are included in note 24.

21 Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	**39.6**	20.1
Amounts owed to related parties (note 29)	**1.5**	7.6
Social security, employee taxes and sales taxes	**28.5**	18.5
Accruals	**176.8**	99.1
Other payables	**24.9**	4.2
	271.3	149.5
Non-current		
Other liabilities	**18.2**	0.7
	18.2	0.7

Trade payables 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.

Accruals have increased as a result of the acquisition of OSIsoft, LLC and associated transaction related costs.

22 Loans and borrowings

During the year, the group replaced its £100.0 million Revolving Credit Facility with a new £250.0 million facility. The facility is unsecured but carries the support of various operating entities within the Group. Interest on drawings is calculated at LIBOR plus a variable margin, initially 1.15% but adjusts in relation to the Group's net leverage ratio. A commitment fee, linked to the margin, is also payable on undrawn amounts. The initial maturity is 25 February 2024. The facility also includes the mechanism to request two one-year extensions which are subject to lender's acceptance at each occurrence.

As at 31 March 2021 the RCF remained undrawn (2020: nil).

On 9 October 2020 the Group entered into a US$900.0 million debt facility with Schneider Electric Holdings Inc. This non-amortising loan was drawn down in full on 19 March 2021 with a termination date of 19 March 2024. Interest on drawings is calculated at LIBOR plus a variable margin, initially 1.30% but adjusts in relation to the Group's net leverage ratio. The facility is unsecured but carries the support of various operating entities within the Group.

The balance as at 31 March 2021 was £654.0 million (2020: nil), inclusive of £0.8 million of fees.

Notes to the Consolidated Financial Statements continued

23 Leases

a) Background

As at 31 March 2021, 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.

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 £m	Office equipment £m	Motor vehicles £m	Total £m
At 1 April 2019	73.2	0.2	2.7	76.1
Additions	18.6	0.2	2.4	21.2
Remeasurement[1]	(0.3)	–	(0.2)	(0.5)
Depreciation expense	(15.4)	(0.1)	(1.6)	(17.1)
Exchange adjustment	0.4	–	–	0.4
Disposals	(0.1)	–	(0.5)	(0.6)
At 31 March 2020	76.4	0.3	2.8	79.5
Additions	**14.8**	**–**	**0.7**	**15.5**
Acquisition of business	**35.5**	**0.8**	**–**	**36.3**
Remeasurement[1]	**3.1**	**–**	**0.1**	**3.2**
Depreciation expense	**(17.9)**	**(0.1)**	**(1.5)**	**(19.5)**
Exchange adjustment	**(3.1)**	**–**	**–**	**(3.1)**
At 31 March 2021	**108.8**	**1.0**	**2.1**	**111.9**

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 rates on variable lease payments, and changes in the lease term. The carrying value of the corresponding right-of-use asset is also remeasured to reflect this change in lease liabilities.

c) Lease liabilities

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

	Long leasehold buildings £m	Office equipment £m	Motor vehicles £m	Total £m
At 1 April 2019	62.0	0.2	2.7	64.9
Additions	18.6	0.2	2.4	21.2
Remeasurement[1]	(0.3)	–	(0.2)	(0.5)
Accretion of interest	2.4	–	0.1	2.5
Payments	(16.2)	(0.1)	(1.7)	(18.0)
Exchange adjustment	0.4	–	–	0.4
Disposals	(0.1)	–	(0.5)	(0.6)
At 31 March 2020	66.8	0.3	2.8	69.9
Additions	**14.8**	**–**	**0.7**	**15.5**
Acquisition of business	**44.1**	**0.8**	**–**	**44.9**
Remeasurement[1]	**3.2**	**–**	**0.1**	**3.3**
Accretion of interest	**2.4**	**–**	**0.1**	**2.5**
Payments	**(19.6)**	**(0.1)**	**(1.6)**	**(21.3)**
Exchange adjustment	**(3.0)**	**–**	**–**	**(3.0)**
At 31 March 2021	**108.7**	**1.0**	**2.1**	**111.8**
Current	**21.3**	**0.2**	**1.4**	**22.9**
Non-current	**87.4**	**0.8**	**0.7**	**88.9**

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 rates on variable lease payments, and changes in the lease term.

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

A maturity analysis of lease liabilities is included within note 24(c).

d) Income statement impact

The following items have been recognised in the Consolidated Income Statement:

	2021 £m	2020 £m
Depreciation expense on right-of-use assets	**19.5**	17.1
Interest on lease liabilities	**2.5**	2.5
Expense relating to short-term leases	**2.7**	5.4
Expense relating to leases of low-value assets	**0.1**	–
Total amount recognised in Consolidated Income Statement	**24.8**	25.0

The Group had total cash outflows for leases of £24.1 million (2020: £23.4 million).

24 Financial risk management

The Group's principal financial instruments comprise cash and short-term deposits, and forward foreign exchange contracts. The Group has various other financial assets and liabilities such as trade receivables, trade payables and borrowings, which arise directly from its operations.

The Group enters into forward foreign exchange contracts to manage currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing such risks on a regular basis, as summarised below:

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

The Group's interest rate risk consists of:

- Floating interest rate risk, arising on the Group's term loan and any drawings under the RCF. Changes in floating interest rates affect finance expense and cash flows. Interest rates are set with reference to LIBOR.
- Interest rate risk associated with the Group's cash deposits. The Group's overall objective with respect to holding these deposits is to maintain a balance between security of funds, accessibility and competitive rates of return.

For the presentation of market risks, IFRS 7 requires sensitivity analysis that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The Group is exposed to fluctuations in interest rates on its cash, cash equivalents and borrowings.

A 1% decrease in the sterling and US dollar interest rates would not have had any impact on interest income (2020: no impact) or profit after tax (2020: no impact).

Foreign currency risk

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of sterling.

The Group manages exchange risks, where possible, by using forward foreign exchange contracts and foreign currency denominated borrowings. The fair value of the forward contracts is recognised in financial assets and financial liabilities in the balance sheet. The Group enters into forward foreign exchange contracts to match forecast cash flows arising from its recurring revenue base. In addition, it enters into specific forward foreign exchange contracts for individually significant revenue contracts, when the timing of forecast cash flows is reasonably certain. Other currency exposures are harder to hedge cost effectively. At 31 March 2021, the Group had outstanding currency exchange contracts to sell of US$2.1 million (2020: US$21.9 million) and €6.8 million (2020: €5.6 million).

Notes to the Consolidated Financial Statements continued

24 Financial risk management continued

The Group applied hedge accounting for forward foreign exchange contracts relating to funds raised for the purpose of acquiring OSIsoft, LLC. A loss of £178.4 million was recognised in the hedging reserve through the Consolidated Statement of Comprehensive Income and adjusted the purchase price on completion on the combination. Gains and losses on all other forward foreign exchange contracts have been included in the Consolidated Income Statement.

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. Gains and losses arising from these structural currency exposures are recognised in the Consolidated Statement of Comprehensive Income.

Foreign currency sensitivity analysis

For the presentation of market risks, IFRS 7 requires sensitivity analysis that shows the effect of hypothetical changes in the foreign exchange rates in profit or loss or shareholders' equity. The impact is determined by applying the sensitised foreign exchange rate to the monetary assets and liabilities at the balance sheet date.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

A 10% change in the US dollar and euro against sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. Our analysis indicates that a 10% change in other currencies would not have a significant impact. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2020.

31 March 2021	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US dollar	**10%**	**(14.1)**	**(14.1)**
	(10%)	**14.1**	**14.1**
Euro	**10%**	**(2.5)**	**(2.5)**
	(10%)	**2.3**	**2.3**

31 March 2020	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US dollar	10%	(5.8)	(5.8)
	(10%)	5.4	5.4
Euro	10%	(0.7)	(0.7)
	(10%)	0.6	0.6

b) Credit risk

The Group's principal financial assets are cash and cash equivalents, and trade and other receivables.

Counterparties for cash and cash equivalents are governed by the treasury policy, which has been approved by the Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies. As set out in the Group's treasury policy, the amount of exposure to each counterparty is subject to a specific limit, up to a maximum of 50% of the Group's total counterparty risk. Within this overall limit, some counterparties are subject to more restrictive caps on counterparty exposure.

The Group trades only with recognised, creditworthy third parties and provides credit to customers in the normal course of business. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables. Expected credit loss allowances are made against trade receivables based on credit risk characteristics. The Group 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 Group 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.

The Group does not require collateral in respect of its financial assets.

The Group's credit risk exposure on trade receivables and related party receivables is set out below:

At 31 March 2021	Total £m	Current £m	Past due: Less than four months £m	Past due: Four to eight months £m	Past due: Eight to twelve months £m	Past due: More than twelve months £m
Trade receivables						
Expected loss rate %		0%	1%	8%	20%	79%
Gross carrying amount	253.2	167.8	67.7	6.6	4.6	6.5
Loss allowance	(7.9)	(0.6)	(0.8)	(0.5)	(0.9)	(5.1)

At 31 March 2020	Total £m	Current £m	Past due: Less than four months £m	Past due: Four to eight months £m	Past due: Eight to twelve months £m	Past due: More than twelve months £m
Trade receivables						
Expected loss rate %		2%	3%	12%	12%	100%
Gross carrying amount	188.8	122.8	53.9	3.4	5.2	3.5
Loss allowance	(7.6)	(1.7)	(1.4)	(0.4)	(0.6)	(3.5)

c) Liquidity risk

The Group 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 at 31 March 2021 the Group has access to undrawn borrowing facilities of £250.0 million (2020: £100.0 million).

The table below analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 March 2021	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Term loan £m	Total £m
Current financial liabilities					
Less than three months	6.6	62.1	1.3	–	70.0
Between three months and six months	6.4	1.0	–	–	7.4
Between six months and one year	12.4	1.4	0.2	–	14.0
	25.4	64.5	1.5	–	91.4
Non-current financial liabilities					
One to two years	22.2	11.2	–	–	33.4
Two to five years	48.7	7.0	–	654.0	709.7
Greater than five years	24.9	–	–	–	24.9
	95.8	18.2	–	654.0	768.0
Total financial liabilities	121.2	82.7	1.5	654.0	859.4
Effect of discounting	(9.4)	–	–	–	(9.4)
Carrying amount	111.8	82.7	1.5	654.0	850.0

Notes to the Consolidated Financial Statements continued

24 Financial risk management continued

At 31 March 2020	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Total £m
Current financial liabilities				
Less than three months	5.1	20.3	5.7	31.1
Between three months and six months	4.9	1.1	0.9	6.9
Between six months and one year	8.8	2.9	1.0	12.7
	18.8	24.3	7.6	50.7
Non-current financial liabilities				
One to two years	15.1	0.7	–	15.8
Two to five years	28.6	–	–	28.6
Greater than five years	15.6	–	–	15.6
	59.3	0.7	–	60.0
Total financial liabilities	78.1	25.0	7.6	110.7
Effect of discounting	(8.2)	–	–	(8.2)
Carrying amount	69.9	25.0	7.6	102.5

The table below analyses the Group's forward foreign exchange contracts, which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 March 2021	**Less than three months 'm**	**Between three months and six months 'm**	**Between six months and one year 'm**	**Greater than one year 'm**
Forward foreign exchange contracts (GBP/EUR)				
Outflow	**€4.3**	**€2.5**	–	–
Inflow	**£3.8**	**£2.2**	–	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	**$2.1**	–	–	–
Inflow	**£1.6**	–	–	–

At 31 March 2020	Less than three months 'm	Between three months and six months 'm	Between six months and one year 'm	Greater than one year 'm
Forward foreign exchange contracts (GBP/EUR)				
Outflow	€2.5	€2.1	€1.0	–
Inflow	£2.2	£1.9	£0.9	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	$10.9	$3.0	$8.0	–
Inflow	£8.4	£2.3	£6.6	–

d) Fair values

The carrying amounts of financial assets and liabilities in the Group's financial statements approximates their fair values.

The Group's financial liabilities include forward foreign exchange contracts. Financial instruments that are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2021, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts was £0.3 million at 31 March 2021 (2020: liability of £0.4 million).

The resulting gain of £0.7 million (2020: loss of £0.4 million) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated Income Statement within selling and administrative expenses.

e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, market, creditor, customer and employee confidence and to sustain future development of the business. The Group's equity structure consists of equity attributable to the equity holders of AVEVA Group plc comprising issued share capital, other reserves and retained earnings. The Group's debt facilities are detailed in note 22 and consist of a term loan and RCF.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Board monitors the capital structure on a regular basis and determines the level of annual dividend. The Group is not exposed to any externally imposed capital requirements.

25 Deferred tax

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

	Retirement benefits £m	Intangible assets £m	Share options £m	Losses £m	Other temporary differences[1] £m	Total £m
At 1 April 2019	(0.2)	(106.9)	3.2	–	4.4	(99.5)
Acquisition of business	–	(3.4)	–	–	–	(3.4)
Credit to income statement	(0.4)	9.8	1.2	1.5	(6.5)	5.6
Charge to other comprehensive income	(1.2)	–	–	–	–	(1.2)
Credited to equity	–	–	0.2	–	–	0.2
Exchange adjustment	–	(1.4)	–	(0.2)	(0.9)	(2.5)
At 31 March 2020	(1.8)	(101.9)	4.6	1.3	(3.0)	(100.8)
Acquisition of business	**0.1**	**–**	**–**	**8.2**	**(2.1)**	**6.2**
Credit to income statement	**0.3**	**18.9**	**0.3**	**2.5**	**8.6**	**30.6**
Credit to other comprehensive income	**0.5**	**–**	**–**	**–**	**–**	**0.5**
Charged to equity	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Exchange adjustment	**(0.1)**	**1.2**	**–**	**0.1**	**1.8**	**3.0**
At 31 March 2021	**(1.0)**	**(81.8)**	**4.8**	**12.1**	**5.3**	**(60.6)**

1. Other temporary differences consist principally of deferred tax on fixed assets, expenses deductible in future and timing differences in respect of revenue recognition.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	2020 £m
Deferred tax liabilities	**(82.0)**	(119.9)
Deferred tax assets	**21.4**	19.1
	(60.6)	(100.8)

At the balance sheet date, the Group has unused tax losses of £54.9 million (2020: £45.4 million) available for offset against future profits. Losses of £2.4 million (2020: £1.9 million) expire after 10 years and no losses (2020: £9.4 million) expire after 20 years. All other losses may be carried forward indefinitely. No deferred tax asset has been recognised for tax losses of £20.1 million (2020: £36.9 million).

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £54.5 million (2020: £48.3 million) of the undistributed earnings of overseas subsidiaries may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which they operate. A deferred tax liability of £0.3 million (2020: £0.5 million) has been provided for withholding tax that is expected to be incurred on the payment of intra-Group dividends. No liability has been recognised for the remaining overseas earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements continued

26 Retirement benefits

The Group operates defined benefit pension schemes in the UK, Germany, Italy and Sweden. The Group also provides certain post-retirement benefits to employees in Australia, India, Saudi Arabia and UAE.

The movement on the retirement benefit surplus and obligations was as follows:

	UK £m	Germany £m	South Korea £m	Other £m	Total £m
At 31 March 2019	(7.1)	2.9	2.4	7.8	6.0
Additions	–	–	–	0.3	0.3
Current service cost	–	0.3	0.2	1.2	1.7
Net interest on pension scheme liabilities	1.9	–	–	0.2	2.1
Return on pension scheme assets	(1.8)	–	–	(0.1)	(1.9)
Actuarial remeasurements	(6.3)	(0.1)	–	0.2	(6.2)
Employer contributions	(1.6)	(0.1)	(0.1)	(1.1)	(2.9)
Disposals	–	–	(2.4)	(0.8)	(3.2)
Exchange adjustment	–	0.1	(0.1)	–	–
At 31 March 2020	(14.9)	3.1	–	7.7	(4.1)
Additions	**–**	**–**	**–**	**2.0**	**2.0**
Acquisition of business	**–**	**–**	**–**	**0.9**	**0.9**
Current service cost	**–**	**0.1**	**–**	**1.2**	**1.3**
Past service cost	**0.1**	**–**	**–**	**(0.3)**	**(0.2)**
Net interest on pension scheme liabilities	**1.6**	**–**	**–**	**0.2**	**1.8**
Return on pension scheme assets	**(1.9)**	**–**	**–**	**–**	**(1.9)**
Actuarial remeasurements	**2.2**	**0.3**	**–**	**–**	**2.5**
Employer contributions	**(0.2)**	**(0.2)**	**–**	**(1.0)**	**(1.4)**
Disposals	**–**	**–**	**–**	**(1.1)**	**(1.1)**
Exchange adjustment	**–**	**(0.1)**	**–**	**(0.3)**	**(0.4)**
At 31 March 2021	**(13.1)**	**3.2**	**–**	**9.3**	**(0.6)**

During the year to 31 March 2021, the defined benefit scheme operated in Japan was converted to a defined contribution scheme. A gain on disposal of £0.3 million is recognised in other income.

The following is the analysis of the retirement benefit balances:

	2021 £m	2020 £m
Retirement benefit surplus	**(13.1)**	(14.9)
Retirement benefit obligations	**12.5**	10.8
Net retirement benefit surplus	**(0.6)**	(4.1)

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

a) UK defined benefit scheme

The Group 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 Group.

The most recent triennial actuarial assessment of the scheme was dated 31 March 2019 and performed by Broadstone Corporate Benefits Limited, an external, professionally qualified actuary. The outcome of the valuation was that, on a statutory funding objective basis, the scheme held £79.8 million of liabilities with an overall surplus of £4.9 million. It was determined no additional employer contributions were required. The Group is sufficiently profitable and cash-generative to meet future obligations should the next valuation require contributions to restart.

The scheme operates a liability-driven investment strategy; around two-thirds of asset values comprise low-risk investments such as bonds and defensive hedge funds, with equities a small total of scheme assets. The liability-driven investment strategy seeks to match the profile of the liabilities where appropriate. This includes the use of derivative instruments to hedge inflation and interest risks. Scheme assets are stated at their market values.

The pension liability is measured with reference to discount rates derived from yields on high-quality corporate bonds, UK retail price inflation, future salary increases, and post-retirement mortality. The scheme is therefore exposed to risks associated with UK inflation, interest rates, investments, and changes in pensioner life expectancy. These risks are mitigated by investing in liability-driven investments to hedge inflation and interest rates, outsourcing of investments to the consultancy firm Aon Solutions, who continually review asset allocations and performance against the set benchmark, and the scheme actuary regularly reviewing and providing updates on mortality rate assumptions.

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

	2021 %	2020 %
Main assumptions:		
Discount rate	**2.0**	2.2
Inflation assumption – RPI	**3.3**	2.9
Rate of salary increases	**5.3**	4.9
Rate of increase of pensions in payment	**3.1**	2.8
Rate of increase of pensions in deferment	**2.6**	2.2
Cash commutation	**20% of pension**	20% of pension

The duration of scheme liabilities is estimated to be 16 years.

For the years ended 31 March 2021 and 2020, the mortality assumptions adopted imply the following weighted average life expectancies:

	2021 Years	2020 Years
Male currently aged 65	**22.6**	22.6
Female currently aged 65	**23.8**	23.7
Male currently aged 45	**23.6**	23.6
Female currently aged 45	**25.0**	24.9

Company contributions were £0.2 million (2020: £1.6 million), comprising deficit contributions totalling £nil (2020: £1.4 million) per annum plus an administration charge of £0.2 million (2020: £0.2 million). The total contributions in the year-ended 31 March 2022 is expected to be approximately £0.2 million.

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 liabilities increase/(decrease)	
	2021 £m	2020 £m
0.25 percentage point increase to:		
– discount rate	**(3.1)**	(2.9)
– inflation (including pension increases linked to inflation)	**1.9**	2.0
Additional one-year increase to life expectancy	**3.4**	3.0

The assets and liabilities of the scheme at 31 March 2021 and 2020 were as follows:

	2021 £m	2020 £m
Equities	**17.7**	18.5
Bonds	**13.2**	28.2
Other	**60.5**	43.3
Total fair value of assets	**91.4**	90.0
Present value of scheme liabilities	**(78.3)**	(75.1)
Net pension asset	**13.1**	14.9

26 Retirement benefits continued

The amounts recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year are analysed as follows:

	2021 £m	2020 £m
Selling and administrative expenses		
Past service cost	**0.1**	–
Finance revenue		
Interest income on pension scheme assets	**(1.9)**	(1.9)
Finance costs		
Interest on pension scheme liabilities	**1.6**	1.9
Taken to Consolidated Statement of Comprehensive Income		
Actual return on pension scheme assets	**3.4**	5.4
Less: interest income on pension scheme assets	**(1.9)**	(1.9)
	1.5	3.5
Changes in assumptions and experience adjustments on liabilities	**(3.7)**	2.7
Remeasurement gain on defined benefit plan	**(2.2)**	6.2

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

	2021 £m	2020 £m
At 1 April	**75.1**	77.7
Interest on pension scheme liabilities	**1.6**	1.9
Benefits paid	**(2.2)**	(1.8)
Actuarial loss due to experience	**(1.8)**	(1.7)
Actuarial loss due to changes in the economic assumptions	**5.5**	(1.2)
Actuarial gain due to changes in the demographic assumptions	**–**	0.2
Past service cost	**0.1**	–
At 31 March	**78.3**	75.1

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

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

	2021 £m	2020 £m
At 1 April	**90.0**	84.8
Interest income	**1.9**	1.9
Contributions by employer	**0.2**	1.6
Benefits paid	**(2.2)**	(1.8)
Actual return less interest in income	**1.5**	3.5
At 31 March	**91.4**	90.0

b) Germany defined benefit schemes

The Group operates five schemes in Germany that are accounted for under IAS 19. All are unfunded, with benefits paid as they become due.

Scheme type	Schemes	Payable on	Status
Defined benefit	4	Throughout retirement	Closed to new applicants
Anniversary payments	1	Achievement of service milestones	Closed to new applicants

Details of the actuarial assumptions used to value these schemes in accordance with IAS 19 are set out below:

	2021	2020
Rate of increase of pension in payment	**1.5 to 2.5%**	1.8 to 2.5%
Discount rate	**0.1 to 0.8%**	0.2 to 1.8%
Mortality	**13 to 20 years**	13 to 20 years
Retirement age	**60 to 63**	60 to 63

The Group is also responsible for the pension obligations of six former Bocad employees. This liability is covered by an external insurance provider, with the Group being liable only if the external insurance provider defaults.

c) Other retirement and employee benefit schemes

The Group operates additional retirement and employee benefit schemes in several of its overseas businesses, none of which are considered to be individually material:

Location	Scheme type	Funding status	Payable on
Australia	Long service leave payments	Unfunded	Qualifying dates during employment
Bahrain	Lump sum payment	Unfunded	Retirement or termination
France	Lump sum payment	Unfunded	Retirement
India	Leave encashment plan[1]	Unfunded	Retirement
India	Lump sum payment	Funded	Severance of employment
Italy	Lump sum payment	Unfunded	Retirement
Saudi Arabia	Lump sum payment	Unfunded	Retirement or termination
Sweden	ITP scheme[2]	Funded	Throughout retirement
United Arab Emirates	Lump sum payment	Unfunded	Retirement or termination

1. Unused annual leave can be used to purchase an additional retirement benefit.
2. Multi-employer, industry defined benefit scheme providing benefits above the state pension. Accounted for as a defined contribution scheme.

d) Defined contribution schemes

The Group also operates defined contribution retirement schemes. The assets of the schemes are held separately from those of the Group. The total cost charged to the income statement of £20.6 million (2020: £18.2 million) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements continued

27 Share-based payment plans

The Group has four active equity-settled share schemes: the AVEVA Group plc Long-Term Incentive Plan (LTIP); the AVEVA Group Management Bonus Deferred Share Scheme (Deferred Share Scheme); the AVEVA Group plc Senior Employee Restricted Share Plan 2015 (Restricted Share Plan); and the AVEVA Group plc Global Employee Share Purchase Plan (GESPP).

The following table illustrates the number, and movements in, share options for the schemes during the year:

	LTIP	Restricted Share Plan	Deferred Share Scheme	Total
Outstanding at 1 April 2019	1,007,852	313,061	56,529	1,377,442
Exercisable at 1 April 2019	2,924	6,212	–	9,136
Granted during year	301,748	166,059	85,358	553,165
Forfeited during the year	(29,100)	(6,225)	–	(35,325)
Exercised during the year	(157,414)	(67,108)	(21,162)	(245,684)
Outstanding at 31 March 2020	1,123,086	405,787	120,725	1,649,598
Exercisable at 31 March 2020	250,355	3,870	257	254,482
Granted during year	**280,236**	**636,313**	**23,609**	**940,158**
Rights issue adjustment during year[1]	**286,878**	**137,436**	**27,119**	**451,433**
Forfeited during the year	**(14,963)**	**(12,450)**	–	**(27,413)**
Exercised during the year	**(532,958)**	**(84,152)**	**(35,641)**	**(652,751)**
Outstanding at 31 March 2021	**1,142,279**	**1,082,934**	**135,812**	**2,361,025**
Exercisable at 31 March 2021	**25,442**	**69,955**	**25,655**	**121,052**

1. Additional options were awarded to scheme participants as a result of the December 2020 rights issue. Options were awarded such that the overall value of options available were unchanged by the rights issue.

The fair value of option awards subject to EPS performance targets was measured at grant date using the Black-Scholes option pricing model, and the fair value of option awards subject to TSR performance targets was determined by use of Monte Carlo simulations, both taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for each of the awards:

Year ended 31 March 2021

	LTIP	Restricted Share Plan	Deferred Share Scheme
Weighted average exercise price	3.56p	3.56p	nil
Expected volatility	36% to 46%	36% to 46%	46%
Risk-free interest rate	nil-0.1%	nil-0.1%	nil
Expected life of option	3 to 5 years	1 to 3 years	2 to 4 years
Weighted average share price	47.53	39.34	48.87
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

Year ended 31 March 2020

	LTIP	Restricted Share Plan	Deferred Share Scheme
Weighted average exercise price	3.56p	3.56p	nil
Expected volatility	27%	27%	32%
Risk-free interest rate	0.4%	0.4%	0.6%
Expected life of option	3 to 5 years	3 years	2 to 4 years
Weighted average share price	37.94	39.94	32.20
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

The weighted average remaining contractual life for the options outstanding at 31 March 2021 is 5.9 years (2020: 6.7 years).

The weighted average share price at date of exercise for options exercised during the year was £41.83 (2020: £39.72).

The average fair value of options granted during the year was £39.46 (2020: £37.61). In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

In the year ended 31 March 2021 the Group recognised an expense of £16.3 million related to equity-settled share-based payment transactions (2020: £12.0 million).

Details of the share option plans are as follows:

a) Long-Term Incentive Plan

The performance conditions attached to the options awarded in the financial years ended 31 March 2021, 2020, and 2019 are based on EPS growth (50%), Total Shareholder Return (TSR) (25%) against a comparator group combining the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies, and strategic objectives (25%), with the precise measures to be set and measured by the Remuneration Committee.

Further information about the performance conditions are provided in the Remuneration Committee report on pages 114 to 115.

b) Deferred Share Scheme

The Deferred Share Scheme is participated in by Directors and senior management. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash and partly in ordinary shares in the Company to be delivered on a deferred basis.

The award of deferred shares takes the form of nil-cost options exercisable by participants in three equal tranches, one in each of the three years following the year in which the award is made. The option may be exercised in the 42-day period beginning on the announcement of the financial results of the Group in each of the three calendar years after that in which the option was granted. The last date of the exercise is the end of the 42-day period following the announcement of the financial results of the Group in the third calendar year following that in which the option was granted or (if applicable) such later date as the Remuneration Committee may specify. These awards are made solely in respect of performance in the financial year immediately prior to their grant. Delivery of the deferred shares is not subject to further performance conditions but each participant is required to remain an employee or Director of the Group during the three-year vesting period in order to receive their deferred shares in full (except in the case of death or the occurrence of a takeover, reconstruction or amalgamation, or voluntary winding up of the Company).

c) Restricted Share Plan

The Restricted Share Plan allows awards of options to be made to senior management, and other employees at the discretion of the Remuneration Committee. The right to exercise an option is subject to completion of a required period of continued employment within the Group:

- options granted pre-31 March 2020: three years; or
- options granted post-31 March 2020: one to three years, in three equal tranches on the anniversary date of the grant.

Options that are not exercised prior to the fifth anniversary (or, in the case of an award with an overall award period of more than four years, the sixth anniversary) of the date of grant shall lapse.

d) Global Employee Share Purchase Plan

The Group launched the GESPP in January 2021, with the aim to encourage employees to acquire and hold shares in AVEVA Group plc. This is comprised of three plans. At 31 March 2021 no shares had been purchased under this scheme as all plans were in an initial six-month employee contribution phase. The first share purchase is expected in August 2021.

UK Share Incentive Plan

All UK employees are entitled to contribute up to £150 per month from their gross pay. The GESPP trustees buy shares (partnership shares) at market value every six months with the employees' contributions. For every two partnership shares purchased, the Group purchases three additional shares (matching shares) which are awarded to the employee.

If the employee sells their partnership shares or leaves employment with the Group within three years of the initial acquisition the matching shares are forfeited.

US Employee Stock Purchase Plan

All US employees are entitled to contribute up to £850 per month from their net pay. The GESPP trustees buy partnership shares in the open market with the employee's contributions. Share are purchased at market value, less a 15% discount which is settled by the Group. These shares are not subject to a holding period or forfeiture.

International Employee Share Purchase Plan

All international employees based outside of the UK and US and who are employed by a participating Group company are entitled to contribute up to £150 per month from their net pay. The GESPP trustees buy partnership shares at market value every six months with the employees' contributions. For each partnership share purchased, the Group purchases one additional matching share which is awarded to the employee.

If the employee sells the partnership share or leaves employment with the Group within two years of the initial acquisition the matching share is forfeited.

Notes to the Consolidated Financial Statements continued

28 Share capital and reserves

a) Share capital

	2021 £m	2020 £m
Allotted, called-up and fully paid		
301,155,427 (2020: 161,512,219) ordinary shares of 3.56 pence each	**10.7**	5.7

Details of the shares issued during the year and the prior year are as follows:

	2021 Number	2021 £m	2020 Number	2020 £m
At 1 April	**161,512,219**	**5.7**	161,287,697	5.7
Issue of new shares for the acquisition of OSIsoft, LLC	**13,655,570**	**0.5**	–	–
Rights issue for the acquisition of OSIsoft, LLC	**125,739,796**	**4.5**	–	–
Exercise of share options	**247,842**	**–**	224,522	–
At 31 March	**301,155,427**	**10.7**	161,512,219	5.7

During the year the Company undertook a rights issue in order to facilitate the acquisition of OSIsoft, LLC. Additionally, part of the consideration was paid through issuance of additional new shares to Estudillo Holdings Corp. A total of 139,395,366 ordinary shares of 3.56 pence were issued.

The Company issued a further 247,842 (2020: 224,522) ordinary shares of 3.56 pence each with a nominal value of £8,806 (2020: £7,968) pursuant to the exercise of share options. The total proceeds were £8,806 (2020: £7,968), which included a premium of £nil (2020: £nil).

b) Share premium

Share premium represents the excess of proceeds arising on the issue of equity shares, net of transactions costs, over the nominal value of the associated share capital.

	2021 £m	2020 £m
At 1 April	**574.5**	574.5
Issue of new shares for the acquisition of OSIsoft, LLC	**465.2**	–
Rights issue for the acquisition of OSIsoft, LLC	**2,831.0**	–
Transactions costs for issued share capital	**(28.6)**	–
At 31 March	**3,842.1**	574.5

c) Other reserves

Merger reserve

The merger reserve is the difference between the equity consideration and the nominal value of shares issued in connection with the acquisition of SES in 2018, less amounts used to pay up the B shares. The return of value to shareholders was effected through the issue and redemption of B shares which were paid up out of the merger reserve.

Cumulative translation adjustment reserve

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Capital redemption reserve

The capital redemption reserve represents the return of value to shareholders from AVEVA Group plc insofar as made out of distributable reserves.

Reverse acquisition reserve

On 1 March 2018, AVEVA Group plc acquired SES as part of a reverse acquisition. AVEVA Group plc was the legal acquirer, as it exercised control over the enlarged Group. For accounting purposes SES was treated as the acquirer, as the former shareholders of SES (Schneider Electric) obtained the majority of shares in the enlarged AVEVA Group. The reverse acquisition reserve represents the difference between the consideration and the AVEVA capital equity interests on this acquisition.

Treasury shares

The treasury share reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 23,197 shares (2020: 85,127) were purchased by the EBT at a price of £47.83 (2020: £36.13). An additional 71,300 shares (2020: nil) were obtained as a result of the November 2020 rights issue. These are held at nil value. 380,316 shares (2020: 21,162) with an attributable cost of £9.7 million (2020: £0.4 million) were issued to employees in satisfying share options that were exercised.

	£m
At 1 April 2019	9.4
Own shares purchased	3.1
Shares issued to employees	(0.4)
At 31 March 2020	12.1
Own shares purchased	**1.1**
Shares issued to employees	**(9.7)**
At 31 March 2021	**3.5**

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

a) Schneider Electric Group companies

During the year, Group companies entered into the following transactions with Schneider Electric Group companies:

	2021 £m	2020 £m
Sales of goods and services	**62.2**	69.1
Purchases of goods and services	**(3.4)**	(11.2)
Interest expense on term loan	**(0.2)**	–
Other non-trading transactions	**13.7**	13.4

Other non-trading transactions related to amounts received from Schneider Electric in reimbursement for expenditure incurred as part of the Company's migration from activities covered by TSAs following the Combination. Of these transactions, £8.5 million (2020: £9.6 million) related to operating expenses incurred, and £5.2 million (2020: £3.8 million) to capital expenditure.

On 19 March 2021, the AVEVA Group received a £646.4 million (US $900.0 million) term loan from Schneider Electric Holdings Inc to assist in the funding of the acquisition of OSIsoft, LLC. The term loan bears interest of LIBOR plus a margin and is repayable three years from the inception date on 19 March 2024.

During the year ended 31 March 2021, the Group paid £nil (2020: £nil) to Schneider Electric SE, the parent company of the Schneider Electric Group. All other transactions were with subsidiary companies within the Schneider Electric Group.

The existing TSA with Schneider Electric has an end date of 31 August 2021 for ERP-related services. Discussions are ongoing in relation to a new Services Agreement under which Schneider Electric (through SE Digital) will continue to provide ERP-related services beyond 31 August 2021 whilst the Group completes its global roll out of the new ERP system.

As at 31 March, Group companies held the following balances with Schneider Electric Group companies:

	2021 £m	2020 £m
Trade and other receivables	**18.9**	23.6
Trade and other payables	**(1.5)**	(7.6)
Non-trading receivables	**2.7**	4.8
Term loan	**(654.8)**	–

All balances held were with subsidiary companies within the Schneider Electric Group.

Notes to the Consolidated Financial Statements continued

29 Related party transactions continued

Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2021 are unsecured, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

b) Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Key management personnel are considered to be the Board and the ELT of AVEVA Group plc. In addition to their salaries, the Group provides non-cash benefits and contributes to defined contribution pension schemes on their behalf. Key management personnel also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 90 to 122.

	2021 £m	2020 £m
Short-term employee benefits	**5.4**	7.9
Share-based payments	**6.4**	6.0
	11.8	13.9

c) Transactions with other related parties

Dr J Patrick Kennedy holds 4.53% of the issued ordinary share capital of AVEVA through his 75.64% ownership of Estudillo Holdings Corp. Dr J Patrick Kennedy is also Chairman Emeritus of the Group, a board advisory position.

In the year ended 31 March 2021, the Group has recognised £141,000 (2020: nil) of expense payable to SLTC LLC for the use of the OSIsoft San Leandro offices. The lease is effective until 31 January 2027, with rent of US$4.0 million payable per annum. SLTC LLC is 25% owned by Dr J Patrick Kennedy.

In the year ended 31 March 2021, the Group has recognised £8,000 (2020: nil) of expense payable to Lit San Leandro LLC for the use of fibre optic cable. The lease is effective until 6 January 2022, with extension options to 6 January 2029. Rent of US$132,000 is payable per annum. Lit San Leandro LLC is 49% owned by Dr J Patrick Kennedy.

30 Commitments and contingencies

	2021 £m	2020 £m
Bank guarantees	**12.8**	8.0
Parent Company guarantees	**44.7**	14.4
	57.5	22.4

The Group provides a number of guarantees for obligations to complete and deliver projects. These include bid, performance and warranty bonds, and guarantees against advance payments, all of which arise in the ordinary course of business and are issued by either banking partners or AVEVA parent companies. The amounts disclosed above represent the Group's contractual exposure at the balance sheet date.

31 Subsequent events

On 11 May 2021 the Group entered into an agreement whereby it agreed to sell the Acquis Software, Termis Software and Water Loss Management Software businesses together to Schneider Electric for an aggregate consideration of £2.6 million. Completion is expected to occur in or around July 2021.

Subsequent to the year end, the Group proposes to perform a capital reduction, reducing share premium and creating additional distributable reserves within retained earnings of approximately £1.0 billion. The proposal is subject to approval by shareholders at the Annual General Meeting on 7 July 2021.

Company Balance Sheet

31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	5	**4,630.9**	1,334.1
Deferred tax assets		**3.6**	1.7
		4,634.5	1,335.8
Current assets			
Trade and other receivables	6	**129.6**	130.1
Cash and cash equivalents		**–**	–
		129.6	130.1
Total assets		**4,764.1**	1,465.9
Equity			
Issued share capital	8(a)	**10.7**	5.7
Share premium	8(b)	**3,842.1**	574.5
Capital redemption reserve		**101.7**	101.7
Merger reserve		**619.6**	619.6
Retained earnings		**182.9**	157.4
Total equity		**4,757.0**	1,458.9
Current liabilities			
Trade and other payables	7	**5.6**	5.3
Current tax liabilities		**1.5**	1.7
		7.1	7.0
Total equity and liabilities		**4,764.1**	1,465.9
Profit for the year		**92.1**	89.0

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The accompanying notes are an integral part of this Company Balance Sheet.

The financial statements on pages 179 to 184 were approved by the Board of Directors on 25 May 2021 and signed on its behalf by:

Peter Herweck
Chief Executive Officer

James Kidd
Deputy CEO & CFO

Company number
2937296

Company Statement of Changes in Shareholders' Equity

31 March 2021

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 April 2019	5.7	574.5	619.6	101.7	127.9	1,429.4
Profit for the year	–	–	–	–	89.0	89.0
Share-based payments	–	–	–	–	6.7	6.7
Share options granted to employees of subsidiary companies	–	–	–	–	5.3	5.3
Tax arising on share options	–	–	–	–	0.2	0.2
Dividends paid	–	–	–	–	(71.7)	(71.7)
At 31 March 2020	5.7	574.5	619.6	101.7	157.4	1,458.9
Profit for the year	**–**	**–**	**–**	**–**	**92.1**	**92.1**
Issue of new shares	**0.5**	**465.2**	**–**	**–**	**–**	**465.7**
Rights issue	**4.5**	**2,831.0**	**–**	**–**	**–**	**2,835.5**
Transaction costs relating to issue of share capital	**–**	**(28.6)**	**–**	**–**	**–**	**(28.6)**
Share-based payments	**–**	**–**	**–**	**–**	**9.4**	**9.4**
Share options granted to employees of subsidiary companies	**–**	**–**	**–**	**–**	**6.7**	**6.7**
Tax arising on share options	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Dividends paid	**–**	**–**	**–**	**–**	**(82.4)**	**(82.4)**
At 31 March 2021	**10.7**	**3,842.1**	**619.6**	**101.7**	**182.9**	**4,757.0**

The accompanying notes are an integral part of this Company Statement of Changes in Shareholders' Equity.

Notes to the Company Financial Statements

1 Authorisation of financial statements and corporate information

The financial statements of AVEVA Group plc (the Company) for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 25 May 2021 and the balance sheet was signed on the Board's behalf by Peter Herweck, the Chief Executive Officer, and James Kidd, the Deputy CEO & CFO. AVEVA Group plc is a limited company incorporated and domiciled in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal activity of the Company is that of a holding company.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2021. The financial statements are presented in pounds sterling (£), rounded to the nearest £0.1 million except when otherwise indicated.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The results of AVEVA Group plc are included in the Consolidated Financial Statements of AVEVA Group plc.

The Directors believe that the Company is well placed to manage its business risks successfully despite macroeconomic and geopolitical uncertainties. It has considerable financial resources and no external borrowings. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Summary of significant accounting policies

Explained below are the significant accounting policies of the Company. The full statement of Group accounting policies is included on pages 185 to 190.

a) Basis of accounting

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 'Statement of cash flows';
- the requirements of IAS 8 'IFRSs issued but not effective';
- the requirements of IFRS 2 'Share-based payments';
- the requirements of IFRS 7 'Financial instruments: disclosures';
- the requirements of IFRS 13 'Fair value measurements'; and
- the requirements of IAS 24 'Related party disclosures'.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated.

b) Significant accounting estimates

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 fair value less cost of disposal 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. It is not considered that any impairment indicators existed at the balance sheet date.

c) Taxation

Corporation tax payable is provided on taxable profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Company Financial Statements continued

2 Summary of significant accounting policies continued

d) Share-based payments

The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated Financial Statements. The Company recognises the expense relating to the Executive Directors. The Company also records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the IFRS 2 cost in subsidiary undertakings.

e) Investments in subsidiaries

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

3 Result for the year

AVEVA Group plc reported a profit for the financial year ended 31 March 2021 of £92.1 million (2020: £89.0 million).

Audit fees of £8,000 (2020: £7,000) are borne by another Group company.

The Company had an average of two employees during the year (2020: two).

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 90 to 122. The Company bears the remuneration expense for Executive and Non-Executive Directors.

4 Dividends

	2021 £m	2020 £m
Declared and paid during the year[1]		
Interim 2020/21 dividend paid of 12.4 pence[1] (2019/20: 12.4 pence) per ordinary share	**35.6**	25.0
Final 2019/20 dividend paid of 23.3 pence (2018/19: 23.3 pence) per ordinary share	**46.8**	46.7
	82.4	71.7
Proposed for approval by shareholders at the Annual General Meeting		
Final 2020/21 proposed dividend of 23.5 pence (2019/20: 23.3 pence) per ordinary share	**70.7**	46.8

1. Dividends per share for comparative periods have been restated and adjusted for a bonus factor of 0.80, to reflect the bonus element of the November 2020 rights issue. Previously stated final dividend per share totals for both 2020/21 and 2019/20 were 15.5 pence per share, and final dividend per share for both 2019/20 and 2018/19 were 29.0 pence per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 4 August 2021 to shareholders on the register at the close of business on 9 July 2021.

5 Investments

	£m
At 1 April 2019	1,325.0
Additions	9.1
At 31 March 2020	1,334.1
Additions	3,296.8
At 31 March 2021	**4,630.9**

During the year ended 31 March 2021, the Company increased its investment in AVEVA Solutions Limited (£2,643.7 million), AVEVA Software Singapore Pte Ltd (£617.6 million) and AVEVA Financing (£28.7 million) as part of the structuring for the acquisition of OSIsoft, LLC. A further investment in AVEVA Solutions Limited of £6.8 million was made by virtue of share options being granted to employees of that subsidiary undertaking.

Details of the Company's subsidiary undertakings are set out in note 18 in the Consolidated Financial Statements of the Group.

6 Trade and other receivables

	2021 £m	2020 £m
Amounts owed by Group undertakings	**129.6**	130.1

Amounts owed by Group undertakings are non-interest bearing and are repayable on demand.

7 Trade and other payables

	2021 £m	2020 £m
Social security, employee taxes and sales taxes	**3.3**	0.4
Accruals	**0.4**	3.0
Amounts owed to Group undertakings	**1.9**	1.9
	5.6	5.3

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.

8 Share capital and reserves

a) Share capital

	2021 £m	2020 £m
Allotted, called-up and fully paid		
301,155,427 (2020: 161,512,219) ordinary shares of 3.56 pence each	**10.7**	5.7

Details of the shares issued during the year and the prior year are as follows:

	2021 Number	2021 £m	2020 Number	2020 £m
At 1 April	**161,512,219**	**5.7**	161,287,697	5.7
Issue of new shares for the acquisition of OSIsoft, LLC	**13,655,570**	**0.5**	–	–
Rights issue for the acquisition of OSIsoft, LLC	**125,739,796**	**4.5**	–	–
Exercise of share options	**247,842**	–	224,522	–
At 31 March	**301,155,427**	**10.7**	161,512,219	5.7

During the year the Company undertook a rights issue in order to facilitate the acquisition of OSIsoft, LLC. Additionally, part of the consideration was paid through issuance of additional new shares to Estudillo Holdings Corp. A total of 139,395,366 ordinary shares of 3.56 pence were issued.

The Company issued a further 247,842 (2020: 224,522) ordinary shares of 3.56 pence each with a nominal value of £8,806 (2020: £7,968) pursuant to the exercise of share options. The total proceeds were £8,806 (2020: £7,968), which included a premium of £nil (2020: £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' Remuneration Report. Note 27 of the Consolidated Financial Statements for the Group includes details of share option awards made during the year.

Notes to the Company Financial Statements continued

8 Share capital and reserves continued

b) Share premium

Share premium represents the excess of proceeds arising on the issue of equity shares, net of transactions costs, over the nominal value of the associated share capital.

	2021 £m	2020 £m
At 1 April	574.5	574.5
Issue of new shares for the acquisition of OSIsoft, LLC	465.2	–
Rights issue for the acquisition of OSIsoft, LLC	2,831.0	–
Transactions costs for issued share capital	(28.6)	–
At 31 March	3,842.1	574.5

c) Other reserves

Merger reserve

The merger reserve is the difference between the equity consideration and the nominal value of shares issued in connection with the acquisition of SES in 2018, less amounts used to pay up the B shares. The return of value to shareholders was effected through the issue and redemption of B shares which were paid up out of the merger reserve.

Capital redemption reserve

The capital redemption reserve represents the return of value to shareholders from AVEVA Group plc insofar as made out of distributable reserves.

9 Related party transactions

There are no related party balances held at 31 March 2021 (2020: £nil).

10 Commitments and contingencies

	2021 £m	2020 £m
Parent Company guarantees	43.2	14.4
Loan guarantee	654.8	–
	698.0	14.4

The Company provides a number of Parent Company guarantees to subsidiaries for obligations to complete and deliver projects. These include bid, performance and warranty bonds, and guarantees against advance payments, all of which arise in the ordinary course of business.

The Company is a guarantor for the £654.8 million (US$900.0 million) loan from Schneider Electric Holdings Inc, undertaken by Company subsidiaries to fund the acquisition of OSIsoft, LLC.

The amounts disclosed above represent the Company's contractual exposure at the balance sheet date.

11 Subsequent events

Subsequent to the year end, the Company proposes to perform a capital reduction, reducing share premium and creating additional distributable reserves within retained earnings of approximately £1.0 billion. The proposal is subject to approval by shareholders at the Annual General Meeting on 7 July 2021.

Statement of Group Accounting Policies

Statement of compliance

The Consolidated Financial Statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and for the year ended 31 March 2021. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

The Parent Company financial statements of AVEVA Group plc have been prepared under the FRS 101 reduced disclosure framework and are included on pages 179 to 184.

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of AVEVA Group plc and its subsidiaries as at 31 March each year. The financial statements of subsidiaries are prepared using existing GAAP for each country of operation. Adjustments are made to translate any differences that may exist between the respective local GAAP and IFRSs.

Inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition, with any excess of the cost of acquisition over this value being capitalised as goodwill.

Adoption of new and revised standards

The Group has applied for the first time in the reporting period commencing 1 April 2020:

- amendments to IFRS 3 'Definition of a business';
- amendments to IFRS 16 'Covid-19 related rent concessions';
- amendments to IFRS 7, IFRS 9 and IAS 39 'Interest rate benchmark reform'; and
- amendments to IAS 1 and IAS 8 'Definition of material'.

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

New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Foreign currencies

The functional and presentational currency of AVEVA Group plc is pounds sterling (£). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The subsidiaries have a number of different functional currencies. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into pounds sterling (£) at the rate of exchange ruling at the balance sheet date, and their income statements are translated on a monthly basis, using an average periodic rate for each month. Exchange differences arising on the retranslation are taken directly to the Consolidated Statement of Comprehensive Income.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Statement of Group Accounting Policies continued

Acquisition costs wholly related to raising debt or equity are offset against the corresponding financial liability and share premium respectively on the day of incurring the liability or of the equity issue. All other acquisition-related costs are expensed as incurred and included in selling and administrative expenses.

Goodwill

Goodwill on acquisitions is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

If the potential benefit of tax losses or other deferred tax assets does not satisfy the criteria in IFRS 3 for separate recognition when a business combination is initially accounted for but is subsequently realised, the Group recognises the deferred tax income in the Consolidated Income Statement.

Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to each class of intangible asset as set out below.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Consolidated Income Statement in the year in which it is incurred. Internal software development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Amortisation is calculated on a straight-line basis over the estimated useful economic lives of the asset, which are as follows:

	Years
Developed technology	3 to 12
Customer relationships	5 to 20
Purchased brands	10 to infinite
Trademarks	5 to 15
Other software	3 to 7
Purchased software rights	3 to 10
Capitalised Research & Development	3 to 5

Government grants

Government grants are recognised as receivable when there is reasonable assurance that they will be received and all required conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related expense for which the grant is compensating. The grant income is presented as a deduction from the related expense.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

	Years
Computer equipment	3 to 5
Fixtures, fittings and office equipment	5 to 8
Motor vehicles	4

Leasehold buildings and improvements are amortised on a straight-line basis over the shorter of the period of the lease and useful economic life.

Impairment of assets

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other CGUs. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill 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 assets or CGUs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. If the initial allocation of goodwill acquired in a business combination cannot be completed before the end of the first annual period in which the business combination is effected, that initial allocation shall be completed before the end of the first annual period beginning after the acquisition date. Impairment losses are recognised in the Consolidated Income Statement within selling and administrative expenses.

Contract assets and liabilities

A contract asset is recognised when revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer. This situation arises when the software licence performance obligation, from a multi-year rental contract, has been delivered to a customer and the revenue recognised at a point in time and invoicing is conditional on further performance. Also, from the recognition of revenue from service projects on a percentage of completion basis that is greater than amounts invoiced to the customer and invoicing is conditional on further performance. The carrying amount is reduced by allowances for expected credit losses under IFRS 9. When the invoices are raised the contract asset values are reclassified to trade receivables.

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received payment from the customer in advance of revenue recognition. This situation arises when the customer is invoiced in advance of the transfer and recognition of maintenance and subscriptions. Also, when the revenue recognised from services projects on a percentage of completion basis is lower than the amounts invoiced to the customer.

Customer acquisition costs

Where sales commission is linked directly to an individual sale and is therefore an incremental cost of acquiring that contract, the commission is recognised as an asset on the balance sheet. Deferred customer acquisition costs are amortised over the period that the related goods or services transfer to the customer. As commissions paid for new contracts also relate to expected future renewals of these contracts, the amortisation period is based on average customer life, which is considered to be six years. This has been determined by considering the current customer contract terms and historical customer retention of those contracts which typically have incremental customer acquisition costs. Deferred customer acquisition costs are periodically reviewed for impairment.

Sales commission as a result of schemes that are not directly linked to individual contracts is expensed as incurred.

Trade and other receivables

Trade receivables, 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. This results in their recognition and subsequent measurement at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others:

- the debtor entering bankruptcy or administration; and
- the outcome of legal proceedings.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. The carrying amount of these approximates their fair value. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Statement of Group Accounting Policies continued

Derivative financial instruments

The Group holds forward foreign exchange contracts (the hedging instrument) to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. All forward foreign exchange contracts have been marked-to-market and are held at fair value on the Consolidated Balance Sheet. For regular transactions the Group does not apply hedge accounting. Where hedge accounting is not applied, movements in fair value are recorded in the Consolidated Income Statement. Fair value is estimated using the settlement rates prevailing at the period end.

For significant one-off transactions the Group may apply hedge accounting in order to mitigate the impact of changes in foreign exchange on the Group's income statement by matching the impact of the hedging instrument against the hedged risk.

At the inception of a hedging relationship, the hedged item and hedging instrument are documented, alongside the risk management strategy and objectives for the hedge. Prospective effectiveness testing is performed. Over the life of the hedging relationship, effectiveness testing is undertaken to ensure the instrument remains an effective hedge of the transaction.

Changes in the fair value of the hedging instrument are recognised in the hedging reserve, through the Consolidated Statement of Comprehensive Income. Any ineffective portion is recognised immediately within the Consolidated Income Statement.

Where future cash flow results in the recognition of a non-financial asset or liability, then at the point of recognition the previously recognised related gains or losses are included in the initial measurement of that asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or it is sold, terminated, exercised, or no longer qualifies for hedging. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the Consolidated Income Statement.

Leases

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date that the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review.

At the commencement date of the lease, the Group also recognises lease liabilities. They are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group has adopted the practical expedient to view certain arrangements containing both lease and non-lease components as a single lease component.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The carrying amounts of right-of-use assets are also remeasured to reflect this change in lease liabilities.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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.

Taxation

The Group is subject to income tax in numerous jurisdictions. The Group 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.

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.

The UK Research & Development Credit (RDEC) is recognised in the income statement and netted off 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 Consolidated Statement of Comprehensive Income or the Consolidated Statement of Changes in Shareholders' Equity respectively. Otherwise, income tax is recognised in the Consolidated Income Statement.

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 Consolidated Balance Sheet.

Statement of Group Accounting Policies continued

Retirement benefits

For defined benefit schemes, the defined benefit obligation is calculated semi-annually for each plan by qualified external actuaries using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The retirement benefit liability in the Consolidated Balance Sheet represents the present value of the defined benefit obligation (using a discount rate derived from a published index of AA-rated corporate bonds) as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions. The current service cost is recognised in the Consolidated Income Statement as an employee benefit expense. The net interest element of the defined benefit cost is calculated by applying the discount rate to the net defined benefit liability or asset.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are credited or charged in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The Group also operates defined contribution pension schemes for a number of UK and non-UK employees. Contributions to defined contribution plans are charged to the Consolidated Income Statement as they become payable.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 27 of the Notes to the Consolidated Financial Statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of EPS, subject to an estimate of whether performance conditions will be met.

Employee benefit trust

The Group has established an employee benefit trust (AVEVA Group Employee Benefit Trust 2008), which is a separately administered trust and is funded by loans from Group companies. The assets of the trust comprise shares in AVEVA Group plc and cash balances. The Group recognises assets and liabilities of the trust in the Consolidated Financial Statements and shares held by the trust are recorded at cost as a deduction from shareholders' equity.

Consideration received for the sale of shares held by the trust is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.