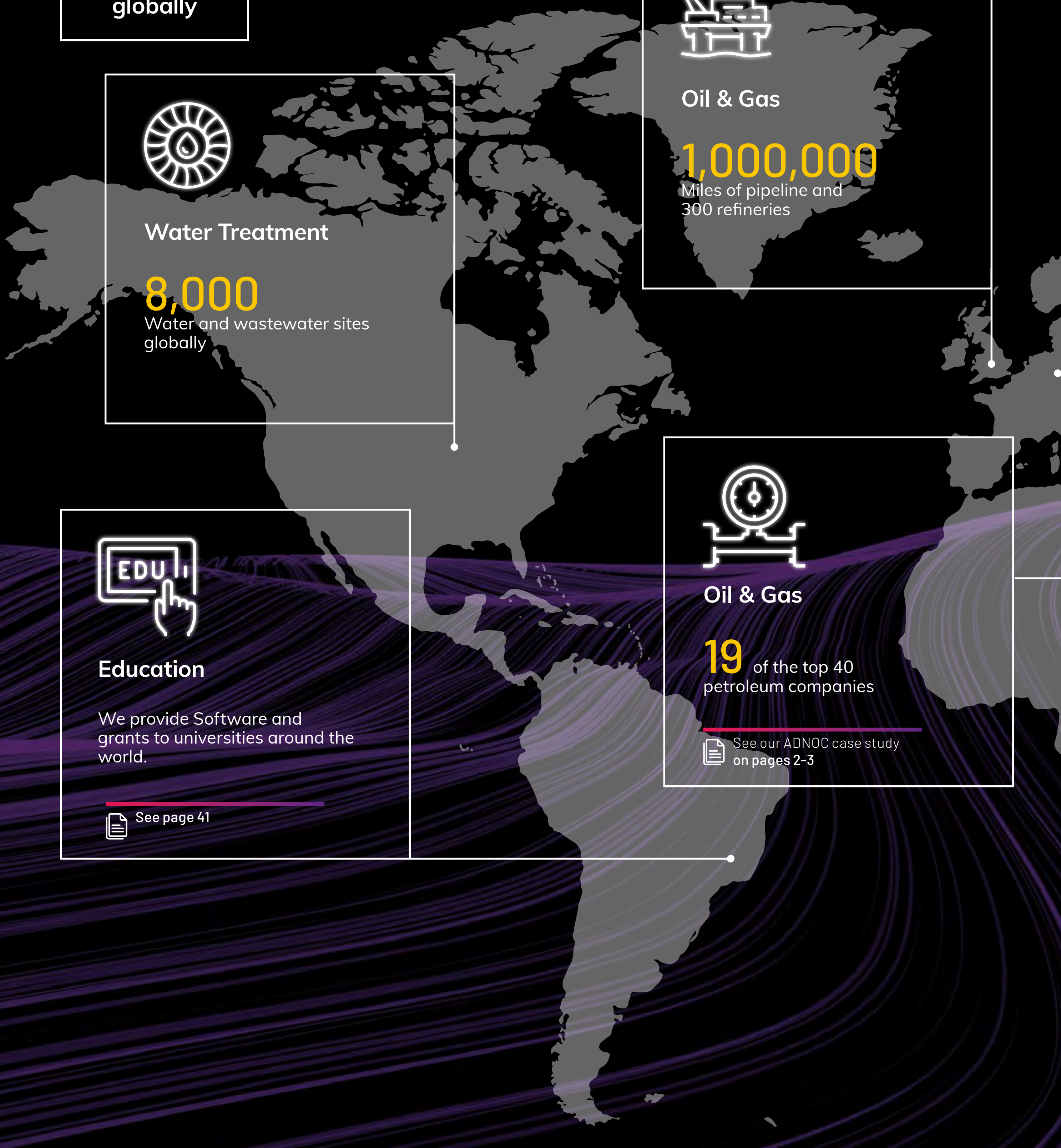
AVEVA

AVEVA Group plc
Annual Report and Accounts 2019

We are leading the digitalisation of industry

Driving the digitalisatio

Number of customer sites using AVEVA software globally



Water Treatment

8,000
Water and wastewater sites globally

Oil & Gas

1,000,000
Miles of pipeline and 300 refineries

Education

We provide Software and grants to universities around the world.

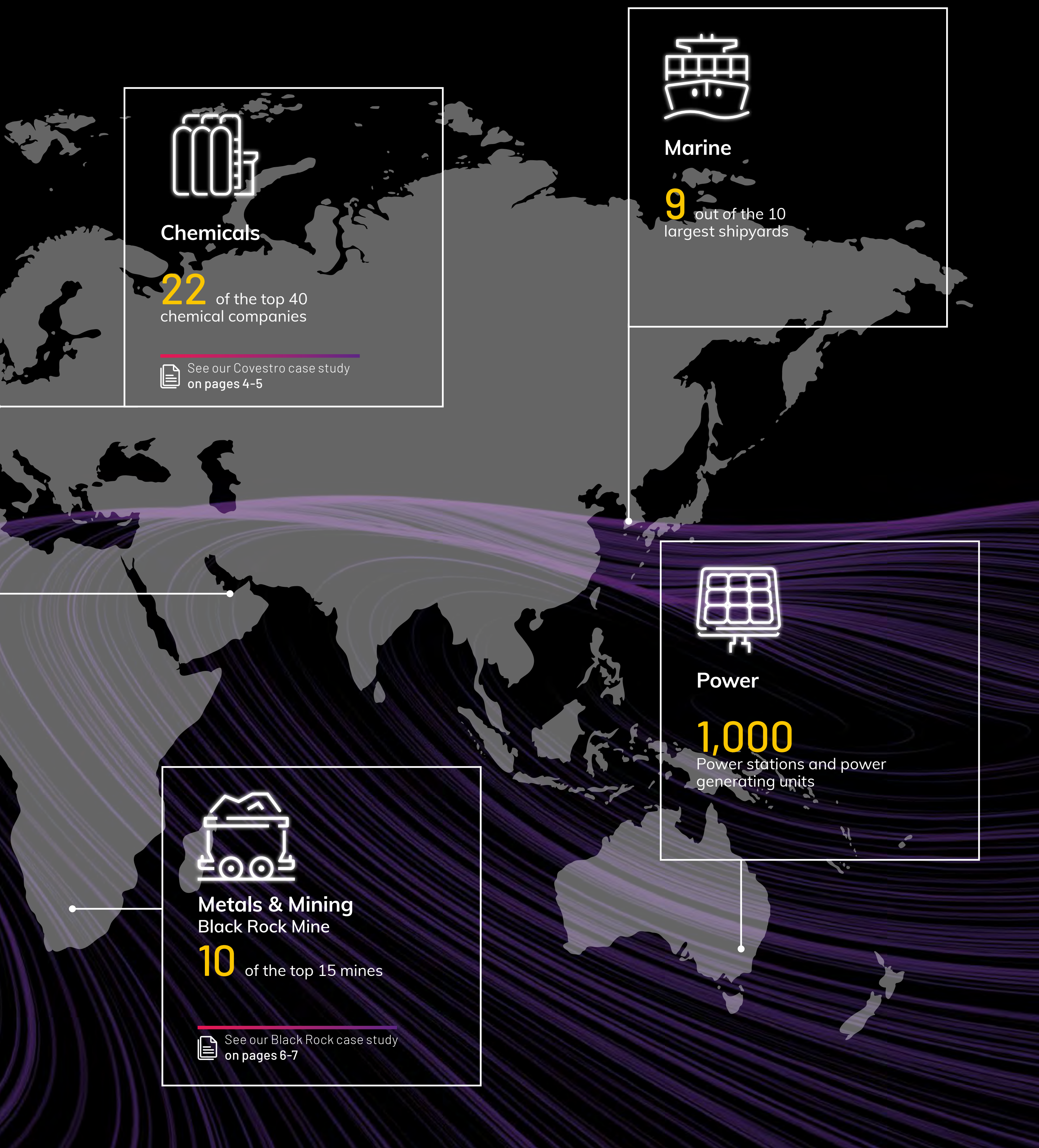
See page 41

Oil & Gas

19 of the top 40 petroleum companies

See our ADNOC case study on pages 2-3

on of the industrial world



AVEVA creates industrial software that inspires people to shape the future

We believe industry advancement should enhance the human experience. Here's how we live our mission:

COLLABORATE

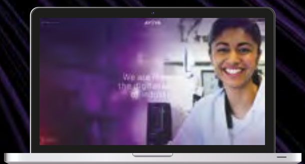
The challenges our customers face inspire us to develop groundbreaking solutions. We harness the power of our ecosystem by working together to bring bold ideas to life.

CREATE

We build leading solutions across the asset and operations lifecycles that turn opportunity into business value, evolving the industries that power our world.

PIONEER

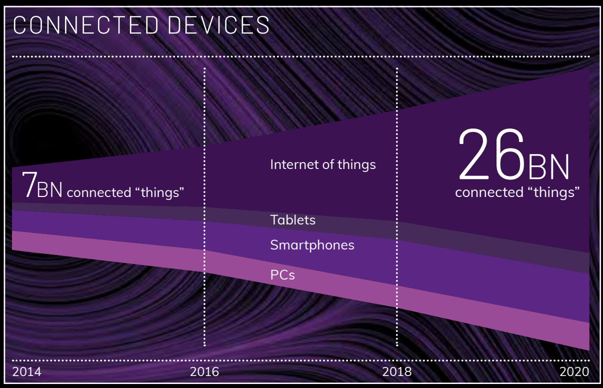
We discover new ways to empower people and industries, enabling the success of our customers and the prosperity of communities.



To find out more, please visit our website: www.aveva.com

Download our "AVEVA Industrial Experience" app for iOS and hold your device over the AVEVA logo on the back cover to launch.

GLOBAL TECHNOLOGY MEGA TRENDS



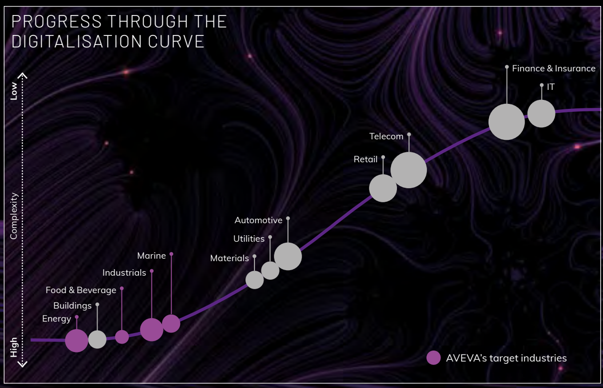
The digital world

Unprecedented growth in digital technology

Since the turn of the century, there has been an explosion in innovation, leading to increases in computing power, connectivity, network capacity and speed, cheaply and at scale.

Everyone and everything is now interconnected and the vast amounts of data collected are able to be captured, tracked and be put to use with previously unimagined possibilities.

Global technology mega trends
More on pages 12-13



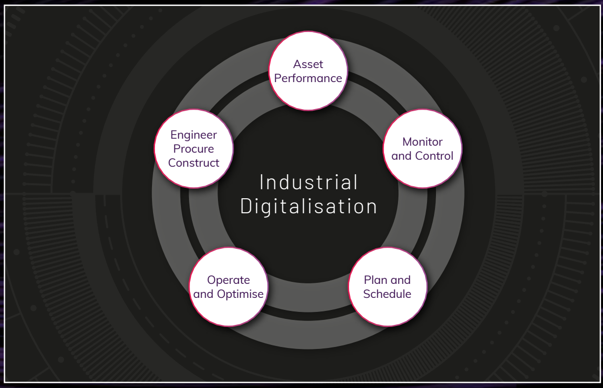
Digital revolution

Industries are being transformed

Many industries have begun their digital transformation journey. The most successful companies in retail, the music industry and consumer technology have leveraged the power of digitalisation.

We believe that for the complex industries that AVEVA serves, the time for industrial digital transformation is now.

Digitalisation of industry
More on pages 14-15



We'll take you there

We're ready. Are you?

AVEVA has the full end-to-end portfolio to help customers cut costs, improve efficiency and boost productivity through digital transformation.

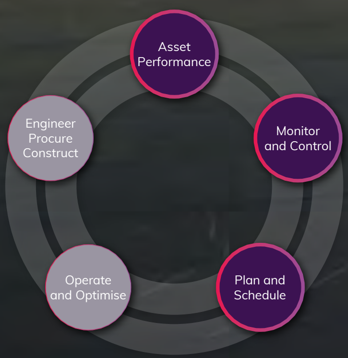
Read our case studies to learn how we have helped others, and how we can take you on your journey.

Building what's next together
More on pages 16-17

Customer case study
ADNOC

Industry
OIL & GAS

How our



Digital Transformation at Abu Dhabi National Oil Company

ADNOC is one of the world's leading energy producers, operating across the entire hydrocarbon value chain.

technology...

BUSINESS CHALLENGE

ADNOC is transforming into an Industry 4.0 organisation to maximise returns from every barrel of oil. To begin this journey, data was centralised and integrated from 14 operating companies onto a single platform.

SOLUTIONS PROVIDED

- **Monitoring & Control** to provide a real-time overview of operations
- **Asset Performance Management** to reduce maintenance costs and downtime
- **Planning & Scheduling** to optimise production planning

CUSTOMER BENEFIT

Using AVEVA software, ADNOC has developed a platform through which all departments and operating units communicate with each other in real time. Managers visualise a full company view as well as specific individual operations to analyse and determine the impact of actions and events on specific areas of its business.

FUTURE PLANS

ADNOC is creating a predictive maintenance platform using AVEVA's Asset Performance Management solution.

> "The AVEVA team truly believed in ADNOC's vision."

Tasnim Al Mzaini
Panorama Project Manager, ADNOC

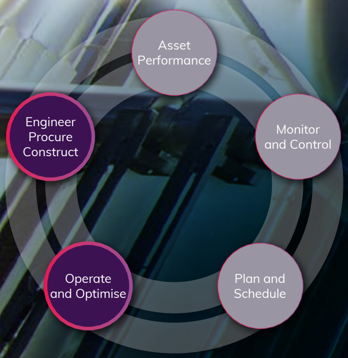
Customer case study
COVESTRO

Industry
CHEMICALS

Digitalising operations in Covestro's chemical manufacturing

Covestro is a world-leading manufacturer of high-tech polymer materials, supplying the automotive, construction, cosmetics, electronics, fashion & sportswear and healthcare industries.

...is benefiting



BUSINESS CHALLENGE

Covestro is digitalising operations to enable a holistic view of the asset life cycle.

SOLUTIONS PROVIDED

- **Engineering,** use process simulation to enhance understanding of operations, predict performance and optimise processes with a high degree of accuracy.
- **Operate & Optimise,** rolling out Manufacturing Execution Solutions (MES) to further digitalise their production.

CUSTOMER BENEFIT

The organisation is already operating on a highly automated and productive level. In addition to that, it now has a single, easy-to-use simulation platform combining tools to improve asset efficiency. This will lead to further improvements in energy use, waste reduction and plant throughput, with even less unplanned downtime and increased safety.

FUTURE PLANS

Covestro is evaluating Asset Performance Management to improve asset availability.

"AVEVA Predictive Asset Analytics was the software that convinced me that machine learning was real and that it worked."

Jane Arnold
Executive Vice President, Covestro

companies...

Customer case study

BLACK ROCK MINE OPERATIONS

Industry

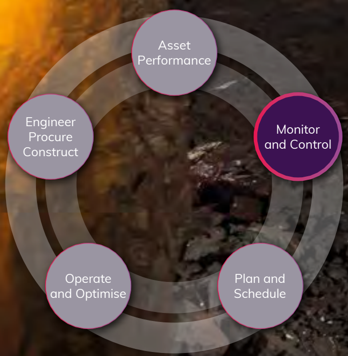
MINING

Single Centralised Control at Black Rock Mine Operations

Black Rock Mine Operations produces 3.7 million tonnes of manganese ore per year in the Northern Cape Province, South Africa.

Manganese is an essential element for steel production, fertilisers and battery technology.

...around



BUSINESS CHALLENGE

Black Rock was looking to achieve a holistic view of the production value chain via a single platform to drive efficiency and productivity improvements.

SOLUTIONS PROVIDED

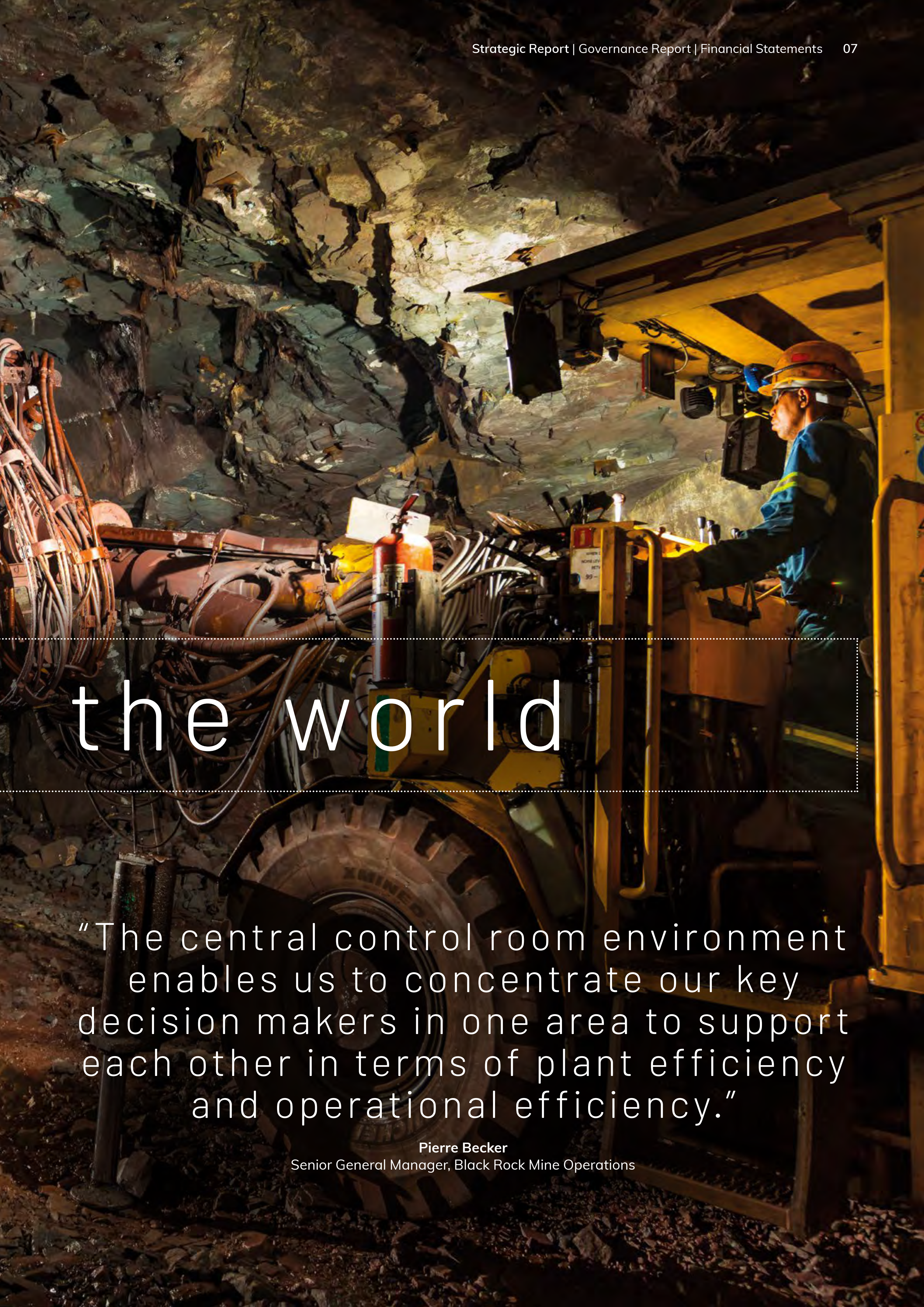
- **Monitoring & Control** to provide an operational interface and integrated real-time overview of operations.

CUSTOMER BENEFIT

AVEVA's solution facilitated a significant increase in uptime, safety improvements and almost double-digit growth in productivity.

FUTURE PLANS

Black Rock's goal is to become the most efficient underground mine in the world.



the world

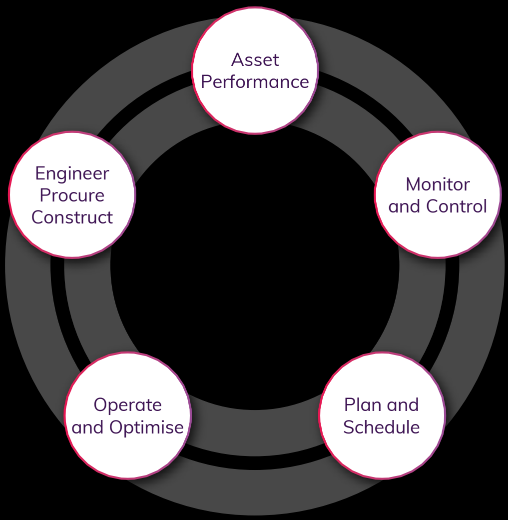
"The central control room environment enables us to concentrate our key decision makers in one area to support each other in terms of plant efficiency and operational efficiency."

Pierre Becker
Senior General Manager, Black Rock Mine Operations

WHAT'S INSIDE OUR REPORT

Building what's next together

Pages 16-17



CHAIRMAN'S STATEMENT

Another successful year for AVEVA

Page 10

BUSINESS MODEL

How we generate value for our stakeholders

Page 11

CHIEF EXECUTIVE'S REVIEW

Delivering digitalisation of industry

Pages 18-21

STRATEGY

Driving sustainable growth

Pages 22-23

KEY PERFORMANCE INDICATORS

How we measure our progress

Pages 24-25

FINANCE REVIEW

Good progress against all key targets

Pages 32-37

CONTENTS

HOW WE PERFORMED

The statutory results[1] show 12 months of trading for the heritage Schneider Electric industrial software business (SES) in the comparative period to March 2018, together with one month of the heritage AVEVA business.

To provide a more meaningful measure of year-on-year performance of the combined trading performance, non-statutory results are also shown for the combined Group on a pro forma basis[2].

£766.6M
Revenue (statutory[1])
Up **57.6%** (2018: £486.3m)

£775.2M
Revenue (pro forma[2])
Up **11.9%** (2018: £692.5m)

£46.7M
Profit before tax (statutory)
Up **35.4%** (2018: £34.5m)

£184.5M
Adjusted[3] EBIT (pro forma)
Up **19.8%** (2018: £154.0m)

20.90P
Diluted EPS (statutory)
Down **47.4%** (2018: 39.72p)

90.90P
Adjusted[3] diluted EPS
Up **27.0%** (2018: 71.59p)

54.3%
Recurring revenue[4]
Up **270 bps** (2018: 51.6%)

£127.8M
Net cash
Up **32.8%** (2018: £95.8m)

AVEVA delivered a strong performance in its first full year as a combined company and integration has progressed well across all functions of the business.

Digitalisation is accelerating in the industries we serve, driving ongoing growth in demand for industrial software. AVEVA is well placed to capture this demand by working with its customers to turn opportunities into business value, delivering solutions across the asset and operations lifecycle.

We remain confident in the outlook and in meeting our medium-term targets of delivering revenue growth at least in-line with the industrial software market, increasing recurring revenue as a percentage of overall revenue to 60% and improving AVEVA's Adjusted EBIT margin to 30%.

Craig Hayman
CEO

1 Statutory results are stated under acquisition accounting principles and therefore the results for the 12 months to 31 March 2018 include 12 months of heritage SES and one month of heritage AVEVA.

2 Pro forma results include results for both heritage SES and heritage AVEVA for the 12 months to 31 March 2018 and exclude a negative adjustment to revenue of £8.6m for the 12 months to 31 March 2019 reflecting an acquisition accounting adjustment to deferred revenue on the opening balance sheet.

3 Adjusted earnings before interest and tax (EBIT) and adjusted earnings per share (EPS) are calculated before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items. Adjusted EPS also includes the tax effects of these adjustments. When expressed on a pro forma basis they are also calculated before the acquisition accounting adjustment to deferred revenue.

4 Recurring revenue is defined as rental and subscriptions software licence revenue plus support and maintenance revenue.

CHAIRMAN'S STATEMENT

Another successful year for AVEVA

AVEVA made excellent progress in the financial year ended March 2019, delivering good growth within the year while strengthening the Group's future prospects.

Overview

The combination of the heritage AVEVA and the Schneider Electric Industrial Software business just before the start of the year created a new global leader in industrial software, optimally placed to advance the digitalisation of the industrial world with an unmatched set of solutions (see page 22).

Craig Hayman, our CEO, and James Kidd, our Deputy CEO and CFO, have been focused on leading the integration of the enlarged AVEVA Group so that it is structured to meet its long-term potential. I am pleased to report that the integration process is progressing very well (see page 19). I am also pleased that this has been achieved while driving a strong financial performance across the Group during the year (see page 32) with strong growth in revenue and profit. On a pro forma basis, adjusted earnings per share grew 27.0% and this has allowed us to increase the final dividend for the year 7.4% to 29.0 pence, taking the total dividend for the year to 43.0 pence per share.

Board developments

We have a strong and diversified Board and were pleased to welcome Paula Dowdy as an independent Non-Executive Director on 1 February 2019.

Paula is the Senior Vice President & General Manager EMEA for Illumina Inc., the global leader in DNA sequencing and array-based technologies. Prior to her appointment to Illumina in 2016, Paula worked for Cisco in a variety of senior sales, services and strategy roles, most recently as Senior Vice President for Cloud, Software and Managed Services.

Paula's international and technology experience further strengthens the Board and we look forward to her contribution to the Group's strategy and development.

Summary and outlook

The Board would like to express its sincere thanks to all our 4,500 employees across the globe for their hard work and dedication, recognising the significant efforts from our people to make this a success. We would also like to thank our customers, shareholders and other stakeholders for their continued support.

The new enlarged AVEVA has an exciting future. Digitalisation is bringing huge benefits to the industrial world and AVEVA is well positioned to play a key role with its customers in leading this digitalisation journey.

Philip Aiken AM
Chairman
19 May 2019

"We remain excited about the huge benefits that digitalisation will bring to the industrial world and about the key role that AVEVA will play in leading this digitalisation journey."

Philip Aiken
Chairman

BUSINESS MODEL

How we generate value for our stakeholders

How we operate

We invest over
£100m
into R&D every year

In the last year we have filed
21 PATENTS
and have issued
OVER 90
product releases.

AVEVA employs a highly skilled global workforce of
4,500 people
This includes over
70 PhDs

We generate revenue through licensing software

Customers pay for software licences, support and maintenance fees and other professional services.

Our shared values are key to our business performance

Limitless possibilities,
Integrity always,
Flexibility together and
Excellence every day

AVEVA LIFE
See page 39

Why our customers choose us

AVEVA has
16,000
customers including many of the world's largest and best known companies.

Our software makes it easier to create complex industrial assets, enabling greatly improved designs and lower build costs. It also enables companies to operate complex industrial assets more efficiently by increasing output, reducing maintenance costs and increasing safety.

As a result they can:

- Improve their designs
- Lower their build costs
- Operate more efficiently by increasing output, reducing maintenance costs
- Increase safety

Customer case studies
See pages 2-7

Value creation

AVEVA recognises that it has a responsibility to act as a positive force, enabling all of its stakeholders to thrive.

We aim to generate long-term value for our investors by delivering profitable growth as a function of providing valuable solutions to our customers.

Financial review
See pages 32-37

Strategy
See pages 22-23

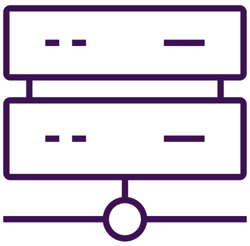
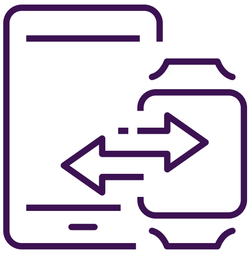
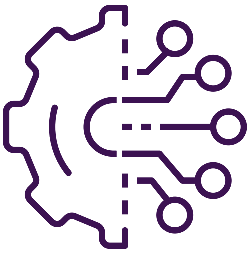
We are committed to engaging with, advancing and retaining our employees, across
80 nationalities in 44 countries

CSR
See pages 38-43

We invest in our communities.
AVEVA has pledged to donate the equivalent of
1% of net profits
to local charities throughout its operational footprint.

CSR
See pages 38-43

Global technology

	Definition	Enabling tech
IIoT BIG DATA 	**The Industrial Internet of Things (IIoT)** is a vast network of devices connected to the internet, allowing for communications between these devices. **Big Data** refers to the huge amounts of information collected by these extensive networks of connected devices.	These have been enabled by technological advancements, including improved telecoms networks, cloud computing and scale, such that the cost of making a device “smart” is <$10.
VISUALISATION 	**Data Visualisation** involves the creation of and visual representation of data, and is used to communicate complex information clearly and effectively.	Advancements in 3D visualisation, augmented reality, virtual reality and accessibility of this technology, driven by cloud computing and the ubiquity of mobile connectivity, allow for consumption of data whenever and wherever required.
ARTIFICIAL INTELLIGENCE 	**Artificial Intelligence (AI)** is the simulation of human intelligence processes by machines, particularly computer systems. These processes include learning, reasoning and self-correction, without which big data couldn’t be analysed.	Once exclusively the domain of big tech companies, AI is becoming increasingly affordable, with inexpensive cloud computing able to provide the necessary processing power.

mega trends

Macro level · Industry level · AVEVA level

Why this is important

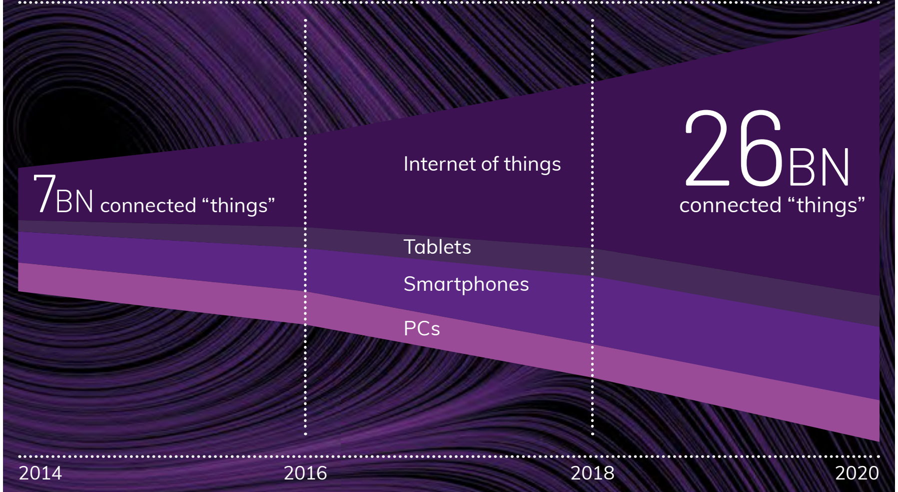
More information is available today than ever before, giving the potential for unprecedented insight.

Huge volumes of complex data are not easy to interpret unless they are presented clearly and accessibly.

Effective data visualisation enables greater understanding and therefore better decision-making.

Artificial Intelligence can interpret and learn from vast volumes of data, using those learnings to achieve specific goals and tasks through flexible adaptation.

CONNECTED DEVICES



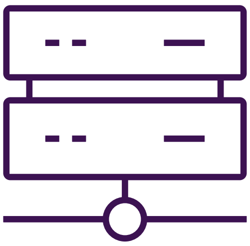
"Data is the fuel that powers the IoT and an organisation's ability to derive meaning from it will define their long-term success."

Gartner

Digitalisation

Why is this relevant to industry?

IIoT BIG DATA



There are

50,000

separate identifiable devices in an average plant, many with sensors that are continuously providing status information.

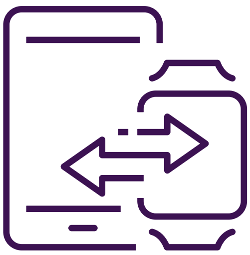
It is estimated that by 2020, there will be

50BN

assets connected and sending data via the internet, but today less than 3% of data is tagged or used in a meaningful way.

(Source: IDC)

VISUALISATION

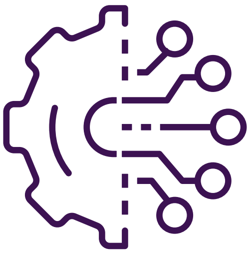


Vast quantities of plant data are of limited use without the tools to collect, interrogate and consume it.

The easiest way to understand the workings of a plant is to visualise it as a Digital Twin: an interactive, working, digital representation of the physical asset.

A Digital Twin is an effective way of visualising and replicating a physical asset. Together with the intelligent interpretation of the big data captured, a Digital Twin can be used to identify areas requiring attention and allow for real-time simulation of repairs and maintenance, enabling safe practice and training ahead of site visits.

ARTIFICIAL INTELLIGENCE

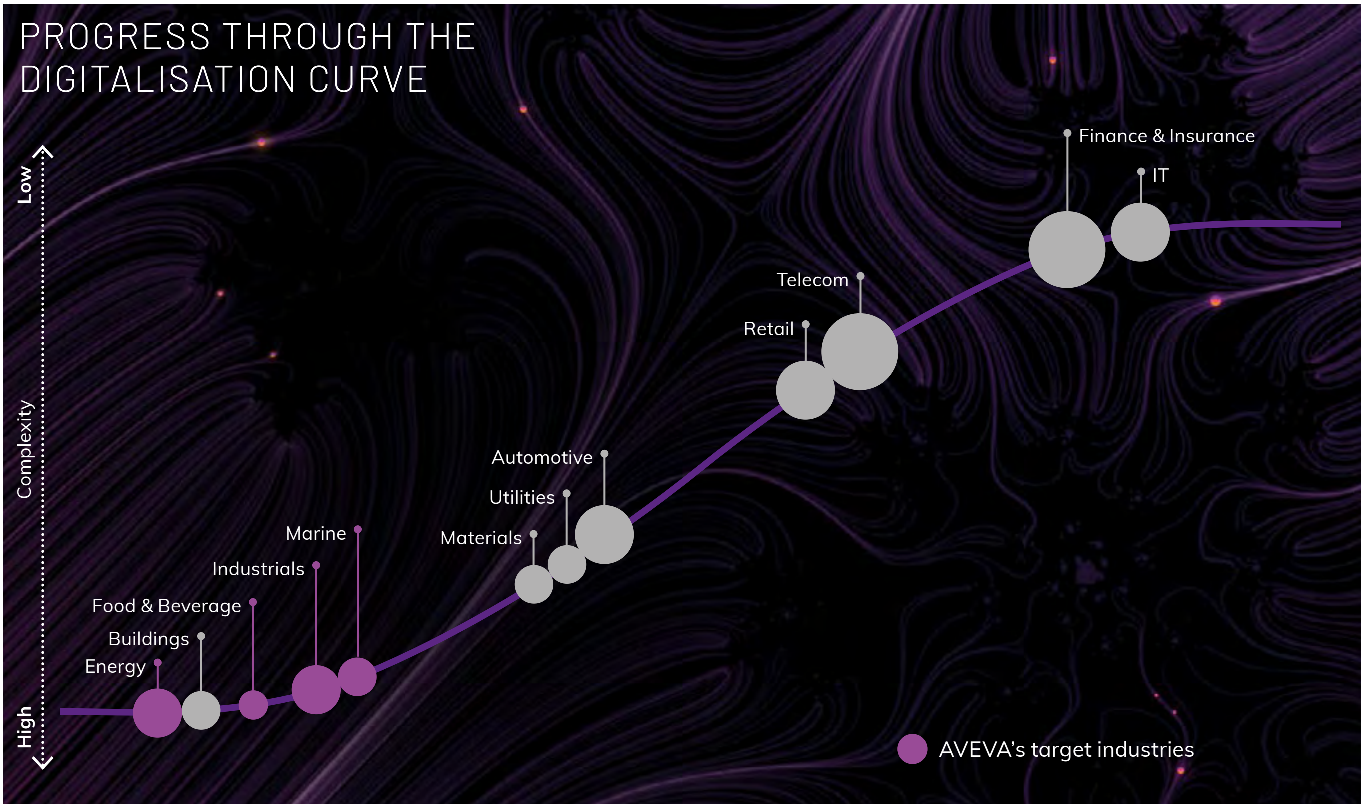


AI analyses big data collected from the IIoT to automate routine work and provide insight into patterns of behaviour. This enables better and faster decision-making by human operators, allowing for unparalleled control of and understanding of operational data.

This facilitates efficient predictive maintenance, reducing costs, minimising downtime and enhancing safety.

# of industry

Process and manufacturing industries have taken longer to digitalise than consumer industries due to their high complexity, but the transformational power of industry digitalisation is not to be underestimated, with Amazon, Microsoft and Spotify examples of companies achieving success through embracing digitalisation.



Digital technology has changed all our lives, from shopping, to the supply chain, to advertising. It has changed industries, first with financial systems, now with how we shop and communicate. Momentum has built through innovations like cloud, big data and mobility. Thanks to these innovations, unimagined possibilities are now available to all of us, cheaply and at scale.

But in industry, it has been a different story. Industry was among the first to use transactional technology, but then it stalled. The twin concerns of cost and risk, combined with the phenomenal complexity of industrial operations, delayed industrial digital transformation at scale. However, as innovation has gained momentum and consumers have embraced digital tools, the power of digital technology to cut costs, improve efficiency and boost productivity in the industrial arena has become clear. And now we are seeing the dawn of a new industrial revolution: Industry 4.0.

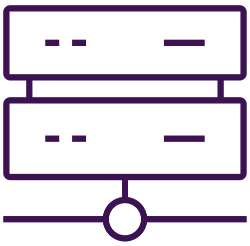
For companies in the vanguard, this opens up opportunities as the power of new technology becomes clear, but also presents the challenge of finding the right solution among the myriad possibilities. To be successful, you need to identify the right partner to work with, and to empower your workforce to lead digital change.

Craig Hayman
CEO AVEVA

Building what’s next

How AVEVA’s customers are leveraging technology mega trends

IIoT BIG DATA



Wonderware, an AVEVA product with nearly

40%

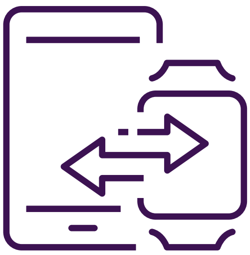
market share in monitoring and control, connects to millions of IIoT devices, allowing the capture of billions of data points with expanded built-in support for third party sensors.

NIS AD, an Oil & Gas company, realised a reduction of

20%

in staff labour costs since adopting System Platform. Its implementation also led to an increase in overall production.

VISUALISATION



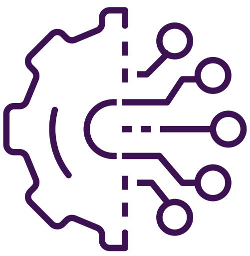
We have integrated engineering data with real-time operational data to provide an end-to-end Digital Twin, covering plant design through to process design and operations. **AVEVA Engage** enables easy and immediate visualisation of this complex data in an operational setting.

Yamal, an EPC, has saved

6 months

of on-site work by using AVEVA Engage to allow for collaborative, detailed reviews by engineers before they visit their site deep in the Russian arctic, reducing wasted visits and lowering risk.

ARTIFICIAL INTELLIGENCE



AVEVA Asset Predictive Analytics uses data captured from IIoT devices and analyses it to predict machine behaviour, and in so doing, reduces maintenance costs and unplanned downtime.

Duke Energy used the power of advanced pattern recognition within Predictive Analytics to monitor, learn and feed back on vibration levels within an operational power turbine, escaping catastrophic failure. Duke estimated the avoided costs at

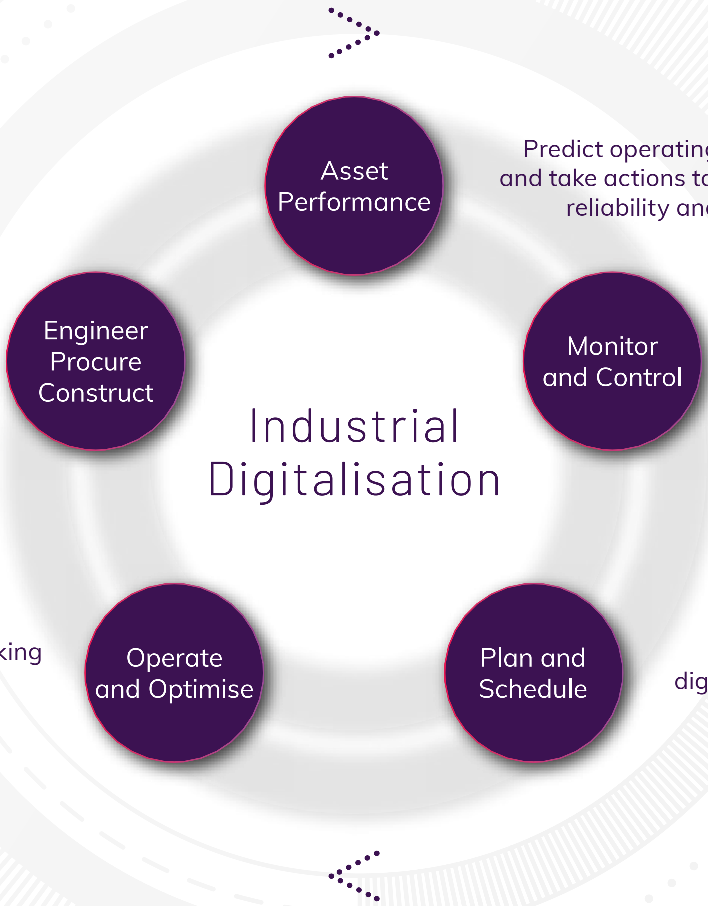
$34.5M

See our website for more success stories
https://sw.aveva.com/success-stories

together

AVEVA is optimally placed to drive the digitalisation of industry together with our customers, and we continually invest in new technologies.

Our portfolio allows an end-to-end solution, from designing and building to operating customer assets.



Predict operating health and take actions to ensure reliability and safety

Improve time, cost and efficiency of capital projects

Streamline operations via seamless and scalable enterprise-wide visibility

Optimise decision making through digitising and automating operating processes

Maximise profitability by digitising procurement, planning and scheduling processes

CHIEF EXECUTIVE'S REVIEW

Empowering our customers

"Digitalisation is accelerating in the industries we serve, driving ongoing growth in demand for industrial software."

Craig Hayman
Chief Executive Officer

AVEVA delivered a strong performance in its first full year as a combined company, both in terms of trading in the period and making progress towards medium-term targets.

Summary

On a statutory basis revenue was up 57.6% to £766.6 million (FY18: £486.3 million). Profit before tax (PBT) was £46.7 million (FY18: £34.5 million). This revenue growth primarily reflected the combination of heritage AVEVA with the heritage SES business (the Combination), together with the organic growth of both businesses. The relatively small increase in statutory PBT was primarily due to the amortisation of intangible assets related to the Combination.

On a pro forma basis, the enlarged Group achieved revenue growth of 11.9% to £775.2 million (FY 2018: £692.5 million) and growth in adjusted EBIT of 19.8% to £184.5 million (FY 2018: £154.0 million). On a constant currency basis, revenue increased 12.4%. Constant currency is calculated by restating the period's reported results to reflect the previous year's average exchange rates.

Delivering digitalisation

Detailed constant currency analysis has not been provided because there is no material difference between actual and constant currency results.

This growth was driven by increasing demand for industrial software and good sales execution, including an increase in multi-year commitments from key customers.

AVEVA made significant progress with integrating the heritage AVEVA and SES product portfolios, launching a combined product offering at the Group's global customer event, the AVEVA World Summit, in October 2018. Since then, several key customers have expanded the range of software that they buy from AVEVA across the asset and operational lifecycle.

The Group has emerged from the year with a strong, integrated product portfolio with which to drive its customers' digitalisation journeys.

Trading and markets

The industries that AVEVA serves are making increasing use of technology to reduce both capital and operating costs. This is being driven by ongoing technological mega trends that are enabling the digitalisation of the industrial world, notably the industrial internet of things, data visualisation and artificial intelligence, together with competitive pressures to reduce costs and increase output.

This is driving growth in demand for industrial software and there are some signs that the rate of market growth is accelerating. AVEVA is optimally placed to help its customers digitalise, due to its end-to-end product portfolio, which runs from simulation through design and construction to operations, as well as having established market-leading positions serving process, marine, batch and hybrid industries.

End markets

The industries that AVEVA serves are at the early stages of a digitalisation growth curve, when compared to other industries. We believe that the current addressable market for AVEVA's

# of industry

products of approximately £15 billion is likely to grow significantly (Sources: ARC, Gartner, company reports).

Over 40% of AVEVA's revenue comes from the Oil & Gas end market and the Group has become more diversified since the Combination with Marine, Chemicals & Petrochemicals, Packaged Goods (such as Food & Beverage and Pharma), Power and Metals & Mining accounting for 5% to 10% of revenue each. Other markets include Water & Wastewater, Infrastructure and Discrete Manufacturing.

Within Oil & Gas, the Group has become more diversified than before the Combination, with approximately 15% of the total revenue relating to upstream capital related projects, 15% to the downstream end market and 10% to mid-stream.

Although AVEVA has historically seen some variation in growth due to end market conditions within specific cyclical industries, notably Oil & Gas and Marine, the ongoing structural growth drivers in each of our end markets are strong.

In Oil & Gas overall end market conditions were moderately positive, with an increase in both capital and operating expenditure across the upstream, mid-stream and downstream segments. AVEVA benefited from a slight increase in capital expenditure related to upstream Oil & Gas projects, growth in mid-stream as pipeline capacity expanded and ongoing digitalisation in downstream, particularly by national oil companies.

In Marine, end market conditions remained subdued, although strong sales execution drove wins in growth areas, such as the construction of cruise ships, and product upgrades.

Forthcoming 2020 International Maritime Organisation emissions regulations are expected to drive retrofit investments in operating vessels and design changes in new vessels. Linked to this, the refining industry is expected to make investments in existing capacity to meet new fuel mix requirements and make technology investments to ensure agility in supply chain processes to rapidly respond to new demand patterns as the regulations are implemented. As a result, both these markets are expected to generate additional opportunities for AVEVA's portfolio.

The Group's other end markets such as Power and Food & Beverages are largely non-cyclical and are primarily driven by structural growth as industries make increasing use of technology to drive efficiency.

In Power, existing generation facilities are maximising the life of their capital assets and investing in technologies to ensure safe and reliable operation, with high

Integration

Integration of the heritage AVEVA and SES businesses has progressed well. Management structures were integrated across all functions, AVEVA exited the majority of the Transitional Service Agreements (TSAs) with Schneider Electric and made progress towards moving to common group-wide IT systems. This included moving to a single Customer Relationship Management (CRM) system and putting in place preparations to move onto a common group wide Enterprise Resource Planning (ERP) system in 2020.

The integration of the sales team has been particularly successful, leading to improved sales momentum and cross selling.

There has been a strong focus on cultural integration. AVEVA LIFE values of Limitless possibilities, Integrity always, Flexibility together and Excellence everyday have been introduced across the business and have become core to employee behaviour and therefore business performance.

How we will achieve long-term growth
More on pages 22–23

CHIEF EXECUTIVE'S REVIEW CONTINUED

availability. AVEVA's capability in predictive asset analytics and reliability centric maintenance coupled with engineering information management, addresses a core requirement in these industries. With the shift to renewables, generation assets are moving from large consolidated units to networks of distributed assets. These will require scalable systems for monitoring and control and coordination of operations. AVEVA's portfolio in real time control and information management is highly suited to the evolving needs of the power generation sector.

Geographical performance

AVEVA delivered growth across all its geographies.

We saw both improving execution from the direct and indirect sales channels, the latter of which represented approximately one-third of total revenue. Channel sales growth was solid double digit overall and broadly spread, with around two-thirds of our distributors growing revenues by more than 10%.

The Group achieved major order wins with customers including Covestro, ADNOC, China Petroleum, KBR, MV Werften and Sinopec.

EMEA revenue increased 19.6% to £317.8 million (FY18: £265.8 million) on a pro forma basis. AVEVA delivered growth across a broad range of geographies and end-user markets. Key order wins in the first half of the year came from the Marine industry where AVEVA's capabilities and our customers' technical excellence in Norway and Germany helped to fulfil market demand for complex speciality and cruise vessels. In the second half, AVEVA saw strong demand in downstream Oil & Gas, with competitive wins across Spain, Italy and Turkey.

AVEVA also performed well in Food & Beverage, Power and Mining, where AVEVA delivered a digitalised mine for a leading operator in South Africa. Other areas of demand included discrete manufacturing, with wins in Automotive.

Americas revenue increased 9.9% to £273.9 million (FY18: £249.3 million) on a pro forma basis. AVEVA achieved strong growth in Latin America where there has been an improvement in end market conditions. In North America, AVEVA achieved large order wins in the EPC and Oil & Gas sectors, and saw good growth through its channel distribution partners as end users modernise and upgrade Monitoring & Control software.

Asia Pacific revenue increased 3.4% to £183.5 million (FY18: £177.4 million) on a pro forma basis, with good growth in China, particularly in the Oil & Gas end market. We continued to see major customers in the Oil & Gas market moving forward on their digital transformation journey with AVEVA across the region. Conditions in the Marine market continued to be subdued and this impacted growth in the Group's core Marine end markets of Japan and Korea.

Business unit performance

Engineering, which consists of design and simulation software, is the largest of AVEVA's business areas, representing around 43% of total revenue. It performed well during the year, delivering high-teens revenue growth.

The Group achieved solid revenue growth in the core product areas from both the heritage AVEVA and heritage SES businesses, Engineering & Design and Process Simulation respectively, with substantial revenue synergies coming through cross-selling to large customers.

Sales of engineering software for industrial plants were strong, whereas marine-related revenue was broadly flat, reflecting end market conditions. Material revenue synergies are expected in Marine in the medium-term as Monitoring & Control and Asset Performance Management solutions are introduced to complement AVEVA's existing market-leading engineering design offer.

Monitoring & Control, which comprises Human to Machine to Interface and Supervisory Control and Data Acquisition (HMI SCADA) products, is the second largest of AVEVA's business areas, representing around 32% of total revenue. During the year, AVEVA introduced new product releases for InTouch HMI, Citect SCADA and System Platform. A combination of customers upgrading software and favourable end market conditions across Discrete, Hybrid, Process and Infrastructure, drove mid-single digit revenue growth, with a particularly good performance from channel sales.

As part of AVEVA's strategy to grow recurring revenues, AVEVA Flex, a token-based rental & subscription selling model was introduced for Monitoring & Control during the second half of the year.

The Group has also launched AVEVA Flex to its channel partners, making it easy for them to bring a compelling subscription offering to their customers for the first time.

Asset Performance Management (APM) represents around 14% of the Group's total revenue. AVEVA's APM offering is strongly differentiated. It addresses the broadest dimensions of APM using design and engineering information, real-time and historical operational data, and maintenance execution workflows, together with model-based machine learning for predictive asset analytics.

This differentiation and a growing overall market for APM solutions, resulted in revenue growth for AVEVA of 20%, making APM the fastest growing portfolio for the Group.

The Group has partnered with MaxGrip, a company that has been optimising asset performance with Reliability Centred Maintenance (RCM) solutions for the last few years. AVEVA acquired MaxGrip's software assets shortly after the financial year end, to augment AVEVA's APM offering by providing a templated approach to asset strategy optimisation and RCM software for risk-based maintenance.

The analysis of revenue by region on a pro forma basis was as follows:

£m	Asia Pacific	EMEA	Americas	Total	Reported change
Rentals and subscriptions	49.8	107.8	61.8	**219.4**	40.2%
Support and maintenance	48.6	74.6	78.6	**201.8**	0.3%
Total recurring revenue	**98.4**	**182.4**	**140.4**	**421.2**	**17.8%**
Initial fees and perpetuals	57.3	86.6	67.7	**211.6**	6.1%
Training and services	27.8	48.8	65.8	**142.4**	5.2%
Total	**183.5**	**317.8**	**273.9**	**775.2**	**11.9%**
Change	3.4%	19.6%	9.9%	**11.9%**	

Additionally, MaxGrip's rich library of asset fault codes and remediations will enhance the power of AVEVA's predictive asset analytics capabilities and accelerate the deployment of artificial intelligence for prescriptive maintenance.

Planning & Operations represents around 11% of the Group's total revenue. The business unit achieved high single digit revenue growth during the year, despite a planned reduction in sales of services.

All areas of the Planning & Operations business grew (Operations Execution, Operations Optimisation and Trading, Planning & Scheduling) driven by the ongoing trend towards digital transformation in AVEVA's customer base. Operations Execution and Trading, Planning & Scheduling both achieved mid-teens growth, with strong order wins from the Energy, Mining and Packaged Goods sectors. In particular, the Unified Supply Chain Management Planning & Scheduling software is achieving strong growth due to its ability to help major oil companies achieve significant savings for every barrel of oil produced.

Progress against our medium-term targets

In September 2018 AVEVA outlined new medium-term targets. These targets and progress against them is summarised below.

Medium-term revenue growth

The Group aims to grow medium-term revenue on a constant currency basis at least in line with the blended growth rate of the industrial software market.

This revenue growth target reflects AVEVA expecting to grow its underlying software business in excess of market growth rates, driven by a combination of the strength of the Group's market positions, sales execution, revenue synergies and additional value levers, including pricing and more sophisticated management of discounting.

As previously indicated, this above-market growth is expected to be partly offset in terms of reported revenue by the impact of a phased transition towards greater rental and subscription revenue, together with potentially lower growth rates in services revenue.

Progress report: AVEVA delivered revenue growth of 12.4% on a constant currency basis. This growth was driven by strong sales execution, which was enabled by the early integration of the sales force. The growth rate benefited from cross selling of our combined product portfolio to our enlarged customer base and certain multi-year contracts which have been partly recognised upfront in terms of revenue.

During the year, substantial investments were made in sales and marketing to drive growth. These included investments in leadership, sales training events, additional sales people, customer events and an expanded marketing team. New hires included a new Chief Marketing Officer to help drive efficiency and effectiveness in marketing performance, and a Head of Global Partners to drive channel partner sales.

Measures were also taken to increase yield by introducing consistent group-wide governance around allowable discounting and the application of price increases.

AVEVA benefited from its relationship with Schneider Electric. In addition to being a shareholder, Schneider acts as a sales channel for AVEVA and is a customer, buying software for its own industrial automation needs. Sales to Schneider and through Schneider as a distribution partner grew 9.9% to £80.1 million (FY18: £72.9 million) in total. This growth was driven principally by sales made through Schneider to third party end customers, reflecting the company's differentiated global distribution capabilities.

Medium-term adjusted EBIT margin

The Group aims to increase adjusted EBIT margins to 30%. This margin improvement is expected to be driven by a combination of revenue growth, previously announced cost savings, cost control and a focus on high margin revenue growth through pricing and revenue mix optimisation.

Adjusted EBIT is calculated as profit from operations before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items.

Progress report: AVEVA's adjusted EBIT margin on pro forma revenue increased to 23.8% (FY18: 22.2%). This improvement was driven by the strong revenue growth. The overall increase in costs was beyond our objective of inflationary growth, albeit with much of the overrun being due to success-based costs associated with outperformance versus budgeted revenue.

Recurring Revenue

AVEVA aims to grow the proportion of recurring revenue to total revenue to over 60% in the medium term. Recurring revenue is defined as rental and subscriptions software licence revenue plus support and maintenance revenue. This will be driven by growing software as part of the revenue mix and by increasing the mix of rental and subscriptions revenue as a proportion of new software revenue in a financial year.

The transition to greater levels of recurring revenue is expected to increase long-term free cash flow generation. Rentals and subscriptions offer customers benefits including greater flexibility, lower up-front costs and simplicity in pricing. These benefits are reflected in higher customer lifetime value of a rental and subscriptions model versus a perpetual licence model.

Progress report: AVEVA made good progress during the year and grew recurring revenue as a proportion of overall revenue to 54.3% (FY18: 51.6%).

For FY20, sales incentives structures have been modified to encourage recurring revenue growth with a focus on driving rental and subscription revenue versus initial and perpetual licences. Incentives also favour software versus services.

The Group has seen strong demand for Cloud-based solutions. The Group won 37 new Cloud customers, taking the total to 57 (FY18: 20). Annualised Cloud revenues also increased nearly threefold. We are seeing strong demand for enterprise scale Cloud purchases with customer wins from major oil companies in particular.

Outlook

Demand for AVEVA's products is strong, driven by the ongoing digitalisation of the industrial world and stable conditions in key end markets. Therefore, the outlook remains positive and AVEVA is on-track to meet its medium-term targets of delivering revenue growth at least in line with the industrial software market, increasing recurring revenue as a percentage of overall revenue to 60% and improving adjusted EBIT margin to 30%.

Craig Hayman
Chief Executive Officer
29 May 2019

STRATEGY

Driving sustainable growth in long-term free cash flow

AVEVA creates industrial software that inspires people to shape the future. We create leading solutions across the asset and operations lifecycles that turn opportunity into business value.

By generating business value for our customers, we seek to grow AVEVA's long-term free cash flow to re-invest in technologies that will sustain long-term growth and deliver value for our shareholders.

Our strategy / Progress during the year

CREATING INDUSTRIAL SOFTWARE THAT INSPIRES PEOPLE TO SHAPE THE FUTURE

AVEVA made transformational progress during the year in creating leading solutions across the asset and operations lifecycles. The combination of heritage AVEVA and heritage SES in March 2018 created a company with an unmatched set of industrial software assets, covering the whole asset lifecycle from Engineering to Monitoring & Control and through to Asset Performance Management and Planning & Operations.

We made swift progress in integrating these assets to turn the opportunity to increase efficiency and reduce costs for our customers into tangible business value. We launched integrated product offerings at our main customer event, the AVEVA World Summit, in October and have sold integrated solutions to key customers, providing new capabilities and unlocking new possibilities.

GROWING AVEVA'S LONG-TERM FREE CASH FLOW

At our Capital Markets Day in September, we outlined three key medium-term targets designed to drive AVEVA's longer-term cash flows. These are to grow constant currency revenue at least in line with the industrial software market; to increase recurring revenue as a percentage of total revenue; and to grow adjusted EBIT margin to 30%.

Our revenue growth target is based on a view that we have a responsibility to ensure that AVEVA performs at least as well as its peers. We estimate that overall industry growth is currently in the mid-single digit range.

Our recurring revenue target is to increase recurring revenue to 60%. We intend to achieve this by growing software revenue faster than services revenue and growing Rental & Subscription revenue versus Initial & Perpetual Licence revenue. Although both these initiatives have a negative impact on shorter-term revenue growth, they will improve longer-term margins and cash generation. This is because software revenue has higher gross margins than services revenue and Rental & Subscription revenue has a higher value over a medium to long-term time period than the front -loaded benefit of Perpetual software licences, again driving margins.

RE-INVESTING IN TECHNOLOGIES THAT WILL SUSTAIN LONG-TERM GROWTH

We made significant investments in R&D during the year (see page 11) working to discover new ways to empower people and industries. In addition to our product integration programmes, we developed AVEVA's capabilities around the technological mega trends that are enabling the digitalisation of the industrial world, notably the IIoT, Data Visualisation and Artificial Intelligence (see pages 12-17).

For example, in regard to the IIoT we expanded built-in support for third party sensors and edge gateways, while developing high performance and secure ingesting of data into the Cloud.

In Data Visualisation, we developed high resolution streaming of 3D visualisation for Engineering and made numerous deployments around mobility, including developing the ability to view high resolution 3D plans on mobile devices.

In Artificial Intelligence, we developed AVEVA's predictive maintenance capabilities via integration of machine learning with our first principles thermodynamics for enhanced anomaly detection and introduced new prognostic capability to forecast asset performance.

KPIs	Risks	Link to remuneration	Objectives for year ahead
Creating business value for our customers enables AVEVA to deliver revenue growth. We include Total Revenue Growth as a KPI.	AVEVA has recognised Integration and Synergies as a principal risk and is mostly cautious in its management approach. Other relevant areas of risk such as IT systems and product portfolio balance are also carefully managed.	Revenue growth in turn drives profitability. Both of these measures represent key elements of management bonus schemes.	We will continue to integrate our portfolio so we can further help our customers on their digitalisation journeys.
In addition to Total Revenue Growth, our other KPIs to measure our progress against our medium-term goals include Recurring Revenue as a Proportion of Total Revenue and Adjusted EBIT Margin.	In order to grow long-term free cash flow, AVEVA has a more tolerant appetite towards risks associated with subscription licensing, but will continue to offer traditional licensing methods as one of many areas of mitigation.	Over time, revenue and margin growth drive growth in adjusted Earnings per Share (EPS). EPS growth forms a key part of longer-term management remuneration. We also believe that increasing recurring revenue drives Total Shareholder Return (TSR), despite the short-term impact that it can have on total revenue. This is because it increases the net present value of a business, by increasing longer-term cash flows. TSR growth forms a key part of longer-term management remuneration.	Increase both recurring revenue and margin towards our medium-term targets.
AVEVA's technology is increasingly being delivered to customers via the Cloud. This enables benefits such as rapid deployments and enhanced mobility. We track the numbers of new Cloud customers as a KPI.	AVEVA has recognised the risks associated with investing in order to capitalise on the opportunities of industrial digital transformation, including Cloud initiatives, and is focused on managing them in order to achieve the expected returns.	We believe that reinvesting in technologies that will sustain long-term growth will, over time, drive EPS growth and in relation to that, TSR growth. Both of these measures form key parts of longer-term management remuneration.	We will invest over £100 million in R&D to remain at the forefront of cutting-edge technologies such as AI.
For more information **See page 24**	For more information **See page 26**	For more information **See page 60**	

KEY PERFORMANCE INDICATORS

We track and report both financial and non-financial KPIs to measure progress against our strategy (see page 22 for strategy overview). These KPIs help to highlight AVEVA's short-term performance, progress towards longer-term goals and progress against Corporate and Social Responsibility (CSR) objectives, which we see as being important in the context of the long-term sustainability of AVEVA's business (see page 38 for CSR review).

FINANCIAL

AVEVA has three key medium-term targets that are designed to drive longer-term cash flows. These are to grow constant currency revenue at least in line with the industrial software market, to increase recurring revenue as a percentage of total revenue, and to grow our adjusted EBIT margin to 30%. They are discussed in more detail on page 21.

In addition to progress against these targets, we track growth of adjusted diluted EPS, which we see as being the most accurate measure of total earnings growth for shareholders, and conversion of adjusted diluted EPS into cash, to track AVEVA's sustainable cash generation.

1 On a reported basis
2 On an IFRS 15 basis

Total revenue growth on a pro forma basis

+11.9%

(2018: +8.6%)[1]

AVEVA's revenue growth performance was positive in the context of our medium-term targets during the year. This was due to strong sales execution, an ongoing trend towards digitalisation of industry and stable conditions in AVEVA's end markets on a sector basis. In constant currency terms revenue increased 12.4%.

Recurring revenue as a proportion of total revenue

54.3%

(2018: 51.6%)[2]

Recurring revenue increased 270 bps versus the prior year. This improvement was driven by growth in rental and subscription revenues as AVEVA moves away from selling perpetual licences.

How we measure

NON-FINANCIAL

We use collaborative innovation to empower people and industries, enabling the planet to thrive. Our non-financial KPIs are designed to capture AVEVA's innovation and empowerment of our people.

New Cloud customers

37

(2018: 15)

Cloud represents a key area of innovation. During the year we won 37 new Cloud customers.

AVEVA "Action for Good" charity days taken

44

(2018: nil)

AVEVA Action for Good is a group-wide initiative designed to harness the limitless possibilities of our people within our communities and involvement in social wellbeing activities. We have pledged the equivalent of 1% of our net profits each year through paid time off and charitable donations. Read more on page 43.

Adjusted EBIT margin

23.8%

(2018: 22.2%)[2]

Adjusted EBIT margin increased 160 bps versus the prior year. This improvement was driven by revenue growth, combined with cost control, leading to operational leverage.

Growth in adjusted diluted EPS

27.0%

(2018: 5.9%)

Adjusted diluted EPS grew 27.0% to 90.90 pence. This growth was driven by the increase in adjusted EBIT and a reduction in AVEVA's tax rate.

Cash conversion

91.7%

(2018: n/a)

This is a measure of how much of adjusted EBIT is converted to operating cash flow before tax. We target conversion of 100%, but the result was impacted by exceptional items paid relating to restructuring and the integration of the heritage AVEVA and SES businesses, as well as an acquisition accounting adjustment. This metric was not available last year.

our progress

Proportion of female hires in the year

33%

(2018: n/a)

AVEVA is committed to supporting and encouraging women in all areas of the business, from new graduates in STEM (Science, Technology, Engineering & Maths) careers, to senior management roles. The current workforce split is 25% women, and we have a goal to increase this every year. This is a new KPI and 2018 data is unavailable.

MANAGEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management Approach

As described in the 2018 annual report, given the merger of the heritage AVEVA business with the heritage SES business on 1 March 2018, management intended to review and refresh enterprise risk management processes throughout the remainder of 2018 and early 2019 to ensure that effective processes would be in place for managing risk within the new organisation, that the new Executive Leadership Team is fully engaged in risk management and that the Board's risk management expectations are fully met.

Good progress has been made in these areas since April 2018 including the recruitment of a Head of Internal Audit and Risk, introduction of a refreshed risk mandate and associated governance structure, four risk sessions being conducted with the Strategic Leadership Team (SLT), introduction of risk management and risk workshops into the Global Services and Human Resources functions in their capacity as pilot functions for the refreshed functional risk management mandate and a board risk management session. Further risk sessions with the SLT and board are planned throughout the remainder of 2019 and into 2020 and a staged roll-out of refreshed risk management processes into remaining business units and business functions will continue.

Whilst the Board has overall responsibility for risk management within AVEVA, the SLT have been assigned executive responsibility. Chaired by the Chief Executive Officer, the SLT includes all Executive Team members along with other key leaders from across AVEVA such as business unit, function and regional heads. The main risk responsibilities of the SLT are to monitor the management and mitigation activities of principal and key group risks and to ensure the effectiveness of business unit and functional risk management. It is anticipated that formal risk sessions will be included on the SLT agenda between four and six times per year with additional sessions conducted as deemed necessary.

Each business unit and functional leadership team is responsible for ensuring that their key business unit and functional risks are captured and are being effectively mitigated within business as usual processes. Risk management will be given a necessary level of priority at business unit and functional levels to meet SLT and board risk management requirements.

The Audit Committee continues to focus on ensuring that refreshed risk management processes are being successfully embedded.

The below diagram represents the AVEVA refreshed risk governance structure.

PRINCIPAL RISKS

Whilst refreshing and building on existing risk management processes in the heritage AVEVA and Schneider Electric Software businesses, management has considered the risks faced by the new merged AVEVA throughout 2018 and early 2019. A number of corporate level risks have been identified and are being monitored, 12 of which are considered by the board to be the principal risks to AVEVA over the next 12-18 month period.

Management used the following four risk category headings when identifying these risks.

1. Strategic Internal – Risks identified as threats to the strategic goals of AVEVA and which influence internal decision-making.

2. External – Risks which could materialise externally and impact AVEVA such as competitors, the regulatory environment, key customer markets and cyber security.

3. Operational – Risks that could materially disrupt the day-to-day operations of AVEVA.

4. Disruptive – Risks that threaten AVEVA's value offering such as alternative business models or viable new technologies.

Principal risks presented below have been graded for likelihood and impact on a **gross basis (i.e. without accounting for existing mitigation)** and are not presented in any priority order.

Discussions on both **Risk Appetite & Emerging Risks** for the new merged AVEVA business have commenced at both SLT and board level in early 2019 and further dedicated sessions on these topics will be included on the 2019 risk agenda.

Whilst risks associated with **Brexit** have been discussed and are captured within risk management processes, Brexit itself is not considered to be a principal risk for AVEVA at this time. As a technology business, many major threats to businesses associated with Brexit such as labour mobility, supply chain friction, and customs tariffs do not apply. However, other threats such as macroeconomic, legal, tax changes and regulation do and therefore Brexit risk is being monitored and managed internally.

Strategies

1. Creating industrial software that inspires people to shape the future
2. Growing AVEVA's long-term free cash flow
3. Re-investing in technologies that will sustain long-term growth

V Risk included in Viability Statement working

Risk level

- Low
- Medium
- High

Risk change from 2018

- No change
- Risk decreased
- Risk increased
- New

STRATEGIC INTERNAL RISKS

Risk	Description	Mitigation	Strategy and viability
Talent Acquisition & Retention Likelihood: Medium Impact: High Change in risk level: No change **Ownership:** Chief Human Resources Officer **Categorisation:** Industry General	AVEVA is heavily reliant on the people it employs around the world and if we are unable to attract or retain the niche skills and experience we need to drive the business forward, creating innovation and growth, this could materially impact the success of our business. The technology sector is competitive when seeking talent and the AVEVA brand must remain attractive within each country it operates, particularly to niche skills such as developers, technical sales, services, consultants and leadership.	During the last 12 months, AVEVA has invested in its in-house talent acquisition expertise to boost this capability. Other mitigating activities include partnerships with universities, an employee referral programme and communicating our culture. AVEVA endeavours to ensure that employees are motivated in their work and there are regular appraisals, with staff encouraged to develop their skills. Annually there is a Group-wide salary review that rewards strong performance and ensures salaries remain competitive. Commission and bonus schemes help to ensure the success of AVEVA and individual achievement is appropriately rewarded.	1 3
Move to Subscription Model Likelihood: Medium Impact: High Change in risk level: New **Ownership:** Vice President, Monitoring & Control **Categorisation:** Industry General	AVEVA's strategic move further towards a subscription-based licence model is designed to offer customers improved flexibility when addressing their software needs. It could however fail to create the improved recurring revenue and cashflow generation expected for AVEVA if customers do not utilise the subscription offering. This is a new principal risk for AVEVA reflecting the importance of the strategic objective of a move towards a subscription licensing model.	Whilst AVEVA is ambitious to gain the benefits of more widely adopting subscription-based licensing and to provide the benefits of this model to its customers, the expansion is initially being introduced within the Monitoring & Control business unit of AVEVA. This will allow AVEVA to both manage the risk and understand the model better. AVEVA will continue to offer traditional licensing models throughout as further mitigation. A transition strategy is in place and continues to be closely monitored.	1 2 V

PRINCIPAL RISKS CONTINUED

STRATEGIC INTERNAL RISKS CONTINUED

Risk	Description	Mitigation	Strategy and viability
Cloud Initiatives Likelihood: Impact: Change in risk level: **Ownership:** Vice President, Portfolio Management **Categorisation:** Industry General	AVEVA is committed to providing market-leading, value-adding, reliable and secure cloud services to its customers and is therefore investing in this initiative. This investment requires careful management otherwise AVEVA risks not realising anticipated returns in addition to reputational damage. This is a new principal risk for AVEVA reflecting the ever-increasing demand for cloud-based services from customers and the criticality for AVEVA to meet these demands.	AVEVA has a dedicated Cloud Development Operations team in place to ensure that Cloud offerings fully meet customer expectations. This team works closely with the Portfolio Management team so that Cloud offerings are aligned with the right portfolio of products. In addition, there is a dedicated commercial function working with customers and listening closely to their feedback.	3
Digital Transformation Agenda Likelihood: Impact: Change in risk level: **Ownership:** Vice President, Portfolio Management **Categorisation:** Industry General	AVEVA's strategy to capitalise on the opportunities of digital transformation in the industrial market could ultimately fail or not provide the expected levels of return, leading to increased costs, reputational damage or lost market positions. This is a new principal risk for AVEVA reflecting the digitisation of industry trend and the importance of AVEVA in being strategically aligned with it.	Alongside careful management of the right Digital Transformation strategy, AVEVA further mitigates this risk by having in place a dedicated Sales and Consulting team, targeted marketing campaigns, continued portfolio rationalisation and use case prioritisation.	1 2 3
Integration & Synergies Likelihood: Impact: Change in risk level: **Ownership:** Deputy CEO and CFO **Categorisation:** Company Specific	Integration and realisation of synergies remains as a principal risk for AVEVA. Throughout the next 12 months, failure to continue to effectively integrate the heritage AVEVA and SES businesses could lead to poor operational efficiency and anticipated synergy targets not being realised. There are many areas that AVEVA must continually and carefully manage so that a successful integration takes place, including management of costs, integration of systems, controls, processes and management reporting.	AVEVA has appointed a senior executive as an Integration Lead and external integration consultants have been engaged throughout the merger process. There are many ongoing workstreams in progress which are managing day to day integration activities including HR, Finance, IT, Real Estate and Communications. These are being supported by an established governance structure that includes close monitoring of the progress being made.	1 2 V

EXTERNAL RISKS

Risk	Description	Mitigation	Strategy and viability
Competitors Likelihood: Impact: Change in risk level: **Ownership:** Interim Head of Business Strategy **Categorisation:** Industry General	AVEVA operates in highly competitive markets. Other technology companies could acquire, merge or move into AVEVA's market space to compete with AVEVA's offering creating a material threat, or existing competitors could respond quicker to market demands and trends resulting in reduced market share and missed growth opportunities for AVEVA. This is an increased principal risk for AVEVA reflecting the increased competitive focus on market trends such as digitalisation of industry.	AVEVA carefully monitors customer requirements, trends and other suppliers operating within our chosen markets. We invest in innovation and strive to offer superior products to meet these market trends. Further areas of specific mitigation include leveraging our relationship with Schneider Electric, attractive proposals for additional complimentary products for existing customers and flexibility to meet changing market demands and competitive forces.	
Dependency on Cyclical Markets Likelihood: Impact: Change in risk level: **Ownership:** Deputy CEO & CFO **Categorisation:** Company Specific	AVEVA's revenue is predominantly derived from customers operating in markets which are mainly cyclical in nature such as Oil & Gas and Marine. As and when those markets reach downturn stages, our customers have less funding available for capital projects, including the purchase of AVEVA's software products. Significant end market downturns could materially impact AVEVA's revenues and profits.	Given the 2018 merger, AVEVA now has an increased portfolio of products available to customers operating in non-cyclical markets such as Food & Beverages and Utilities. Further strategic initiatives will also be undertaken to strengthen our offerings in those markets. Our extensive global presence also provides some mitigation from over-reliance on key geographic markets. AVEVA's strategic move towards a subscription-based licensing model also further mitigates this risk as it can offer customers greater flexibility over their expenditure.	V
AVEVA Products Implicated in Industrial Accidents or Customer Cyber Attack Likelihood: Impact: Change in risk level: **Ownership:** Head of R&D **Categorisation:** Industry General	Our software products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers or create financial implications. This is a new principal risk for AVEVA reflecting the increased portfolio of products in the AVEVA range, their functionality and increasing threats in the external cyber environment.	AVEVA products are extensively tested prior to commercial launch. In addition, AVEVA has a robust Security Development Lifecycle as a key component of our overall software development process and has created formal and collaborative relationships with third-party security researchers and security organisations to proactively ensure our software is as safe and secure as is reasonable.	V

PRINCIPAL RISKS CONTINUED

EXTERNAL RISKS CONTINUED

Risk	Description	Mitigation	Strategy and viability
Cyber Attack Likelihood: Impact: Change in risk level: **Ownership:** Deputy CEO & CFO **Categorisation:** Industry General	Threats within the global cyber environment continue to grow. AVEVA depends on its IT systems and should we be specifically targeted by a cyber attack or be impacted by a general global cyber incident, this could potentially lead to suspension of some operations, regulatory breaches and fines, reputational damage, loss of customer and employee information and loss of customer confidence.	AVEVA has a low tolerance to this risk and utilises multiple layers of cyber security threat defences including access control, encryption, firewalls, etc. Additionally, regular external penetration testing is conducted across critical corporate and online services.	V
Regulatory Compliance Likelihood: Impact: Change in risk level: **Ownership:** Deputy CFO & Company Secretary **Categorisation:** Industry General	AVEVA is required to comply with both international and local laws, regulations and tax legislation in each of the jurisdictions in which it operates. Significant changes in these laws and regulations or failure to comply with them could lead to liabilities or reputational damage.	Local management are supported by local professional advisers and further oversight is maintained from the corporate legal and finance functions. In addition, AVEVA uses compliance policies and guidance materials, communications and training platforms for its employees and external partners.	

OPERATIONAL RISKS

Risk	Description	Mitigation	Strategy and viability
Internal IT Systems Likelihood: Impact: Change in risk level: **Ownership:** Deputy CEO & CFO **Categorisation:** Company Specific	AVEVA depends on its many IT systems for day-to-day operations and to meet its customers' expectations. If they fail to operate effectively and efficiently then this could result in reputational damage, negative employee engagement or poor customer experiences. This is a new principal risk for AVEVA reflecting the range of IT systems now in the AVEVA IT estate given the 2018 merger and the ongoing projects to consolidate and improve them whilst maintaining business as usual processes.	AVEVA has appointed an experienced Chief Information Officer and additional people resources to lead and drive the various IT initiatives, including a new ERP implementation project designed to provide and support industry best practice processes. This includes respective governance frameworks and support from expert external advisors and integration specialists.	V

DISRUPTIVE RISKS

Risk	Description	Mitigation	Strategy and viability
Disruptive Technologies Likelihood: Impact: Change in risk level: **Ownership:** Head of R&D **Categorisation:** Industry General	New and unforeseen technology, software or business models which threaten AVEVA's value offering could be developed and become significantly commercially viable resulting in material impacts to AVEVA's profits and prospects. This is a new principal risk for AVEVA reflecting the increased potential threats from disruptive forces which seek to capitalise on digitisation of industry trends.	AVEVA largely mitigates this threat through its own leading innovation initiatives and by remaining at the forefront of technological advances. This a core strategic strength of AVEVA. In addition, AVEVA continually scans the disruptive technology environment to ensure it is well informed and placed to respond to any material threats.	

Viability statement

The Group assesses its prospects primarily through its three-year strategic planning cycle and annual budgeting process. This process is led by the Executive Directors, with responsibility for business functions and the regions delegated to the appropriate senior management. The Board reviews the business plans and annual budget each year to determine whether the plans continue to be appropriate in the light of market conditions and recent technological changes.

In line with the Group's strategic planning cycle, the Directors have assessed the Group's prospects and viability over a three-year period, significantly longer than the outlook of the Going Concern statement of 12 months. The Directors determine three years to be an appropriate time horizon, aligned to both the period covered by the Group's business planning cycle, as well as the length over which the Long-Term Incentive Plan performance is measured. Whilst the Directors have no reason to believe that the Group would not be viable over a longer period, a shorter timeframe provides greater certainty and reliability over the forecasts and stress-testing used to assess the Group's viability.

The Directors considered the principal risks in severe and plausible scenarios and assessed the potential impact of two differing scenarios:

Scenario 1:
Principal risks materialising:
(1) Dependency on cyclical markets (reduction to revenue);
(2) Integration and synergies (reduction to revenue and increase to costs); and,
(3) Transformational programmes (including ERP system implementation and Subscription Model) (reduction to revenue and increase to costs)

Scenario 2:
Principal risks materialising:
(1) Dependency on cyclical markets (reduction to revenue);
(2) AVEVA products implicated in industrial accidents or customer cyber attack (reduction to revenue and increase to costs); and,
(3) Cyber attack (reduction to revenue and increase to costs)

The results of this stress testing showed that despite combining a cumulative drop in gross revenue with incrementally increasing operating costs, the Group is still projected to generate profits in each year. The Group has cash reserves of £127.8 million and access to a large revolving credit facility and consequently the Directors did not consider this combination of scenarios to present a threat to the liquidity of the Group.

The Directors have identified a number of factors which support their assessment:
- the Group operates in a number of diverse industries, in locations all around the world
- the Group has strong governance and a robust control framework
- there is considerable headroom available to us in our cash balances and revolving credit facility

Based on this assessment, the Directors have considered the Group's current position and principal risks, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2022.

In making this statement, the Directors have also made the following assumptions:
- cyclical markets will stay relatively flat for the next three years
- there will be increased diversification and strength of product offering into non-cyclical markets
- there will be strong leverage for increased opportunities via the Schneider Electric relationship
- AVEVA has a strong reputation, an established customer base and an established portfolio of products
- the integration activities relating to the combination will not materially distract the combined Sales force
- We would be able to recover relatively well from any IT system or cyber incidents and would have the necessary skills and experience available to assist

Going concern statement

The Group has significant financial resources, is profitable, has high levels of recurring revenue and has a strong position in the markets it serves. At 31 March 2019, the Group had cash and treasury deposit balances of £127.8 million (FY18: £105.8 million) and no short-term debt (FY18: £10.0 million).

Therefore, after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

FINANCE REVIEW

Good progress against all key targets

The statutory results for the year ended 31 March 2019 are stated under acquisition accounting principles and therefore the comparative period (i.e. for the year to 31 March 2018) only includes the results of the heritage AVEVA business for one month.

Overview

To enhance understanding of these results and improve transparency, non-statutory summary results are also shown for the combined AVEVA Group on a pro forma basis in this commentary. These include both heritage SES and heritage AVEVA for the year to 31 March 2018 and exclude an adjustment to revenue of £8.6 million for the year to 31 March 2019, which reflects an acquisition accounting adjustment to deferred revenue on the opening balance sheet. We anticipate that this will be the last year of results where a pro forma presentation will be required.

These results have been prepared under the new revenue recognition standard, IFRS 15. The impact of IFRS 15 was to reduce revenue by £12.1 million on a pro forma basis in the prior year, versus revenue recognised using the previous accounting standard, IAS 18 and to reduce selling and administrative expenses by £0.5 million. On a statutory basis, the impact on revenue of adoption of IFRS 15 was £12.8 million and to reduce selling and administrative expenses by £0.5 million (see note 2).

Statutory results for the year ended 31 March 2019

Revenue for the period was £766.6 million which was up 57.6% (FY18: £486.3 million). This change was primarily due to the organic growth of the Group in the year together with the fact that the comparative period only included one month of the heritage AVEVA business.

The Group reported statutory EBIT of £46.7 million (FY18: £34.5 million). The increase in revenue did not materially drop through to profit due to the full year amortisation charge for intangibles together with the acquisition and integration costs related to the Combination.

Pro forma results

Revenue was £775.2 million, which was up 11.9% compared to the previous year (FY18: £692.5 million). EBIT grew 19.8% to £184.5 million (FY18: £154.0 million), primarily due to the revenue growth, higher gross margin and operational leverage.

While the integration of the enlarged Group has progressed to a point where it is becoming difficult to split out the performance of the heritage AVEVA and SES businesses, revenue growth from the heritage AVEVA products was approximately 14% and growth from the heritage SES products was approximately 11%.

"We delivered a strong performance in our first full year as a combined company and integration has progressed well across all functions of our business."

James Kidd
Deputy CEO & CFO

The following table shows the composition of the pro forma results and the reconciliation of these to the statutory reported results.

	Statutory FY19 £m	Normalised items[1] £m	Exceptional items £m	Adjusted FY19 £m	Revenue haircut £m	Pro forma FY19 £m	Pro forma FY18 £m	Change %
Revenue	**766.6**	–	–	766.6	8.6	**775.2**	692.5	11.9%
Cost of sales	**(193.2)**	–	1.9	(191.3)	–	**(191.3)**	(177.6)	7.7%
Gross profit	**573.4**	–	1.9	575.3	8.6	**583.9**	514.9	13.4%
Operating expenses								
Research & Development costs	**(178.0)**	61.8	1.7	(114.5)	–	**(114.5)**	(99.0)	15.7%
Selling and distribution costs	**(235.6)**	26.3	12.6	(196.7)	–	**(196.7)**	(179.1)	9.8%
Administrative expenses	**(106.3)**	11.7	12.7	(81.9)	–	**(81.9)**	(80.3)	2.0%
Net impairment loss from financial assets	**(6.3)**	–	–	(6.3)	–	**(6.3)**	(2.5)	–
Total operating expenses	**(526.2)**	99.8	27.0	(399.4)	–	**(399.4)**	(360.9)	10.7%
Profit from operations	**47.2**	99.8	28.9	175.9	8.6	**184.5**	154.0	19.8%
Finance revenue	**0.2**	–	–	0.2	–	**0.2**	1.0	–
Finance expense	**(0.7)**	–	–	(0.7)	–	**(0.7)**	(3.8)	–
Profit before tax	**46.7**	99.8	28.9	175.4	8.6	**184.0**	151.2	21.7%
Tax	**(12.9)**	(18.1)	(4.4)	(35.4)	(1.7)	**(37.1)**	(35.5)	4.5%
Profit after tax	**33.8**	81.7	24.5	140.0	6.9	**146.9**	115.7	27.0%
Adjusted EPS (pence)	**20.90**					**90.90**	71.59	27.0%

1 Normalised items include amortisation of intangible assets (excluding other software), share-based payments and gain/loss on fair value of forward foreign exchange contracts.

Revenue by type on a pro forma basis is set out below:

£m	2019 £m	% of total	2018 £m	% of total	Change
Rentals and subscriptions	**219.4**	28.3%	156.5	22.6%	40.2%
Support and maintenance	**201.8**	26.0%	201.1	29.0%	0.3%
Total recurring revenue	**421.2**	54.3%	357.6	51.6%	17.8%
Initial fees and perpetuals	**211.6**	27.3%	199.5	28.8%	6.1%
Training and services	**142.4**	18.4%	135.4	19.6%	5.2%
Pro forma total	**775.2**	100.0%	692.5	100.0%	11.9%
Deferred revenue haircut	(8.6)				
Statutory revenue	**766.6**				

During the year the Group increased the proportion of rental contracts sold on a multi-year versus one year basis and we expect this trend to continue. Longer-term contracts provide more reliable cash flows and when sold using token licensing, help to encourage customers to buy more of the AVEVA product portfolio. They are also favoured by customers as they provide certainty of terms and conditions over a longer period.

Foreign exchange translation moderately impacted growth in the period primarily due to Sterling having strengthened versus the US Dollar resulting in a small difference. On a constant currency basis revenue growth was 12.4%.

FINANCE REVIEW CONTINUED

11.9%

Growth in revenue

270 BPS

Growth in recurring revenue, as a proportion of overall revenue

160 BPS

Growth in adjusted EBIT margin

Revenue overview

Rental and subscription

Rental and subscriptions revenue grew 40.2% to £219.4 million (FY18: £156.5 million). This growth was driven by a focus on increasing recurring revenue and included the benefit of partly up-front revenue recognition on certain multi-year contracts.

AVEVA will focus on growing these recurring revenues again in FY20, supported by new salesforce incentives to promote sales of these contracts over initial and perpetual licences and services. Although rental and subscription contracts can reduce revenue recognition in the short-term, they lead to higher longer-term product yields and cash generation.

Support and maintenance

Support and maintenance revenue was broadly flat at £201.8 million (FY18: £201.1 million). Although AVEVA grew initial and perpetual licences in the prior year which have associated support and maintenance revenues, this growth was offset by certain customers switching from support and maintenance to new rental contracts as the Group seeks to grow subscription revenues.

Initial fees and perpetuals

Initial fees and perpetual revenue grew 6.1% to £211.6 million (FY18: £199.5 million). This growth was driven by increased sales in the Monitoring & Control area of the business led by the indirect channel, which benefited from new product releases and good market demand, and which did not have a rental and subscription offer for customers in place until the latter part of the year.

Training and services

Training and services revenue grew 5.2% to £142.4 million (FY18: £135.4 million). This growth was primarily due to increasing demand for initial implementation work associated with the sale of APM and Planning & Operations products.

AVEVA will continue to focus on high gross margin sales of software revenue in FY20, supported by sales incentivisation together with a planned reduction in certain lower-margin services.

Profit before tax and cost management

The revenue growth drove a 19.8% increase in adjusted EBIT to £184.5 million (FY18: £154.0 million).

Total normalised costs were £590.7 million (FY18: £538.5 million), an increase of 9.7% over the previous year. This growth was above AVEVA's target of inflationary cost increases. The majority of the increase related to growth in cost of sales, sales commissions and financial performance related bonuses due to the strong performance.

In addition to this, decisions were made to accelerate investment in sales, marketing and product integration during the year in the context of positive market conditions. These incremental investments included the hiring of new people and greater expenditure on customer marketing, for example regional and global customer events.

On an underlying basis, AVEVA has been implementing a cost synergies programme through rationalisation of duplicated functions, the implementation of common systems, shared services for back office functions, real estate consolidation, and enhanced R&D effectiveness.

The Group is targeting annualised cost synergies of approximately 5% of total FY18 costs, representing some £25 million, which will be fully implemented by the end of the 2020 financial year. More than half of these were implemented by the end of the 2019 financial year, with most of these flowing through to the results in the year.

An analysis of total expenses is summarised below:

£m	Cost of sales	Research & Development	Selling and distribution	Administrative expenses	Net impairment loss from financial assets	Total
Statutory	**193.2**	**178.0**	**235.6**	**106.3**	**6.3**	**719.4**
Amortisation		(61.8)	(26.3)	–	–	(88.1)
Share based payments	–	–	–	(11.2)	–	(11.2)
Loss on FX contracts	–	–	–	(0.5)	–	(0.5)
Exceptional items	(1.9)	(1.7)	(12.6)	(12.7)	–	(28.9)
Normalised costs	**191.3**	**114.5**	**196.7**	**81.9**	**6.3**	**590.7**
2018	177.6	99.0	179.1	80.3	2.5	538.5
Change	7.7%	15.7%	9.8%	2.0%	–	9.7%

Cost of sales increased 7.7% to £191.3 million (FY18: £177.6 million) and the gross margin improved to 75.3% (FY18: 74.4%). The cost of sales increase primarily related to revenue growth with higher associated channel partner and third-party royalty costs, together with some investments into the Customer Support function.

Research & Development costs were £114.5 million (FY18: £99.0 million) representing an increase of 15.7%. However, in FY19 no R&D investment was capitalised (FY18: £9.9 million). The remaining increase was due to investment in product integration and new product launches, being partly offset by cost synergies.

Selling and distribution expenses were £196.7 million (FY18: £179.1 million), a 9.8% increase versus the prior year. The majority of this increase related to higher sales commissions following better than budgeted sales performance.

In addition to this, substantial investments were made during the year in Sales both in terms of new recruits and training. Investments were also made in strengthening the marketing team and in customer events to showcase AVEVA's enlarged product portfolio.

Administrative expenses were £81.9 million (FY18: £80.3 million), an increase of 2.0%. This reflected underlying cost reductions being offset by higher bonus accruals in relation to the strong performance, national insurance costs related to share options and new senior hires. In addition, there were increased costs from establishing capabilities and skills in the support functions such as IT, HR, Finance and Legal where certain services did not transfer over from Schneider Electric and were not covered by the TSA e.g. legal team, treasury, IT support.

Net impairment loss from financial assets represents the impairment of accounts receivable during the year of £6.3 million (FY18: £2.5 million).

FINANCE REVIEW CONTINUED

Normalised and exceptional items

The following exceptional and other normalised items have been excluded in presenting the pro forma results:

£m	Pro forma year ended 31 March 2019	2018
Acquisition and integration activities	**23.0**	29.5
Restructuring costs	**5.9**	2.9
Movement in provision for sales taxes	–	(3.0)
Impairment of R&D	–	15.0
Total exceptional items	**28.9**	44.4
Amortisation (excl. other software)	**88.1**	50.5
Share based payments	**11.2**	4.0
Loss/(gain) on FX contracts	**0.5**	(0.6)
Total normalised items	**99.8**	53.9

Acquisition and integration activities principally related to consultancy costs paid to advisors for integration support, a provision for an onerous lease, investment in new systems, deal related executive retention costs, legal and accounting fees and additional temporary resources required as a result of the combination.

Restructuring costs related to severance payments for employees in a number of global office locations as part of the cost synergy programme, the cost benefits of which are now starting to flow though. This included the closing of 10 offices in duplicate locations and the costs of exiting certain lower margin services business.

The increase in amortisation related to the amortisation of the fair valued heritage AVEVA intangible assets under acquisition accounting following the Combination.

Acquisition and integration and restructuring costs paid in the period were £18.9 million.

Taxation

The statutory tax charge was £12.9 million (FY18: credit of £6.0 million). The effective rate of tax of 27.6% differs from the US (FY18: UK) corporation tax rate of 24% because of higher rates of overseas tax and overseas losses in certain locations for which no deferred tax asset has been recognised. The tax rate has benefited from R&D tax incentives in the UK and the US.

The pro forma adjusted tax rate was 20.2% (FY18: 23.5%) and is expected to remain at around this level in FY20.

Earnings per share (EPS)

Statutory diluted EPS was 20.90 pence (FY18: 39.72 pence). The reduction was due to a greater number of shares being in issue on average as a result of the Combination. On a pro forma adjusted diluted basis EPS grew 27.0% to 90.90 pence (FY18: 71.59 pence).

Dividends

The Board proposes a final dividend of 29.0 pence per share at a cost of £46.8 million (FY18: 27.0 pence per share at a cost of £43.5 million). The final dividend will be payable on 2 August 2019 to shareholders on the register on 5 July 2019.

The total dividend for the year was 43.0 pence (FY18: 27.0 pence as no interim dividend was paid).

AVEVA intends to maintain its existing progressive dividend policy, taking account of the earnings profile of the Group.

Balance sheet

The Group balance sheet presented as at 31 March 2019 reflects the goodwill and intangible assets that arose from the Combination resulting in non-current assets of £1,923.0 million (31 March 2018: £1,992.9 million). Net measurement period adjustments of £15.3 million were made to goodwill during the first year of the Combination including reassessment of the values of certain intangible assets and adjustment to the consideration for the payment to Schneider Electric of £19.4 million under the completion accounts mechanism.

Trade receivables at 31 March 2019 were £174.9 million (31 March 2018: £146.9 million) reflecting the strong sales towards the year end. Contract assets increased to £100.5 million from £67.6 million at 31 March 2018, largely due to the impact of the multi-year contracts closed in the financial year. Contract liabilities representing deferred revenue were £174.6 million (31 March 2018: £141.7 million).

Cash flows

Cash generated from operating activities before tax was £169.1 million compared to £91.2 million in the previous year on a statutory basis. Conversion of adjusted EBIT to operating cash flow before tax was 91.7%, reflecting improved credit control, although the rate was lower than historic levels due to the acquisition and integration and restructuring costs during the period, of which £18.9 million were paid in cash.

During the second half £19.4 million was paid to Schneider Electric in relation to the final completion accounts adjustment in relation to the Combination.

At 31 March 2019 net cash and treasury deposits were £127.8 million (FY18: £95.8 million).

Events since the balance sheet date

After the period end, AVEVA acquired the software assets of MaxGrip for €25 million (approximately £21.8 million) and disposed of a small distribution business in Italy for approximately £1.3 million.

James Kidd
Deputy CEO & CFO
29 May 2019

27.0%
Growth in adjusted diluted EPS

43.0p
Total dividend

CORPORATE SOCIAL RESPONSIBILITY REPORT

Powering industries by empowering people.

At AVEVA, we believe the skills, expertise and passion of our employees are critical to success, and we want everyone to feel inspired to achieve great things for our customers.

Employee engagement has always been a priority. This section covers how we have evolved our Corporate Communications and HR and Engagement processes, as well as our culture to reflect the changing needs of the organisation.

AVEVA employs over 4,500 people across 44 countries and more than 150 locations.

Our employees

Listening and engaging

Following the Combination with SES, we have been successfully operating as a unified organisation for more than a year. We ensured all employees were welcomed and integrated into AVEVA without delay and, following an extensive integration programme, worked hard to bring together the two organisations with minimal disruption to customers and shareholders.

Building a sustainable

"Strong communication is vital for any organisation, but that is especially true for AVEVA where our colleagues are experiencing large amounts of change following the merger. Through our regular communication activities, we keep our people up-to-date on everything they need to know, while attempting to make sure they aren't overloaded by non-essential information. By taking opportunities to engage with colleagues globally across different channels, we create a sense of community and shared belonging, which helps to reinforce our business strategy and AVEVA LIFE values."

Mark Cooper
Chief Human Resources Officer

The integration programme resulted in an intense period of change for our employees and we have made good progress adapting the way we communicate to reflect the needs of our newly integrated organisation. Through effective two-way communication, we have aimed to support our employees through this change, focusing on communicating how these changes impacted them. We achieved this through a carefully considered integration communications strategy and plan, designed to deliver important updates via a variety of channels including face-to-face Meet and Greet sessions across the globe, email, intranet and all employee calls with our leadership team.

We are committed to engaging with our people and communicating essential information on the future growth of our business to all our stakeholders. We have launched multiple new communications channels designed to inform, engage and inspire employees, and regularly see engagement rates of more than 60% for many of our regular communications, including global Meet and Greets, team newsletters, weekly customer success announcements and a monthly podcast from our CEO.

Our intranet continues to provide a dynamic social hub and information centre for employee communications. We have seen excellent engagement with this platform, particularly with our people stories, which allow employees to share their news on Corporate Social Responsibility activities, local events and celebrations.

future

We recognised the importance of face-to-face engagement with our new CEO and Executive Leadership Team. We delivered a global executive Meet and Greet campaign in support of the integration programme, which reached almost 3,400 employees across 28 locations. The campaign concluded with a live event broadcast to every employee across the organisation, with many offices arranging local screening events. To engage audiences, we made the event interactive and encouraged employees to submit questions in advance as well as during the event itself. 34 events took place, with over 2,000 people watching either live or via playback in the first 24 hours.

Developing and embedding AVEVA's new culture

AVEVA has collaborated with employees from across the globe to develop a shared culture and set of values. We launched our new AVEVA LIFE values in September 2018 and these have been adopted throughout the organisation.

Our values are: Limitless possibilities, Integrity always, Flexibility together and Excellence every day.

These values were born out of a global campaign that included 50 culture cafés hosted in offices around the world. These cafés were attended by 454 employees and provided an opportunity to come together to share thoughts and experiences on working for AVEVA, as well as to discuss the kind of organisation AVEVA is, and what it should aspire to become.

Our AVEVA LIFE values underpin everything we do at AVEVA and perfectly demonstrate the kind of organisation we want to be. Our values help us to match new talent to our culture and set goals aligned to our AVEVA LIFE ethos. Whether we are looking for the next big customer win, or working collaboratively on a project, AVEVA LIFE provides a guide for how we show up every day.

"It is our people and our shared values that realise our plans and strategies around the world. They are what drives us to be the best. I believe we do our finest work together and AVEVA colleagues from across the globe crafted our values, which perfectly demonstrate everything we stand for."

Craig Hayman
CEO

"'Integrity always' fits amazingly well with who we are and what we do, as individuals and as a software company. We do the right thing because we hold integrity as a value, and ultimately this leads to process and data integrity – which is what we do."

Paulo Andrade
Technical Sales Manager

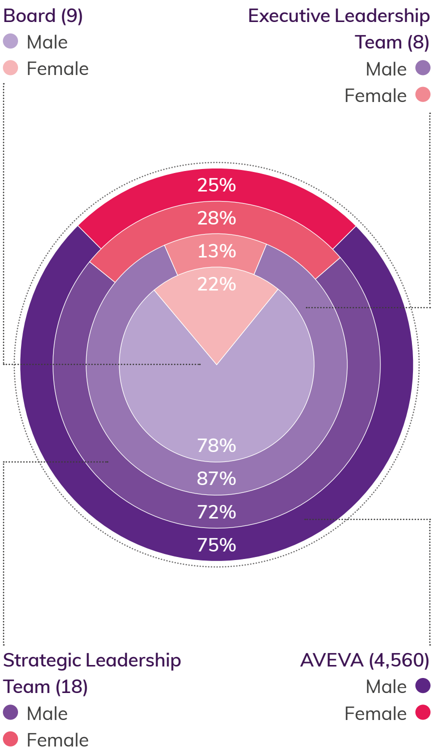
AVEVA LIFE

Limitless Possibilities | Integrity Always | Flexibility Together | Excellence Every Day

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

Diversity & Inclusion

Group gender diversity



We have continued to grow our Global Ambassador Network and have welcomed new members from SES. The network has proved invaluable in organising corporate events and providing local feedback on corporate messaging and campaigns.

Communications feedback remains a priority, and we regularly ask employees to share their views on messages received and initiatives launched across the business. We invite employees to comment on most of our organisational announcements, and solicit feedback on any new initiatives promoted on our intranet. This feedback is highly valued and feeds into plans for future communications activities. In addition, we regularly survey employees following corporate events so that we can apply lessons learned in the future.

Following our first live Meet and Greet event we asked employees what they enjoyed about the session, what could have gone better and if they would like to see more of this type of event in the future. Feedback showed a real enthusiasm and taking this into account, our Executive Leadership Team has now committed to regular live Meet and Greet events.

We're pleased to have been announced as a finalist for the 2019 Gartner Awards for our entry in the Excellence in Change Communication category. This entry focused on the contribution the Corporate Communications team made on the integration project for the Combination, and the positive impact this had on employee engagement.

Our policies – supporting our people

As a global organisation, we recognise our responsibility to respect and to contribute positively to human rights, and we are committed to acting ethically and with integrity in all business matters.

Our Group policies are reviewed on an annual basis and cover anti-bribery and corruption, anti-slavery and human trafficking, social matters, employee benefits and other policies required by statute. Our policies are available on our intranet and accessible for all employees.

We run annual mandatory global corporate ethics training. All employees are required to complete training modules on all corporate ethics policies, with the aim of ensuring organisational-wide understanding of AVEVA's stance on ethics, as well as the role individuals must play as employees of the organisation.

In the last 12 months, we have updated and improved our employee policies in a range of areas including, but not limited to, whistleblowing (rebranded AVEVA 'Speak Up'), dignity at work, travel and homeworking. All changes have been made with the aim of improving employee wellbeing, both within and beyond the workplace.

"It is really exciting to see so many great initiatives happening around the business aimed at making AVEVA an attractive place to work for everyone. Our partnerships with WISE and Girls in Tech are vitally important in helping us achieve our gender diversity goals."

Clare Bye
Head of Global Talent & HR Services

Bangalore colleagues assemble during International Women's Day

"Through various initiatives like Women in R&D, AVEVA has proved that it's a workplace that can inspire."

Poulomi Ghosh
Software Engineer

Supporting Diversity & Inclusion in our industry

As a technology company, we need to understand and address the challenges within the broader sector in attracting and retaining women, and are committed to doing all we can to encourage and support more women into the industry.

We continue to be an active member of WISE, a UK campaign for gender balance in science, technology, and engineering. Providing support to the WISE initiative is a key part of our strategy for increasing the number of women in technical roles within the company, and this year we continued to show our support by acting as a sponsor for the WISE annual awards.

Internally, our goal is to achieve greater Diversity & Inclusion. We want to close the gap in our gender pay inequality and recognise that one of the most effective ways to do so is to hire and progress more women into senior and technical positions.

We have a framework in place to ensure we attract and retain the best possible talent, with a key focus on how we support and encourage women in the STEM arena. This includes an AVEVA Women in Research and Development network that offers mentoring and support.

One of our new partners this year is 'Girls in Tech', a global non-profit organisation that shares our values and beliefs about supporting women in the technology industry. It works to put an end to gender inequality in high-tech industries and start-ups by educating and empowering women who are passionate about technology.

On 8 March, AVEVA was proud to host numerous events across our regions in celebration of International Women's Day. As well as organising Executive panel events in our Cambridge, Hyderabad and Lake Forest offices for over 1,000 employees, offices were encouraged to take part and celebrate in any way they chose. Many events took place across the globe, from health talks in Bangalore through to celebrating colleague successes in Mexico.

Non-financial information statement

Reporting requirements	Policies and guidelines that govern our approach	What this means for us and our communities
Environmental Matters	Global Environment and Sustainability Statement	Developed as part of our commitment to reduce our emissions
Employees	AVEVA LIFE values Dignity at Work Policy AVEVA Speak Up Policy	We value our employees and encourage them to be the best they can be
Social and Community Matters	AVEVA Action for Good Pledge 1%	Our employees do a lot for charities, and with employer matched funding, contributions go further
Human Rights	Anti-Slavery and Human Trafficking Policy	We review annually as we strive to be ethical in all our practices
Anti-Bribery and Anti-Corruption	Anti-Bribery and Corruption Corporate Gifts and Hospitality Group Export Policy Related Party Transactions	All employees must complete and pass an annual test on corporate ethics

AVEVA's Academic Programme Universidade Federal de Campina Grande

Chemical engineering students studying at The Federal University of Campina Grande (UFCG) are able to access engineering and simulation tools via the cloud through the AVEVA Academic Program, offered to universities to expose students to real-world process simulation solutions using modern process engineering tools.

Having ready access to AVEVA's solutions creates a point of differentiation for students, and their familiarity with digital transformation better equips them for work in a process engineering field.

For example, during a joint project, chemical engineering students designed, implemented and executed a process engineering package using AVEVA's PRO/II, DYNSIM, and SimCentral.

"Learning about this software during the chemical engineering graduate course has certainly made the difference in my career. Especially in the area of digital transformation. The solutions from AVEVA have been essential in my training."

Willy Araujo
Chemical Engineering Masters Student, UFCG

"With AVEVA, our students have direct access to industrial scenarios, earning more specific knowledge, being truly prepared to face the challenges of professional life."

Dr. Heleno Bispo
Professor of Chemical Engineering, UFCG

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

AVEVA in the community

Giving our employees a platform to share their experiences and thoughts on Diversity & Inclusion is important to AVEVA. We invited employees to upload a video diary on the subject to a dedicated area of our intranet. In total, 52 videos were submitted and engagement levels with these videos was high. The success of this campaign has inspired us to use the platform for future employee insights.

Sharing knowledge and experience

This year our Learning and Development teams have worked across the whole organisation to support everyone in understanding our new AVEVA business proposition and value to our clients.

We regularly hold departmental, global and functional conferences and events designed to bring colleagues together to collaborate, share ideas and lessons learned, as well as plan for the year ahead. A few examples of this include marketing summits, HR conferences and IGNITE, our annual sales conference.

IGNITE brings together all our Sales, Marketing and Channel teams to network, share successes and, most importantly, discuss how we can continue to drive our business forward and deliver for our customers. In April 2018, it provided an opportune chance to discuss our combined Sales strategy for our first year of our joint operations.

Additionally, a lot of work has been carried out to harmonise processes and to train employees on these, as well as new systems. We developed a global induction on our intranet to provide all new joiners with a hub of core corporate information.

Ongoing technical and soft skills training continue to be provided, using both internal and external providers to support employees.

Advancing our talent

We recognise that the success of our business relies on the acquisition and retention of talented people. We are proud to have a team of dedicated talent acquisition specialists around the world who work tirelessly to seek and engage with top talent to ensure that we have a constant pipeline of highly skilled people joining our organisation.

As a large, global organisation, being able to attract and retain diverse talent is core to our success. We have launched regional strategies to recruit and develop talent, while taking account of Diversity & Inclusion, with associated initiatives and metrics to ensure progress in these areas.

Early Careers is one of the core strategies for the Talent Acquisition function, focusing on future-proofing our organisation for long-term productivity and covering the risks of an ageing workforce, fast-paced change in technology and an increasingly global market. Early Careers spans graduates, interns and apprentices, and during the financial year, this initiative increased our headcount by 75 across various functions globally.

Academic initiatives

We continue to build relationships with academic institutions around the world through a variety of campaigns and initiatives aimed at supporting students looking to start a career in the technology industry.

On 1 January 2019, we launched our first North America Academic Competition. 56 participants from 20 universities used SimCentral, our industrial simulation platform, to solve a problem in collaboration with Dr. Richard Turton, renowned author and industry expert in the field of chemical process simulation. The winner and runner-up both received a grant to further explore simulation of chemical processes requiring membrane separation models, such as oxygen separation from air, alternative natural gas utilisation, and carbon capture from coal-fired power plants.

We have ongoing relationships with vocational training centres, universities and further education establishments to donate software and training for use on engineering and Computer-Aided Design (CAD) degree courses.

As part of our research programme we are working with the University of Cambridge to help sponsor its Future

AVEVA ACTION FOR GOOD

"After having completed our volunteer service at Cradles to Crayons and learning that our effort made a direct impact on 85 children that day inspires me to continue making efforts to donate and volunteer. I appreciate AVEVA providing us with this opportunity to give back to the community."

Eric Johnson
Digital Customer Experience Engagement Agent

Infrastructure and Built Environment (FIBE) Centre for Doctoral Training where we are co-sponsoring three PhD students, guiding their research and mentoring them through their studies.

We are also working with the University of Milan to assess the behavioural and academic impact of our Augmented and Virtual Reality (AR/VR) software on students' ability to problem solve when dealing with complex chemical engineering processes.

Supporting our local communities through charitable giving and volunteering

In October 2018, we launched AVEVA Action for Good, a Group-wide Corporate Social Responsibility initiative designed to encourage employees to take part in social wellbeing activities which support local communities and society more broadly. As part of this, we have joined the "Pledge 1%" movement, committing the equivalent of 1% of our net profits, through a combination of paid time off and financial contributions, to support social wellbeing and charitable causes, both at a global level and in the local communities where we operate. From working with children's charities to life-changing technology projects, we want everyone to take action for the good of our world.

Inspired by the United Nations Sustainable Development Goals and guiding principles on business and human rights, this programme makes it possible for every employee at AVEVA to make a real difference across three areas of our Social Wellbeing framework: Community, Environment, and Workplace. To enable our employees to take part, we offer an additional day of paid leave per year to support causes that matter to them.

Our employee community has for many years shown a passion for supporting social wellbeing and community initiatives, through the organising of fund-raising events, charitable activities and directly supporting local communities. For example, in December, employees from our Chicago office provided support to Cradles to Crayons, an organisation that provides clothing to impoverished households.

In January, Hyderabad colleagues distributed blankets to the city's homeless. More than 1,500 homeless people live on the streets of Hyderabad, a situation made more challenging due to the wintry temperatures at this time of year. Determined to provide support in the community they work, volunteers took to the streets overnight to give out AVEVA-funded blankets to those in need.

These are just two examples, but employees from all over the world have all taken advantage of paid time off to support worthwhile causes local to their community.

We also aim to support employees who take on personal challenges to support causes that matter to them.

Our commitment to CSR is recognised externally, and was reflected in our inclusion for the third consecutive year in the FTSE4Good Index. The index identifies listed companies that make a positive contribution to society and demonstrate strong Environmental, Social and Governance practices.

As part of our Pledge 1% commitment, AVEVA has financially contributed £90k to global causes as well as supported paid time off to a value of £9k. Since we launched our commitment, we have contributed 0.6% of our net profits. We will add the £70k shortfall to next year's total.

Environmental responsibility

Greenhouse gas/carbon emissions

For the purposes of this report, the emissions have been calculated according to the 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' issued by the Department for Environment, Food and Rural Affairs (DEFRA), and by applying DEFRA's conversion factors.

The data presented is presented on a reported basis (i.e. with 12 months of the enlarged AVEVA Group for FY19, but 12 months of heritage SES and 1 month of the heritage AVEVA business in FY18).

For our carbon intensity ratio we have measured our carbon usage as it relates to our business performance, citing tonnes of CO_2e/£ million of revenue. In FY19 this intensity ratio reduced to 12.06 tonnes CO_2e/£ million (FY18: 13.65).

Tonnes of CO_2e

Emissions from:	2019	2018
Scope 1 – Combustion of fuel and operation of facilities	1,229	938
Scope 2 – Electricity, heat, steam and cooling purchased for own use	8,019	5,876
Scope 3 – Transmission and distribution losses	1,140	1,323
	10,388	8,137
Intensity measurement (Scopes 1 and 2) – Tonnes CO_2e/£m revenue	12.06	13.65

AVEVA is committed to minimising its carbon emissions, increasing the use of recycling opportunities and reducing the use of valuable natural resources. We are continually improving the way in which we capture and record our emissions data. Our vision is to:

- Seek to continually improve the environmental and sustainability performance of our real estate;
- Develop collaborative relationships with suppliers, vendors and other interested parties at a local, regional and global level to facilitate knowledge exchange;
- Devise an internal environmental standard to enable ongoing performance measurement;
- Reduce the consumption of energy and reliance on fossil fuels, adopting, where possible, renewable energy sources;
- Minimise and actively manage waste aiming to send zero waste to landfill;
- Purchase sustainable goods and services where practicable;
- Reduce water consumption;
- Encourage colleagues to commute to work by sustainable modes of transport;
- Implement procedures for sustainable construction, refurbishment and maintenance of buildings;
- Foster a collaborative culture to maximise the expertise and abilities of colleagues;
- Provide appropriate sustainability training for colleagues and encourage them to apply sustainability practices at work, home and in the wider community; and
- Comply with relevant regulations and in-country legislative requirements.

GOVERNANCE REPORT

Strength in our

leadership team

CONTENTS

BOARD OF DIRECTORS

Philip Aiken
Chairman

Tenure: 7 years 1 month (appointed 1 May 2012)

Nationality: Australian

Phil has 48 years of experience in industry and commerce. From 1997 to 2006 he was President of BHP Petroleum and then Group President of Energy of BHP Billiton. He has been Managing Director of BOC/CIG, Chief Executive of BTR Nylex, Senior Advisor of Macquarie Bank (Europe), Chairman of Robert Walters plc, Senior Independent Director of Kazakhmys plc and Essar Energy plc and Director of Essar Oil Limited. Other previous roles include: Director of National Grid plc from 2008 to 2015, Director of Miclyn Express Offshore, Chairman of the 2004 World Energy Congress and serving on the Boards of the Governor of Guangdong International Council, World Energy Council and Monash Mt Eliza Business School.

Other current appointments:
Chairman of Balfour Beatty plc, Non-Executive Director of Newcrest Mining Limited, Chairman of Australian Day Foundation, Director of Gammon China Limited and Gammon Construction Holdings Limited.

Craig Hayman
Chief Executive Officer

Tenure: 1 year 3 months (appointed 19 Feb 2018)

Nationality: British and American

Craig joined AVEVA as CEO in February 2018, bringing more than 30 years of technology industry leadership and executive management experience. Previously he was Chief Operating Officer at software company PTC Inc, where he had responsibility for sales, marketing and development. He also served as President of the PTC Solutions Group. Prior to joining PTC, Craig was President of eBay's enterprise business and served more than 15 years in senior leadership positions at IBM. At IBM he created and grew IBM's SaaS business and initiated and led 18 high performing acquisitions. Craig returned to the UK from the US to the CEO role at AVEVA. He holds a BSc. (Hons) in Computer Science and Electronics from the University of London.

Other current appointments:
None.

Christopher Humphrey
Senior Independent Non-Executive Director

Tenure: 2 years 11 months (appointed 1 Jul 2016)

Nationality: British

Chris is a qualified accountant and has over 25 years' experience managing engineering and technology companies. From 2008 until 2015 he was Group Chief Executive Officer of Anite plc, after having joined Anite in 2003 as Group Finance Director. Prior to this he was Group Finance Director at Critchley Group plc and held senior positions in finance at Conoco and Eurotherm International plc. Chris has a BA (Hons) in Economics, is a Chartered Management Accountant, a Fellow of CIMA and has an MBA from Cranfield School of Management.

Other current appointments:
Senior Independent Director and Chairman of the Audit Committee of Vitec Group plc, Non-Executive Chairman of Eckoh plc and a Non-Executive Director of SDL plc.

Jennifer Allerton
Independent Non-Executive Director

Tenure: 5 years 11 months (appointed 9 Jul 2013)

Nationality: British and Swiss

Jennifer has more than 40 years' experience in technology working in multinational companies in the UK, the US, Brazil, Asia and Switzerland. Notably, she was a member of the Pharma Executive Committee and Chief Information Officer of F. Hoffmann-La Roche, with responsibility for IT strategy and operations for the Pharma division and all Group IT operations. Prior to that, she served as Technology Director at Barclaycard with responsibility for Fraud Operations and IT and held senior positions in IT at Unilever and BOC. She has degrees in Mathematics, Geosciences and Physics and speaks several languages. She holds dual nationality being a citizen of both the UK and Switzerland.

Other current appointments:
Non-Executive Director of Iron Mountain Inc. and Sandvik AB.

Peter Herweck
Non-Executive Director

Tenure: 1 year 3 months (appointed 1 Mar 2018)

Nationality: German

Peter Herweck has been a member of Schneider Electric's Executive Committee since 2016 and leads Schneider Electric's global Industrial Automation Business. He has extensive experience in Automation, Digitisation and Industrial Software. Peter started his career at Mitsubishi in Japan, later joining Siemens where he held several executive positions in Factory and Process Automation along with leading Corporate Strategy as Chief Strategy Officer. He has a global and extensive executive and senior management background in Germany, China, the US and Japan.

Peter holds an MBA from Wake Forest University School of Business and Engineering degrees from Metz University and Saarland University. He is also a Harvard Business School Advanced Management Alumni.

Other current appointments:
None.

From left:
Craig Hayman, Philip Aiken, Christopher Humphrey, Jennifer Allerton, Peter Herweck, Paula Dowdy, James Kidd, Emmanuel Babeau and Ron Mobed

Committees:
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Chair

Paula Dowdy

Independent
Non-Executive Director

Tenure: 4 months
(appointed 1 Feb 2019)

Nationality: American and British

Paula is the Senior Vice President & General Manager EMEA for Illumina Inc., the global leader in DNA sequencing and array-based technologies. Prior to her appointment to Illumina in 2016, Paula worked for Cisco in a variety of senior sales, services and strategy roles, notably as Senior Vice President for Cloud, Software and Managed Services. Paula also led the integration of the analytics and automation software acquisitions into the larger Cisco sales force and was a board observer for one of Cisco's investments.

She holds an MBA from Pepperdine University and a Bachelor of Arts degree from the University of California, Berkeley.

Other current appointments:
None.

James Kidd

Deputy CEO and CFO

Tenure: 8 years 5 months
(appointed 1 Jan 2011)

Nationality: British

James is a Chartered Accountant and joined AVEVA in 2004. Prior to his appointment to the Board, James held several senior finance roles within the Group and was Head of Finance from 2006 until 2011, when he was appointed CFO. James was Chief Executive from January 2017 to February 2018, leading the merger with the Schneider Electric Software Business before being appointed Deputy CEO and Chief Financial Officer of the enlarged Group. Prior to joining AVEVA James worked for both Arthur Andersen and Deloitte, serving technology clients in both transactional and audit engagements.

Other current appointments:
None.

Emmanuel Babeau

Non-Executive Director and
Vice Chairman

Tenure: 1 year 3 months
(appointed 1 Mar 2018)

Nationality: French

Emmanuel has been Deputy Chief Executive Officer in charge of Finance & Legal Affairs at Schneider Electric since 2013. He joined Schneider Electric in 2009 as Executive Vice President Finance and as a Member of the Management Board.

Emmanuel began his career at Arthur Andersen in 1990. In 1993, he joined Pernod Ricard where he held several senior finance and executive positions, becoming Vice President of Development in 2001. He was appointed CFO in 2003 and Group Deputy Managing Director of Finance in 2006, supervising Finance, Information Systems and Industry Administrations.

Emmanuel graduated from École Supérieure de Commerce de Paris (ESCP) in 1989 and holds a degree in finance and accounting (DESCF).

Other current appointments:
Non-Executive Director of Sodexo S.A. and of Sanofi.

Ron Mobed

Independent
Non-Executive Director

Tenure: 2 years 3 months
(appointed 1 Mar 2017)

Nationality: British

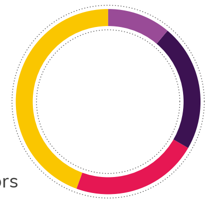
Ron has a broad range of global experience in electronic information businesses across a number of sectors and regions. Most recently, he was Chief Executive Officer of the Elsevier business of RELX Plc and has also held Executive positions with Cengage Learning, IHS and Schlumberger.

He is a Fellow of the Institute of Directors and of the Energy Institute. He holds a Bachelor's degree in Engineering from Trinity College, University of Cambridge and a Master's degree in Petroleum Engineering from Imperial College, University of London. Ron was previously a Non-Executive Director of Argus Media from 2009 until 2011.

Other current appointments:
None.

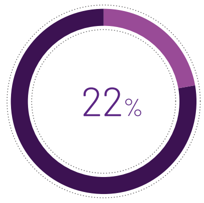
Independence split

- Chairman
- Executive Directors
- Non-Executive Directors
- Independent Non-Executive Directors



Gender split

- Female
- Male



Sector experience of the Board

Power	22%
Construction	22%
Engineering	44%
Oil & Gas	22%
Software	56%
Technology	56%
Construction	33%

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

The Board's aim is to create robust foundations for sustainable future success, delivering value for our employees and shareholders

Phil Aiken
Chairman
29 May 2019

"During the year the Board has continued to enhance and challenge the development and implementation of the integration strategy and our governance framework"

Dear shareholders,

I am pleased to have the opportunity to address AVEVA's shareholders as the Group comes to the end of a year of transformation following the combination of AVEVA and the Schneider Electric industrial software business.

During the year, the Board has continued to focus on providing effective leadership and oversight of the Company as it seeks to achieve its strategic priorities and create value for our shareholders during an ongoing period of regulatory and political uncertainty. In this regard, it was a year of future-proofing AVEVA's governance framework and ensuring that it is accountable, robust and sustainable long-term.

Amongst the more significant future-proofing initiatives we undertook in the past year, I want to highlight the following:

Board composition

The selection and appointment of an additional independent Non-Executive Director was a key focus for this year. Following a rigorous selection process, the Board was delighted with the appointment of Paula Dowdy on 1 February 2019. The Nomination Committee led the process covering the search, selection and nomination of the candidate and further detail on the process can be found on pages 54-55. With Paula joining the Board her international experience further strengthens the Board which has a rich depth of technological, industrial and financial expertise across our six Non-Executive Directors. With this appointment, we are now in compliance with the 2016 UK Corporate Governance Code (the "Code"), and have at least half the Board represented by independent Non-Executive Directors (excluding the Chairman).

Maintaining compliance with the Code

The Board believes that good corporate governance underpins good business performance and long-term value creation. It continually strives to maintain a governance framework that is easy to understand and agile, and which facilitates it leading AVEVA into the future whilst continuing to reflect the greater requirements for accountability, diversity and transparency that are expected of a modern global business.

As reported in 2018, in compliance with the provisions of the Listing Rules of the Financial Conduct Authority, specifically where a listed company has a controlling shareholder, we have in place a Relationship Agreement with Schneider Electric SE, our majority shareholder. This is a legally binding agreement to ensure that Schneider Electric complies with the independence provisions of the Listing Rules and to allow AVEVA to carry on its business independently of Schneider Electric.

The Board has focused on addressing any matters of non-compliance with the Code which were reported in last year's Annual Report. For the full year under review, and as a direct result of the terms of our Relationship Agreement with our majority shareholder, items of non-compliance are:

- Although Ron Mobed was appointed to the Nomination Committee in March 2019 as an additional independent member, the Committee's membership did not consist of a majority of independent Non-Executive Directors if the independence of the Chairman is excluded.
- Similarly, although Paula Dowdy was appointed to the Remuneration Committee in March 2019 as an additional independent member, the Committee's membership did not consist of solely independent Non-Executive Directors.

With the above appointments, the Board has sought to ensure that Committee membership is as independent as possible notwithstanding the restrictions of the Relationship Agreement.

With the support of the Company Secretary, the Board regularly monitors changes in the corporate governance landscape and continually reviews best practice. During the year under review, the Group applied the 2016 Code but in anticipation of adopting the 2018 Code and being compliant with other legislative changes, the Board and its Committees undertook a comprehensive review of its corporate governance framework and Terms of Reference. Further work will be undertaken to ensure that the Board and its Committees comply with the 2018 Code and other legislative changes and are able to effectively report on these in 2020.

Embedding culture

As the Company works through the integration of the two heritage businesses, extensive work has been undertaken to bring colleagues together, streamline processes and policies and create a fully joined up Group in line with our broader strategy. Consequently, during 2018, there was considerable focus on culture, enhanced behaviour and ethics training and on introducing updated policies and accessible reporting facilities.

The Board was proud to see the launch of the AVEVA LIFE values which embody the way AVEVA approaches its customers, partners, colleagues and stakeholders every day. These values are recognised across the Group and have become a vital part of AVEVA's culture. Culture remains a matter of regular Board discussion. We fully support management's ongoing commitment to maintaining a working environment based on integrity, respect and openness, which enables all colleagues to fully participate in AVEVA LIFE and is an important contributor to our ongoing success. For more information on how we live our AVEVA LIFE values, please see page 39.

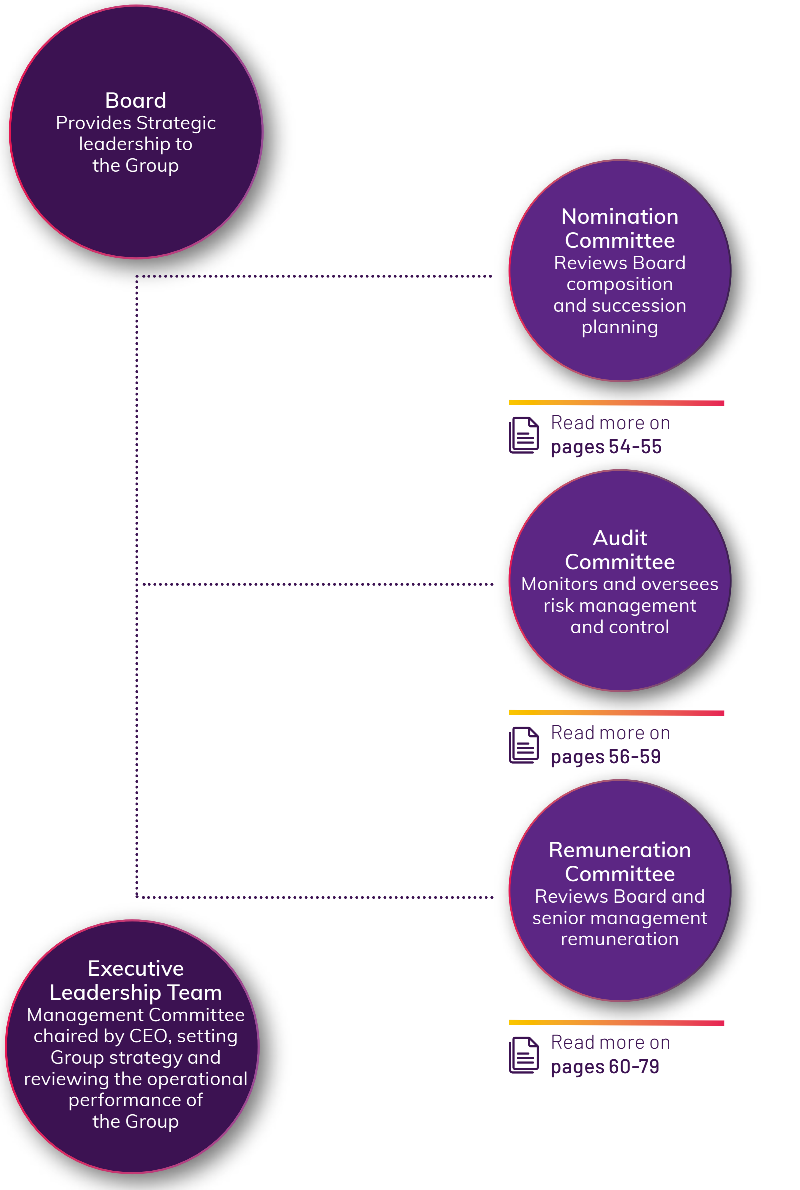
Integration and transformation

Unsurprisingly, one of the most important matters demanding the Board's attention over the past year was the continued integration of the combined Group's activities, monitoring the achievement of synergies, creating new and valuable opportunities for our customers and ensuring long-term value creation for our shareholders and stakeholders. A significant amount of the Board's activities continues to be aimed at setting the strategic direction for integration and transformation activities and monitoring their implementation. I would like to thank my colleagues, the Executive Leadership Team (ELT) and all employees for their continued efforts and support with transforming AVEVA to be the global leader delivering digital transformation to the industrial sector.

The Board looks forward to continuing to oversee, govern and support AVEVA as it builds on the growth and transformation achieved this year. Our Corporate Governance Report demonstrates that AVEVA is ready to face any challenges that lie ahead.

CORPORATE GOVERNANCE REPORT

Group Structure Chart



EFFECTIVE, EXPERIENCED AND DIVERSE LEADERSHIP

Composition of the Board

The Board currently comprises the Chairman, two Executive Directors and six Non-Executive Directors, four of whom the Board considers to be independent, being Chris Humphrey, Jennifer Allerton, Ron Mobed and Paula Dowdy. Chris Humphrey additionally has the role of Senior Independent Director.

Non-Executive Directors are appointed for a term of three years. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection on the day of the forthcoming Annual General Meeting.

In accordance with the UK Corporate Governance Code requiring all Directors who held office at 31 March 2019 to stand for re-election, resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors and the election of Paula Dowdy as a Director.

Biographies of each of the Directors, including their membership of Committees, are set out on pages 46 to 47.

Board meetings

It is expected that Directors and Committee members attend all scheduled meetings. The attendance of individual Directors at the regular meetings of the Board and its Committees in the year is set out in the table on page 51, with the number of meetings each was eligible to attend shown in brackets. In addition to formal scheduled meetings, the Board and Committees meet as necessary to consider matters of a time-sensitive nature.

When possible, meetings of the Board are held at the Group's operating sites in order to afford the Board, particularly the Non-Executive Directors, the opportunity to meet with local senior management and engage with the wider workforce to gain first-hand knowledge of our business, opportunities and challenges.

During the year, the Board held one of its meetings in Lake Forest, California, where a significant number of AVEVA colleagues are based, and spent additional days in Lake Forest speaking to employees during a Town Hall meeting and engaging with local senior management.

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Philip Aiken	7(7)			3(3)
Craig Hayman	7(7)			
James Kidd	7(7)			
Jennifer Allerton	7(7)	4(4)	6(6)	
Chris Humphrey	7(7)	4(4)		3(3)
Ron Mobed[1]	7(7)	4(4)	6(6)	0(0)
Emmanuel Babeau	7(7)		5(6)	
Peter Herweck	7(7)			3(3)
Paula Dowdy[2]	1(1)		0(0)	

1 Ron Mobed joined the Nomination Committee on 15 March 2019.
2 Paula Dowdy joined the Board on 1 February 2019 and the Remuneration Committee on 15 March 2019.

Cognisant of the requirements of the incoming 2018 version of the Code around workforce engagement, the Board is reviewing its annual calendar to ensure sufficient time is spent on strengthening the relationship between the Board and front-line employees. The Board will schedule at least one Board meeting per year in a non-UK office location.

Operation of the Board

The Board's activities are structured throughout the year to develop and support the delivery of the Group's strategy. The Chairman and Company Secretary continually review the annual corporate calendar to ensure that it remains effective.

The Board's agenda for its formal meetings comprises a combination of regular business matters and a forward-looking agenda of other specific matters for consideration. At each meeting sufficient time is devoted to key business matters but the agenda remains flexible to accommodate the addition of any specific items for discussion as required. Standing items and regular reports cover the Group's financial performance and position, risk management, operational reports from business areas, investor relations and shareholder feedback, as well as legal and governance matters.

During the year, in addition to its regular business items the Board has:

- Monitored and steered the integration of heritage AVEVA and SES;
- With the Nomination Committee, considered the appointment of the additional independent Non-Executive Director and other succession planning matters;
- Begun to address the impact of the 2018 Code and other governance regulation and legislative changes especially around workforce engagement and diversity;
- Kept under review potential new business opportunities; and,
- Considered the potential impact of Brexit and other macro-economic uncertainties on the Group.

Matters reserved for the Board

The Board, with the support of its Committees, has overall responsibility to provide guidance and effective leadership by setting the strategic direction of the Group and overseeing management's implementation of strategy. The Board continues to keep under review the schedule of matters reserved for decision by the Board. Main matters relate to strategy, major capital expenditure, major acquisitions and disposals, capital structure and financial results, internal controls, governance and risk management, Committee membership, and terms of reference. The full schedule is available on our website.

Committees

In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates authority and specific responsibilities to its Board Committees: Nomination, Audit and Remuneration. The Committees provide a detailed review and focus on different areas of the Board's work. Committee agendas and schedules of items to be discussed at future meetings are prepared in accordance with the terms of reference of each Committee and take account of other topical and ad hoc matters. Further detail on the work of each Committee is set out within each of the Committee reports, which immediately follow this report.

Independence of Non-Executive Directors and segregation of duties

The Code recommends that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. The independence of each Director is assessed annually and the Board has confirmed that all the independent Non-Executives standing for election, or re-election, at the 2019 AGM continue to be independent.

There is a clear division of responsibility between the roles of the Chairman, who is responsible for the running of the Board, and the Chief Executive Officer, who is responsible for day-to-day running of the Group's business. These responsibilities are set out in writing and agreed by the Board.

The Senior Independent Director (SID) provides a sounding board for the Chair and acts as an intermediary for the Non-Executive Directors, if required. The SID is responsible for leading the Non-Executive Directors in appraising the performance of the Chair. The Company Secretary ensures Board procedures are complied with and the Board has the information, time and resources to function effectively and efficiently. The role also involves advising the Board on governance, new Director induction programmes and briefings on governance, legal and regulatory matters.

CORPORATE GOVERNANCE REPORT CONTINUED

EFFECTIVENESS

Board and Committee Performance evaluation

The effectiveness of the Board, individual Directors and the Board's main Committees are reviewed annually, with an externally facilitated review every three years as required by the Code. The most recent externally facilitated evaluation was conducted in 2018 and the next external evaluation is expected to be conducted in 2020, a year earlier than planned to help evaluate the functioning of the new post-merger Board when it has 'bedded in'. This year the annual evaluation of the Board's and all Committees' effectiveness has been conducted internally by the Chairman supported by the Company Secretary.

Each Director completed a confidential questionnaire designed by the Chairman and Company Secretary and which included questions on Board structure, operation of meetings, risk and internal control and relationship with shareholders. Following analyses of the completed questionnaires, the Chairman held one-to-one meetings with each individual Director.

The Chairman discussed the final report on the performance evaluation with the Board at its March 2019 meeting.

The discussions also considered the progress made by the Board and Directors in implementing the recommendations of the previous evaluations. The Board recognised that the ELT and the Company Secretary had acted upon many of the recommendations identified in the 2018 review.

Key conclusions from the evaluation

It was noted that this was the first year of the enlarged Board following the merger and that the evaluation provided a good opportunity to review the Board's operations during the year and address any issues.

The conclusions of the review have been positive and have confirmed that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group. It was observed that the Board exercised strong oversight and provided good support, input and challenge as the Executive Directors have tackled a very busy agenda leading the business integration projects.

Other findings included:

- Succession planning should continue to focus on diversity of skills, market knowledge and ethnicity;
- The content of Board packs and reports could be improved with less detailed focus on historic performance;
- Committees operate effectively;
- Discussions should increase focus on strategically significant areas and strategy planning; and,
- Discussions and reports could provide more detail on customers and the competitive landscape.

The Company Secretary and Chairman will continue to review the conclusions drawn from the evaluation and implement actions as appropriate.

Board development

On joining the Board all Directors receive a formal induction to the Group, designed to enable them to understand AVEVA's core purpose and values, the key business segments, products and the markets it operates in so that they can be effective Board members from the outset. This includes meetings with ELT members, the Chairman, the Company Secretary and other AVEVA colleagues.

Board members are conscious of the need to keep themselves duly briefed and informed about current issues in the environment in which AVEVA operates. Specific and tailored updates were provided to the Board by members of the ELT. The Board also received reports from the Group General Counsel and Company Secretary on current legal, risk and governance issues, supported with presentations by external experts on Directors' duties, the 2018 UK code and Market Abuse Regulation. Ongoing development needs are considered when setting the Board's corporate calendar, including deep-dives, topic briefings, external training and site visits.

Internal control and risk management

AVEVA's risk management framework is designed to provide the Board with oversight of, and insight into, the most significant risks the Group faces. The Board has approved a set of policies, procedures and frameworks for effective internal control. Through its governance channels and reporting process, the Board ensures maintenance of a sound system of internal control and risk management including:

- Approving the Company/Group's risk appetite statements;
- Receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;

- Approving procedures for the detection of fraud;
- Approving training and awareness programmes for the prevention of bribery;
- Undertaking an annual assessment of these processes and policies; and
- Approving an appropriate statement for inclusion in the Annual Report.

The Board's monitoring and review include all material controls including financial, non-financial, operational and compliance controls. Key elements of the system of internal control include:

- Procedures for the delegation of authorities for significant matters, to ensure approval is sought at the appropriate level;
- Each member of the ELT has responsibility for specific aspects of the Group's operations;
- Regular reports to the Board from the ELT on key developments, financial performance and operational matters;
- Regular meetings between the ELT and Senior Leadership Team, which supports maintenance of the internal control and risk management processes, to review operational and financial controls;
- An annual budget process which is reviewed and approved by the Board;
- Regular meetings between the Executive team and senior regional teams to discuss actual performance;
- Key financial and operational measures and results are reported to the Board on a monthly basis;
- Targeted internal audit reviews which focus on confirming the operation of controls in key process areas; and,

- Maintenance of insurance cover to insure all major risk areas of the Group based on the scale of the risk and availability of the cover in the external market.

This overall approach enables the Board to form a robust assessment of the principal risks and uncertainties that might impact the company's business model, future performance, solvency and liquidity. AVEVA's principal risks map to the Group's strategic growth ambitions.

Principal risks are those risks considered material to the development, performance, position or future prospects of AVEVA. The principal risks and uncertainties the Group faces are set out on pages 26 to 30. The Board is supported in its duties by the Audit Committee which is responsible for ensuring the robustness of risk management processes. This also includes consideration of any substantial changes to principal risks, such as new or emerging risks, material changes to control frameworks in place, changes in risk scores and any significant risk incidents arising.

AVEVA's culture plays an important part in risk management. The Board and ELT encourage a culture of transparency, integrity and doing the right thing, in which identifying risk is encouraged, and actions are taken to ensure necessary controls or resources are in place to manage risk and ensure business objectives are delivered efficiently. During the next year, the Board will continue to support the ongoing improvements in risk management including a more holistic oversight of our principal risks and the identification and monitoring of key risk indicators.

Further detail on the work of the Audit Committee and AVEVA's internal control and risk management can be found on page 58.

Indemnities to Directors

In accordance with the Company's Articles of Association, Directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of the performance of their duties in their capacity as Directors to the Company. The indemnity would not provide any coverage to the extent the Director is proven to have acted fraudulently or dishonestly. The Company has maintained Directors' and Officers' liability insurance cover throughout the year.

Conflicts of interest

In accordance with the Companies Act 2006 the Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation, if such conflicts exist.

ENGAGEMENT

Dialogue with institutional shareholders

We maintained an active dialogue with our shareholders throughout the year through a comprehensive programme of investor relations activities. Meetings and communications focused on providing updates on progress against strategy, clarifying understanding of the business and an opportunity to listen to feedback.

We gave transparent information on the progress of the business by webcasting our full year and first half results presentations. In addition to this, in September 2018, the Board held a Capital Markets Day attended by the Chairman and the SID, ensuring that the information provided at that event to major shareholders and analysts was also made available to all shareholders via the Company's website.

Overall the Chairman, CEO, CFO and Head of Investor Relations conducted over 400 meetings and calls with investors during the course of the year, meeting investors in cities including London, Edinburgh, New York, San Francisco, Chicago, Frankfurt, Paris, Copenhagen and Milan.

In addition to direct meetings with investors, the Board receives regular investor relations updates from the CFO. These include details of market expectations around AVEVA's financial prospects, share register developments and feedback from shareholders. Investor views and any concerns are considered by the Board and, in particular, whether any action or response is appropriate.

We respond to daily queries from shareholders and analysts through our Investor Relations team. Our registrar, Link Asset Services, is available daily to answer shareholder queries in relation to technical aspects of their holdings. All our financial results presentations are available on our website.

Constructive use of the Annual General Meeting

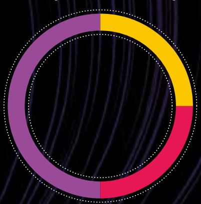
The Annual Report and Accounts is the main tool for providing a comprehensive review of the business, details of our governance framework in action and annual results. The Board encourages shareholders to attend the Annual General Meeting and is always willing to answer questions, either in the meeting itself or, more informally, afterwards. All Directors attend the AGM and are available to answer questions during and after the meeting. The Company releases the results of voting including proxy votes on each resolution the next business day through a regulatory news service and results can also be viewed on the Company's website. Details of the 2019 AGM are set out in the separate Notice of Meeting.

NOMINATION COMMITTEE REPORT

As we transform our business it is of vital importance that our Board and Executive Leadership Team have the right balance of diversity, skills, experience and knowledge

Philip Aiken
Chairman of the Nomination Committee
29 May 2019

Independence split



- Chair **1**
- Non-independent **1**
- Independent **2**

Membership and attendance

Chair	
Philip Aiken	3/3
Committee members	
Ron Mobed	0/0
Chris Humphrey	3/3
Peter Herweck	3/3
Attending by invitation	
CEO	
Deputy CEO and CFO	
Deputy CFO and Company Secretary	
Other members of the Board	

The Committee's primary responsibilities are as follows:

- To ensure and lead a formal, rigorous and transparent procedure for appointing new Directors to the Board and its Committees;
- To ensure that the Board and its Committees have the right balance of skills, market and sector knowledge, experience and diversity to discharge their duties effectively;
- To continuously review succession plans for Directors and assist the Board with review of succession plans for senior executives;
- To review sufficiency of Non-Executive Director time commitments; and
- To recommend Directors for re-election by Shareholders.

Membership and meetings

With Ron Mobed joining the Committee earlier this year, the Committee now has four members consisting of the Chairman, two independent Non-Executive Directors and one Schneider Electric Non-Executive Director (as per the terms of the Relationship Agreement). The Committee holds a minimum of two meetings per annum, and met three times during the year under review. The Company Secretary is secretary to the Committee and attends all meetings.

The meeting agendas include recurring standing items as well as additional matters arising that require the Committee's attention.

Key activities during the year

Board and committee composition

The Committee spent a significant amount of time developing and implementing its plan to find a new independent Non-Executive Director. Prior to the 2018 AGM the Committee started a review of the Board and Committee composition taking into consideration various factors including independence, diversity and the balance of knowledge, experience and skills. The review identified that it would be valuable to appoint an additional female independent Non-Executive Director to the Board.

The Committee reviewed search agencies to assess the firm that best demonstrated its understanding of the business and the critical factors in identifying appropriate candidates for the Non-Executive role. Following this process, the Committee recommended and the Board appointed Spencer Stuart, an independent executive search and leadership consulting firm with no connection to AVEVA, to source suitable candidates for consideration. The Committee recommended Paula Dowdy for appointment to the Board and she joined with effect from 1 February 2019.

The appointment gave the Committee the opportunity to review the membership of the Board committees and on 15 March 2019 Paula was appointed to the Remuneration Committee, and Ron Mobed was appointed to the Nomination Committee.

The Board recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to prior Board approval and retention of fees for such appointments are considered on a case-by-case basis when approval is sought.

As part of its duties, the Committee ensures that all newly appointed Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of Non-Executive Directors in terms of time commitment, Committee service and involvement outside Board meetings.

Succession planning

Since the merger of AVEVA and SES, the Committee's priority has been appointment of the CEO, Schneider Electric Non-Executive Directors and an additional independent Non-Executive Director. The Committee had taken a considered decision to be mindful of succession planning in the course of their work but to give the subject focused attention once the new Board and Committee structure and ELT were securely in place.

The Committee will now continue to review Board and Committee composition to ensure that there is effective succession planning at Board level. It will keep under review the length of service of Board members, together with a Board skills matrix.

The Committee's succession planning not only takes into consideration the Company's long-term needs and natural evolution of the Board, but also short-term needs such as unforeseen departures and contingency for unexpected Board changes.

In cooperation with the Board, the Committee will also be formulating succession plans for the ELT taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

Diversity

The Board and the Nomination Committee recognise the importance of diversity and inclusion both in the boardroom and throughout the organisation and understand that a diverse Board will offer wider perspectives which lead to better decision-making, enabling it to meet its responsibilities. As part of this, the Board's diversity policy considers a broad range of characteristics when considering diversity including age, disability, social and educational background, as well as gender and ethnicity.

During the year, the Committee considered the external reviews on diversity, namely the Hampton-Alexander and Lord Davies Reviews. When recruiting, we will continue to seek to address any diversity gaps on our Board. We currently have two female Board members out of nine which represents 22% female representation. Any future Board appointments, however, will continue to be based on objective criteria to ensure that the best individuals are appointed for the role. The chart on page 47 illustrates the gender diversity of the Board.

The Board with the support of the Nomination Committee endeavours to foster a diverse workforce that matches our customers and delivers our business goals and strategy. It is committed to supporting workforce initiatives that promote a culture of inclusion and diversity. Improvements were seen at the Executive Committee level with female representation also rising with the appointment of Lisa Johnston as Chief Marketing Officer. Our CEO, Craig Hayman, has personally committed to the United Nation's Women's Empowerment Principles, a set of real-life business practices to promote gender equality. For more information on diversity initiatives across AVEVA, please see pages 40 to 42.

Annual review

As part of the annual Board and Committee evaluation, discussed in the Corporate Governance Report on page 52, the Committee assessed its own performance and effectiveness. The Committee members concluded that it operates effectively and that the Committee would be strengthened by the addition of Ron Mobed as a member.

In addition to its annual performance evaluation the Nomination Committee carried out a review of its Terms of Reference during the period. The Committee is mindful that the incoming 2018 version of the Code for reporting in 2020 expands its remit in relation to succession planning, and the requirement of securing a diverse succession pipeline. The Committee has updated its Terms of Reference accordingly and will address these issues in the coming year. These can be found in the Investors section of the Company's website.

The Committee is responsible for reviewing and implementing any feedback from the annual Board performance evaluation relating to Board composition. This includes reviewing the time Non-Executive Directors are required to give to their roles at AVEVA. The Committee has consequently considered the time required from each Non-Executive Director, their effectiveness and the experience brought to the Board. We were satisfied that each Director continues to contribute the time, as well as the focus, care and quality of attention, to fulfilling their duties to the Company and its Shareholders.

Based upon the evaluation of the Board, its Committees and the continued effective performance of individual Directors, the Committee recommended to the Board that all Directors stand for re-election at the Company's AGM and that Paula Dowdy stands for election in accordance with the Company's Articles of Association.

2019/20 priorities

The Committee will continue to assess what enhancements should be made to Board and Committee composition, succession planning at Board and Executive level and will continue to support the ELT's work in developing a diverse workforce.

An initial priority will be to develop the Committee's processes in order to be compliant with the expanded responsibilities for Nomination Committees under the 2018 Code.

Recruitment of Paula Dowdy

Before commencing the search for an independent Non-Executive Director, the Committee met to consider the desired skills, personal attributes and experience required for the role in the light of the future needs and challenges of the business. In addition, we discussed the recruitment process and identified the criteria for selecting a search agency.

A list of potentially suitable candidates was presented for the Committee's consideration from which the first-round candidates were identified for interview. The Committee members were unanimous in their selection of the shortlist based on the relevance of each individual's skills, experience and attributes to the criteria already identified. Each of these shortlisted candidates were then invited to spend time in the business with the Chairman, other Nomination Committee members and CEO to gain insight into the business and to enable the candidate to assess what would be required of them over time in the role as an independent Non-Executive Director. This was followed by a group meeting with all other Directors.

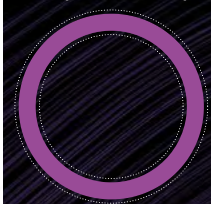
The Chairman then met with each of the shortlisted candidates to discuss their initial feedback and thoughts on the role and the business. The Board took references, and soundings from the Company's advisers, before concluding that the broad operational and technology-related experience of Paula Dowdy across multiple jurisdictions, made her the ideal candidate.

AUDIT COMMITTEE REPORT

We are committed to ensuring the integrity of the Group's financial reporting, audit process, key risk management and internal control

Christopher Humphrey
Audit Committee Chairman
29 May 2019

Independence split



- Independent **3**
- Non-independent **0**

Membership and attendance

Chair	
Christopher Humphrey	4/4
Committee members	
Jennifer Allerton	4/4
Ron Mobed	4/4
Attending by invitation	
Chairman	
CEO	
Deputy CEO and CFO	
Deputy CFO and Company Secretary	
Group General Counsel	
Head of Internal Audit & Risk	
Other senior members of the Group Finance team	
External audit partner	

The Audit Committee is appointed by the Board. The members are Christopher Humphrey (Chair), Jennifer Allerton and Ron Mobed. All the Committee members are regarded by the Board as independent Non-Executive Directors. Committee meetings are also regularly attended by other Board members and relevant senior management at the invitation of the Chair, to provide company insight, advice and reports to help the Committee consider the Company's approach to its primary responsibilities. In addition, the external audit partner is invited to attend all meetings.

The Committee's primary responsibilities are as follows:

- to monitor the financial integrity of the Group and its financial statements;
- to review the Group risk management processes and internal controls; and
- to monitor the robustness of the internal and external audit processes.

Committee membership and skills

I was appointed Chairman of the Committee in November 2016. The Board believes I have the necessary recent and relevant financial experience as required by the UK Corporate Governance Code (the "Code"), as I am a Chartered Management Accountant and a Fellow of CIMA, and have previously held the role of Chief Executive Officer and previously Group Finance Director of Anite plc, a UK-listed company, and prior to that senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. I have maintained an up-to-date understanding of financial and corporate governance best practice by attending many training sessions and updates presented by the major accounting firms.

The Board also considers that the other members of the Committee have a broad range of appropriate skills and strong experiences covering financial, commercial and operational matters. Brief biographical details for all the members of the Committee are included on pages 46 and 47.

The Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we have considered, including compliance with the Code and associated Guidance on Audit Committees. I confirm that we have fully complied with the requirements of the Code as issued in April 2016 and that we are advanced in our preparations for the 2018 code which applies to accounting periods beginning on or after 1 January 2019.

The Committee usually meets four times a year.

Audit Committee terms of reference

The role of the Committee is set out in its terms of reference which are available on the company's website at www.aveva.com. The Committee monitors the integrity of the financial statements of the Group and the Committee members (as part of the full Board) review all proposed regulatory announcements to be made by the Group, with consideration given to any significant financial reporting judgements included or required.

The Committee considers the effectiveness of financial reporting and internal controls, compliance with legal requirements, accounting standards and the Listing, Disclosure and Transparency Rules of the Financial Conduct Authority. We also review any proposed change in accounting policies and any recommendations from the Group's auditor regarding improvements to internal controls and the adequacy of resources within the Group's finance function. The Committee also assesses the process that has been established to ensure that the Annual Report is fair, balanced and understandable, reporting to the Board on their findings.

Committee activities in 2018/19

I chaired four scheduled meetings of the Committee in 2018/19, working closely with management to ensure that the Committee is provided with the comprehensive information and support that it requires.

Agendas include annual reporting requirements, risk assurance processes and other ad-hoc matters which may arise and require robust review and challenge.

The following specific business was dealt with at each meeting during 2018/19:

June 2018	• Review of Committee objectives for 2018/19 • Year-end reporting; including: – Review of draft accounts – Accounting judgments, tax review, going concern & viability statement – External auditor's reports • Risk & Internal Controls; including: – Minimum internal controls programme – Internal audit actions status – Approach to risk management refresh, including principal risks • Private meeting between Committee and external auditors • Private meeting between Committee and executive management
September 2018	• Review of Committee objectives for 2018/19 • Update on Finance Integration • Treasury update • External auditor update • Risk & Internal Controls; including: – Review of proposed 2018/19 Internal Audit Plan – Internal audit update – Risk management update – IT Security update – Whistleblowing process review and recommendations
November 2018	• Review of Committee objectives for 2018/19 • Interim reporting; including: – Accounting update report from management – Tax update – Interim report from external auditors – Review of draft interim report – External auditor planning • Risk & Internal Controls; including: – Risk management update – Internal audit update • Update on Finance Integration • Whistleblowing update
March 2019	• Review of Committee objectives for 2018/19 and proposed objectives for 2019/20 • Review of Audit Committee Terms of Reference • Year-end planning • Risk & Internal Controls; including: – Internal audit update – Risk management update – Review of proposed 2019/20 Internal Audit Plan • Treasury update • Tax update • Review of external auditor fees

AUDIT COMMITTEE REPORT CONTINUED

Audit Committee objectives for 2018/19

The Audit Committee agreed several objectives at the start of the financial year.

Objectives	Activity in the year	Progress
Integration	The Combination of the AVEVA and SES created a much larger Group and one with a different financial risk profile. The Committee sought to understand the integration process and specifically understand how this would change financial processes and financial reporting as well as any new financial risks faced by the Group – for example, project delivery.	To understand and assess the risk of the enlarged Group, individual members of the Committee were briefed on the new elements of the enlarged business and have visited new key locations.
Refresh Enterprise Risk Management for the enlarged Group	Given the merger of the heritage AVEVA business with the heritage Schneider Electric Software business, there was a need to review enterprise risk management processes throughout 2018/19 to ensure that they are effective in managing risk within the enlarged organisation, that the new Executive Leadership Team (ELT) is fully engaged with risk and that the Board's risk management expectations are fully met.	Further detail on the progress of this objective is included on pages 26 to 27. Overall, good progress has been made with the Committee overseeing the introduction of a new AVEVA risk governance structure that involves the Board, the Executive Leadership Team, the Strategic Leadership Team, business units and business functions.
Development of in-house internal audit function	2018/19 saw the introduction of an in-house internal audit function for the enlarged Group. The Committee has been focused on directing and supporting this function and ensuring that it provides an adequate level of coverage and assurance to meet the Committee's needs. The 2018/19 Internal Audit Plan was successfully achieved and included balanced geographical coverage of the Group's operations.	The internal audit function has also led a Minimum Controls Project. This has involved building on existing defined minimum controls frameworks, establishing minimum required control objectives for the enlarged Group, executing a roll-out programme and designing a continual compliance assurance and consulting process to ensure an effective internal control base across the Group.
R&D reporting	The Committee had requested improvements in the reporting of progress and risk on key Product Development projects. Reporting should include metrics, profitability and roadmap progress. Reporting covering the enlarged Group was to be established and presented to the Committee.	The Committee has received updates from the R&D function throughout the year and in addition a detailed review was conducted on-site in Lake Forest during March 2019. This update covered latest technology development and development techniques and strategies.

Risk and internal controls

The principal risks the Group faces are set out on pages 26 to 30. At least on an annual basis, the Committee considers the Group risk register and related management controls. Throughout the process, the Board or the Committee:

- considers whether areas should be looked at more closely through specific control reviews;
- identifies areas where enhancement of internal controls is required; and
- agrees action plans to deliver the necessary or recommended enhancements.

The Committee has developed a framework to gain assurance over the system of internal financial and operational controls. This comprises:

- The annual Internal Audit Plan. The Committee receives regular updates from the internal audit function on the outcomes of agreed reviews.
- The use of qualified third parties to undertake specialist reviews in more technical areas. During 2018/19, Deloitte performed cyber security penetration testing over our business.
- An annual assessment by the Committee of the whole system of internal financial and operational controls.

There is a formal whistle-blowing policy which has been communicated to employees. During 2018/19 this policy was reviewed and processes strengthened given the increased scale of the Group. This policy provides information on the process to follow if any employee feels it is appropriate to make a disclosure. The Committee is satisfied that the process is effective and reviews key issues which are reported.

Key estimates and judgments

The Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates. These include revenue recognition, provisions for impairment of receivables, the valuation of retirement benefit obligations and the uncertainty of tax treatments in certain jurisdictions. Annually, the Committee considers the going concern principle upon which the financial statements are prepared and the Group's viability statement disclosures.

Internal audit

The Company established an in-house internal audit function during 2018/19. This has included the agreement and successful execution of an annual internal audit plan, providing the Committee with an independent view on the strength of internal controls. Where some audit reviews require specialist resource or capacity then independent third parties may be used. As a Committee, we believe this resourcing model provides the most effective approach.

External audit

Ernst & Young (EY) have been our auditor since the financial year ended in March 2003 and cannot therefore remain our auditor beyond 2023. During the year, we complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Audit partners are rotated every five years and a formal statement of independence is received from the auditor each year. The Board and the Committee are satisfied that the independence and objectivity of the auditor has been maintained. The current audit partner, Marcus Butler, will complete his fourth year with the Group this year.

The Committee also advises the Board on the auditor's remuneration and discusses the nature, scope and results of the audit with the external auditor.

In compliance with legislation on non-audit services provided by the external auditor, fees for non-audit work paid to EY in the year were approximately £3k and the Committee considered that the independence and objectivity of the EY audit would not be impaired by this work.

The effectiveness of the external audit process is dependent on appropriate audit risk identification and a robust assessment of key estimates and judgements at the start of the audit cycle. We challenge the auditor regarding their test of management's assumptions each audit cycle and also request feedback from management on its assessment of auditor effectiveness. Overall, both management and the Committee are satisfied at the quality and effectiveness of the external audit process.

The audit fees paid to EY for the statutory audit were £0.9 million. The Committee continues to keep under review the cost effectiveness and quality of the audit service.

The Committee meets quarterly with the auditor without any members of the Executive Leadership Team being present. I also meet with the external auditor from time to time away from the Company's offices.

Audit planning and main audit issues

At the November 2018 meeting of the Committee, the auditor presented its audit plan for 2018/19. This included a summary of the proposed audit scopes for the year for each of the Group's subsidiaries and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group together with the auditor's proposed audit approach to these significant risk areas.

FRC reviews

The Company was not subject to any FRC reviews during 2018/19. Should this occur in future, we will advise shareholders in the subsequent Annual Report.

Committee objectives for 2019/20

In March 2019, the Committee considered the objectives for the year ahead and it was agreed the following would be prioritised:

- Continued focus on integration progress;
- Continued development of the internal audit and risk management functions;
- Focus on control around fixed priced contracts;
- Overview of IT strategy and processes (including new ERP system); and
- Annual updates on Tax and Treasury Strategies.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee has been working hard this year to ensure that our remuneration framework is aligned to the strategic direction of the business and reflects the global workforce and markets in which we operate.

Jennifer Allerton
Remuneration Committee Chair
29 May 2019

"I am pleased to introduce the Directors' Remuneration Report of the first complete year following the Combination, which has resulted in tremendous growth for AVEVA"

CONTENTS

Annual Statement

Dear Fellow Shareholder,

I am pleased to present my second Directors' Remuneration Report in the year following the merger with SES.

As a summary, this Report contains the following sections:

- This Annual Statement
- The 'at a glance' section
- The Policy (Part A)
- The Implementation Report (Part B)

Introduction

This has been a busy year for the Remuneration Committee as we look to align the current Remuneration Policy with the enlarged Group's objectives and greater geographic dispersion of the organisation. The Committee believes the existing policy approved at last year's Annual General Meeting is still appropriate and operating as intended. As it received support of over 96% of our shareholders, we are not seeking to make any changes this year. We acknowledge the 28% vote against the Performance & Retention Award resolutions for James Kidd and David Ward. These awards were agreed by shareholders as part of the deal with Schneider Electric and have been successful in retaining both these critical employees through the integration period.

AVEVA has had a very strong performance this year with demand for industrial software continuing to grow as companies invest further in digitalisation. We have made good progress with the strategic initiatives shared in September 2018 at our Capital Markets Day. Accordingly, the pay outcomes this year reflect this strong performance, with Executive bonuses paying out close to the stretch targets. The Committee considers it appropriate that the relative payout of Executive Directors' bonus schemes is in line with those of the wider workforce and pay out at the same rate.

As per last year's Remuneration Report, Part A of this report lays out the Remuneration Policy. Part B lays out the Implementation Report and contains details of how the Policy was implemented in 2018/19 and an outline of our intentions for 2019/20.

Board changes during the year

I am very pleased to welcome the appointment of Paula Dowdy to the Remuneration Committee. Paula brings a wealth of experience of the IT marketplace in the US and the UK. As we increased the Non-Executive Director fee cap to encompass the enlarged Board last year, no further changes are required to allow for her appointment.

Other Committee activities during the year

Aside from our normal annual duties surrounding bonus target setting, agreeing the outcome of our Long Term Incentive Plan and who should participate in the Group share option plan, the Committee undertook a number of additional activities including:

- Reviewing the performance conditions for the outstanding Long-Term Incentive Plans for heritage AVEVA staff as some measures were no longer meaningful to the enlarged business;
- Reviewing and approving the new Executive Leadership Team remuneration, including shareholding guidelines; and
- Agreeing the Key Performance Indicators for the Performance and Retention Award for James Kidd.

The 2018 revisions to the UK Corporate Governance Code (the Code) become effective for the 2020 Annual Report and Accounts. The Committee has spent time reviewing the changes and their impact on the current policies, procedures and levels of employee engagement that the Committee has in place. In general, the Company is well aligned with the Code and will be further reviewing guidance as it develops.

The Committee has also reviewed the progress of the Human Resources integration workstream as countries exit Transitional Services Agreements (TSAs) with Schneider Electric. We are taking the opportunity to better align employment terms and conditions and to review our positioning against the market. We will continue to review this over the next few months as we complete the exit of the last TSAs.

I am also pleased that the Board continues its dialogue with employees. As well as 34 'Meet and Greet' events undertaken by the Executive Leadership Team during the year, the Board held a Town Hall with employees in Lake Forest, California in March 2019. It also met a number of employees in smaller group sessions. Phil Aiken and Chris Humphrey also undertook individual visits to Lake Forest earlier in the year. We believe this direct face-to-face discussion with employees fits the culture of AVEVA best.

Remuneration for 2019/20

Salary increases are in line with the UK workforce average. There are no proposed changes to the structure or quantum of bonuses or LTIPs for the forthcoming year.

In conclusion

I hope you find the contents of this report clear and support the approaches and amendments proposed.

The Implementation Report contains full details of how the Policy was implemented in 2018/19 together with an outline of our intentions for 2019/20.

Finally, immediately prior to the Policy, overleaf, you will find a double page spread, clearly describing remuneration arrangements in 2018/19 and 2019/20.

Jennifer Allerton
Remuneration Committee Chair

REMUNERATION AT A GLANCE

Key elements of the Directors' Remuneration Policy and payments made in accordance with the policy are summarised below.

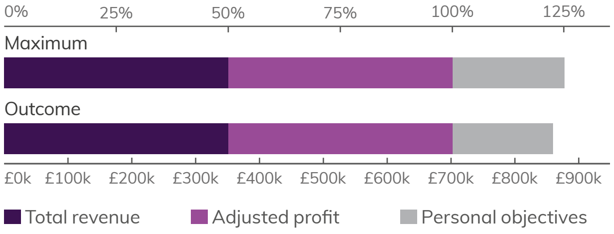
	Key elements	Applies to	2018/19	2019/20
Fixed pay	Base salary	Craig Hayman	£700k	£718k
		James Kidd	£500k	£513k
	Pensions	Both EDs	10% of salary	
	Benefits	Both EDs	Car allowance, fuel allowance and £600 of flexible benefits	
		Applies to	Paid in June 2018	Paid in June 2019
Annual bonus	Performance period	Both EDs	**2017/18**	**2018/19**
	Maximum opportunity	Both EDs	125% of salary	125% of salary
	Opportunity applied	Both EDs	125% of salary	125% of salary
	KPIs	Both EDs	Discretionary Remuneration Committee assessment against individual strategic performance objectives	
	Payable	Craig Hayman	£48k (48% of maximum)	£857k (98% of maximum)
		James Kidd	£563k (100% of maximum)	£613k (98% of maximum)
		Applies to	2018 award	2019 award
Long-term incentives	Performance period	Both EDs	1 April 2018 – 31 March 2021	1 April 2019 – 31 March 2022
	Maximum opportunity	Craig Hayman	250% of salary	250% of salary
		James Kidd	250% of salary	250% of salary
	Opportunity applied	Craig Hayman	250% of salary	250% of salary
		James Kidd	175% of salary	175% of salary
	Time horizon	Both EDs	3-year performance period, followed by a 2-year holding period.	
	Criteria	Both EDs	EPS growth 50%	
			Relative TSR performance 25%	
			Strategic objectives 25%	
		Applies to	Current requirement	Position at 31 March 2019
Ownership	Share ownership guidelines	Craig Hayman	200% of salary	200% of salary
		James Kidd	200% of salary	200% of salary

			2017/18	2018/19	
			Using the single figure table	Using the single figure table	Excluding effect of buy-out awards
CEO ratios	CEO pay compared to UK employee pay	25th percentile	13:1	87:1	19:1
		50th percentile	18:1	118:1	26:1
		75th percentile	24:1	163:1	36:1

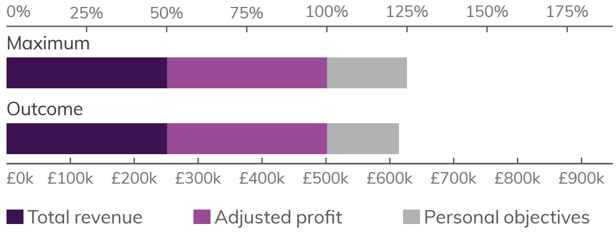
1 The CEO pay ratio for FY19 has been calculated by comparing the single figure of remuneration of the CEO to the 25th, 50th and 75th percentile UK employees. Remuneration includes salary, benefits, pension, bonuses and share awards. All amounts are on a full time equivalent basis. The pay ratio for FY18 has been restated following the publication of additional guidance. The CEO pay ratio increased in FY19 due to the partial vesting of one-off buy-out awards for the CEO.

Annual Incentive Scheme

Craig Hayman
% of salary

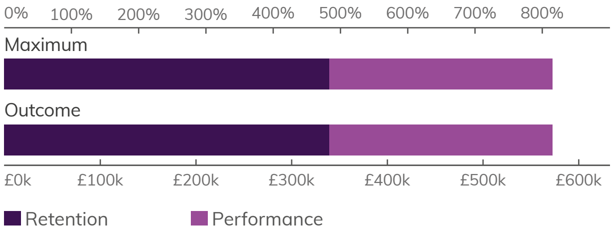


James Kidd
% of salary



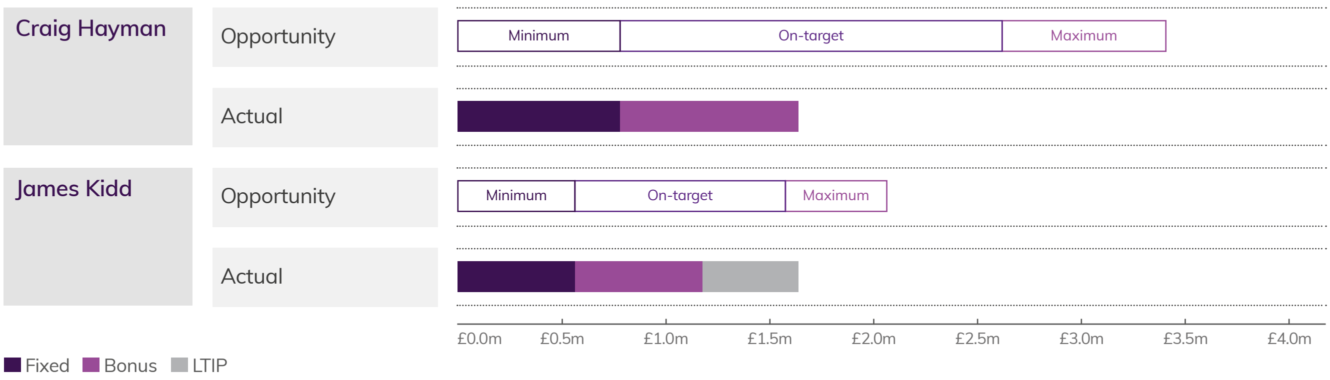
Long-term Incentive Scheme

Craig Hayman – buy-out award vesting
% of salary



James Kidd – LTIP vesting
% of salary

Maximum total remuneration opportunity compared to actual remuneration received for the year ending March 2019



REMUNERATION COMMITTEE REPORT CONTINUED

Part A: The Directors' Remuneration Policy

This report sets out the information required by Part 4 of Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"). The report also satisfies the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the Board has applied the principles and complied with the provisions relating to Directors' remuneration in the UK Corporate Governance Code.

The table below summarises the Committee's policy on the remuneration of Executive Directors as approved by shareholders at the Annual General Meeting on 11 July 2018, and which became binding immediately thereafter. It is currently intended that the policy will remain valid until the 2021 Annual General Meeting.

The Remuneration Committee aims to ensure that: the Executive Directors are provided with appropriate incentives to align them with the achievement of the Company's long-term strategy and the future creation of shareholder value; enhanced performance is encouraged; and, the Executive Directors are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Excessive risk-taking is neither encouraged nor rewarded.

It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to deliver short and long-term goals. The Company's policy is that a substantial proportion of remuneration of Executive Directors should be performance-related and should be delivered in shares to create alignment with shareholders' interests. Remuneration for Executive Directors is set in the context of the economic environment in which the Group operates, the outcome of the wider pay review for all Group employees as well as the financial performance of the Group. When determining remuneration arrangements, the Committee takes into consideration relevant external considerations as well as the remuneration for employees of the Group generally.

Remuneration commitments made which were consistent with the approved Remuneration Policy in force at that time shall be honoured, even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary • Helps recruit and retain employees. • Reflects experience and role.	• Base salary is normally reviewed annually with changes effective from 1 April, although salaries may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate. • The Committee determines base salary taking into account factors including, but not limited to: – The individual's role, experience and performance in achieving financial and non-financial goals within his areas of responsibility. – Salaries at other companies of a similar size and complexity as well as global technology peers. – Remuneration of different groups of employees within the Company. – Total organisational salary budgets. • The Committee takes a phased approach to new salaries where appropriate. • Paid in cash.	• In determining salary increases the Committee generally considers the factors outlined in the 'operation' column. • Salary increases will normally be in line with the range of increases in the broader workforce salary, although higher increases can be made in certain circumstances, for example: – an increase in the individual's scope of responsibilities; – in the case of Executive Directors who are positioned on a lower initial salary while they gain experience in the role; or – where the Committee considers that salary is behind appropriate market positioning for a company of AVEVA's size and complexity. • However, no salary increase will be paid to an incumbent to the extent that this increases the salary beyond £900,000.	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pensions • Provides a competitive retirement benefit in a way that is cost effective to the Company.	• The CEO and CFO are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). • The intention is that new appointments to the Board would also participate in the AVEVA Group Personal Pension Plan or receive an equivalent cash payment. However, if appropriate the Committee may determine that alternative arrangements for the provision of retirement benefit may apply. When determining pension arrangements for new appointments the Board will give regard to the cost of the arrangements, market practice and the pension arrangements received elsewhere in the Group.	• 10% of base salary (pension contribution and/or cash alternative).	None
Benefits • Help recruit and retain employees. • Provide a competitive range of valued benefits. • Assist toward early return to work in the event of illness or injury.	• The benefit policy is to provide an appropriate level of benefit taking into account market practice at other companies of similar size and complexity and the level of benefits provided for other employees in the Group. • In line with benefits provided for other senior employees in the Group, Executive Directors currently receive a mobility allowance or company car, a fuel allowance and an annual allowance toward a range of benefits. • In the event that an Executive Director was required to re-locate to undertake their role, the Committee may provide additional benefits to reflect the relevant circumstances (on a one-off or ongoing basis). • Benefits are reviewed by the Committee in the context of market practice from time to time and the Committee may introduce or remove particular benefits if it is considered appropriate to do so. • If the Company were to operate an all-employee share plan in the future, Executive Directors would be entitled to participate in the plan on the same terms as other employees.	• The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances. • However, the addition of further benefits to those already provided (excluding relocation/recruitment-related benefits and participation in any all-employee share plan) will not result in the aggregate benefit provision for any Executive Director increasing to over £50,000.	None

REMUNERATION COMMITTEE REPORT CONTINUED

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Incentive Scheme • Incentivises and rewards the achievement of annual financial and strategic business targets and delivery of personal objectives. • Deferred element encourages long-term shareholding, helps retention and discourages excessive risk-taking.	• The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies. • Performance targets are set by the Committee on an annual basis and ordinarily disclosed retrospectively. • The Committee determines the level of bonus paid taking into account performance against targets, the underlying performance of the business and Executive Directors' performance during the year. • 40% of any bonus earned is deferred into shares under the Deferred Share Scheme[1], to which malus/clawback provisions apply[2].	• The maximum bonus opportunity is 125% of base salary.	• The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. • Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. However, the annual bonus plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the annual bonus plan for any performance measure should it consider that to be appropriate (e.g. if the provisional bonus outturn does not in the Committee's view reflect overall shareholder expectations).
The AVEVA Group Long-Term Incentive Plan (the LTIP) • Establishes a motivational and performance-orientated structure to incentivise Directors to focus on the creation of shareholder value aligned with the longer term strategy for the Group.	• Awards vest based on performance over a period of three years and are subject to a subsequent two-year holding period. • Awards under the LTIP may be granted in the form of conditional awards or nominal cost options or phantom options which will be settled in cash. • Dividends can accrue on shares during the vesting period. • The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders while remaining motivational for management. • The Committee shall determine the extent to which the awards will vest based on performance against targets and taking into consideration the wider performance of the Group. • Malus/clawback provisions apply[2].	• Awards over shares worth no more than 250% of salary may be made each year.	• The Committee may set such performance conditions on awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual. • Performance periods may be over such periods as the Committee selects at grant, which will not normally be less than, but may be longer than, three years. • Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a vesting of more than 25% of the maximum portion of overall award attributable to that measure, with a sliding scale to full payout for maximum performance. • The Committee may in its judgement adjust the vesting outturn should it consider that to be appropriate (e.g. if the provisional vesting outturn does not in the Committee's view reflect overall shareholder experience).

Policy table footnotes

1 Deferred awards will normally deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted. The Committee has discretion to determine an alternative vesting profile. Dividends can accrue on deferred shares during the deferral period.

2 Awards granted under the Deferred Share Scheme and, from 2012 onwards, under the LTIP, are subject to malus and clawback provisions. Those provisions may apply at the discretion of the Committee if accounts are corrected or published that indicate the relevant performance was materially worse than in the accounts used to assess vesting. Other elements of remuneration are not subject to malus or clawback.

Stating maximum amounts for the Remuneration Policy

The DRR Regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors and in exceptional circumstances their families may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Committee discretion

The Committee reserves the right to make any remuneration payments and payments for loss of office (including the exercise of any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' include the Committee satisfying awards of variable remuneration and an award over shares is 'agreed' at the time the award is granted.

The Committee may operate the LTIP, the annual bonus and the Deferred Share Scheme in accordance with their terms. This includes:
- The selection of participants;
- The timing of grant of an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of performance against targets and resultant vesting/bonus pay-outs;
- Discretion required when dealing with a change of control or restructuring of the group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- The annual review of performance measures, weightings and targets from year to year.

In addition, while performance measures and targets used in the annual bonus plan and LTIP will generally remain unaltered, if events occur which, in the Committee's opinion, would make a different or amended target a fairer measure of performance, the Committee can make such amendments to the targets as it considers appropriate.

Any use of these discretions would, where relevant, be explained in the Directors' Remuneration Report and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders. In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the adoption of this policy. The Committee may also make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Remuneration arrangements throughout the Group

Throughout the Group, remuneration is determined based on the same principles: that remuneration arrangements should be appropriate for the role without paying more than is necessary and that pay should be structured to incentivise individuals to deliver the objectives of their role. AVEVA employs over 4,500 employees in over 150 locations with roles ranging from administrators to technical specialists and sales staff. The structure and level of reward therefore differs from role to role depending on skills, experience, level of seniority and market practice for the role. AVEVA's sales employees participate in commission plans that are designed to encourage the growth objectives of the Group. More senior employees have annual bonus plans, with the Executive Leadership Team receiving a portion of bonus in shares which is deferred for up to three years. Senior employees within the Company participate in the LTIP and a Restricted Share Plan.

Selection of performance measures

The Committee's guiding principle is that remuneration arrangements that operate throughout the Group should support the delivery of our long-term business strategy and therefore the creation of shareholder value. Our key long-term strategic priority is to deliver strong but sustainable revenue and profit growth to support the delivery of this strategic priority. The metrics used in our annual bonus arrangements and LTIP are chosen with this in mind, with the payment of bonuses and the vesting of long-term incentives subject to stretching targets established by the Committee at the beginning of each performance period. These targets are set taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance.

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration Policy for new hires

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of an individual of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- The structure of the on-going remuneration package would normally include the components set out in the policy table for Executive Directors.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors, which may include the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining such 'buy-outs' the guiding principle would be that awards would generally be on a 'like for like' basis to those forfeited unless not considered appropriate.
- To facilitate awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director in accordance with Listing Rule 9.4.2. This provision permits the granting of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval.
- The maximum level of variable remuneration which may be awarded (excluding any "buy-out" awards) is in accordance with limits on the Company's incentive plans as set out in the policy table.
- Where an Executive Director is required to relocate to take-up their role the Committee may provide reasonable assistance with relocation (either via one-off or on-going payments or benefits) taking into account the individual's circumstances and prevailing market practice.
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

Executive Director service contracts and policy on payment for loss of office

When determining leaving arrangements for an Executive Director the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

The service contracts for current and non-current Executive Directors include the following terms:

Name	Date of Contract	Date of Appointment	Continuous Service Date
Current Executive Directors			
Craig Hayman	19 February 2018	19 February 2018	19 February 2018
James Kidd	17 February 2017	1 January 2017	5 January 2004

The service agreements are available to shareholders to view on request from the Company Secretary.

Notice Period	The CEO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The CFO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The service agreements provide for a period of garden leave. The Committee will determine the appropriate notice period for any new Director taking into account the circumstances of the individual and market practice. Any notice period will normally be no longer than 12 months. The Committee reserves the right to provide a longer initial notice period of up to 24 months reducing to 12 months over the first 12 months of employment if it considers this to be appropriate.
Payment in lieu of notice	In the event of termination of contract without notice, the Executive Director shall be entitled to a payment in respect of salary for the period of notice. Such payment will normally be made in instalments and subject to mitigation but the Committee shall have discretion to make a single payment if this is considered appropriate.
Annual Bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial year in which they ceased employment. Such Annual Bonus award will be determined by the Committee taking into account the circumstances for leaving, time in employment and performance.
Deferred Share Scheme	**Death:** In the event of a participant's death unvested awards shall vest. Where awards are in the form of options they may be exercised for a period of up to 12 months from death. **Good leavers:** At the discretion of the Committee, leaving by reason of injury, disability, redundancy, the Company for which the participant works leaving the Group or any other reasons determined by the Committee. Awards shall continue in full and vest on the originally anticipated vesting dates. Alternatively, the Committee may determine that awards should vest when the participant ceases employment. Awards in the form of options may be exercised in accordance with the rules of the scheme. **Leavers in other circumstances:** Awards will normally lapse.
Long Term Incentive Plan	**Good leavers:** At the discretion of the Committee, leaving as a result of death, injury, disability, redundancy, retirement, the Company for which the participant works leaving the Group or any other reason. Unvested awards shall continue in existence for the remainder of the performance period. At the end of the performance period, the awards may be permitted to vest to the extent determined in accordance with the applicable performance conditions and, unless the Committee determines otherwise, then reduced to reflect the period that elapsed from the start of the performance period to the date of cessation as a proportion of the performance period. **Leavers in other circumstances:** Awards will normally lapse. Vested but unexercised options held by participants who leave employment other than due to gross misconduct may be exercised for a period following cessation of employment.
Other payments	An Executive Director who joined the Company before January 2008 and who is made redundant, may receive, in addition to a payment in lieu of notice, any statutory redundancy payment and any other payment to which he is entitled, a payment under the Company's enhanced redundancy policy. This policy applies to all employees who joined the Company before January 2008. Under the policy, an eligible person will receive a payment calculated by reference to their length of service and weekly pay (by reference to gross annual salary) as follows: – 7 weeks' pay for service of up to 6 years; plus – 1.5 weeks' pay for each completed year of service over 7 years up to 20 years; plus – 2 weeks' pay for each completed year of service over 20 years. Under the Company's enhanced redundancy policy, eligible participants, including Executive Directors, may also receive a payment in lieu of a 90 day redundancy consultation period. In the event of termination of an Executive Director's employment, a payment may be made in lieu of any accrued but untaken holiday. The Remuneration Committee would be responsible for considering the circumstances of the early termination of an Executive Director's contract and determining whether in exceptional circumstances there should be compensation payments in excess of the Company's contractual obligations.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

REMUNERATION COMMITTEE REPORT CONTINUED

Change of control

In the event of a change of control or a voluntary winding-up of the Company and ultimately at the discretion of the Remuneration Committee:

1. Unvested awards under the Deferred Share Scheme will vest in full at the time of change of control.
2. Unvested awards granted under the 2014 LTIP rules will vest having regard to the extent to which performance conditions have been met and unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the date of the change of control or winding-up.

Employee context

When setting Executive Directors' pay, the Committee considers the remuneration arrangement of other senior managers and employees in the Group more generally to ensure that Executive remuneration arrangements are appropriate in this context. AVEVA undertakes an annual salary review in April each year and uses this opportunity to reward strong performance and ensure salaries are in line with market rates. It manages this in a competitive environment particularly in the fast-growing economic areas. When determining salary increases for Executive Directors the Committee considers the outcome of the wider pay review for the Group. The Committee does not consult directly with employees regarding Executive Directors' remuneration. However, at regular intervals the Company conducts a survey of the views of employees in respect of their experience of working at AVEVA including their own reward.

Dialogue with shareholders

The views of our shareholders on remuneration matters are important to the Committee and prior to making any material changes to remuneration arrangements the Committee consults with major shareholders and their representative bodies to obtain their views. The Company remains committed to engaging with shareholders in relation to remuneration issues.

External appointments

The Company's policy is that accepting Non-Executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis.

Remuneration outcomes in different performance scenarios

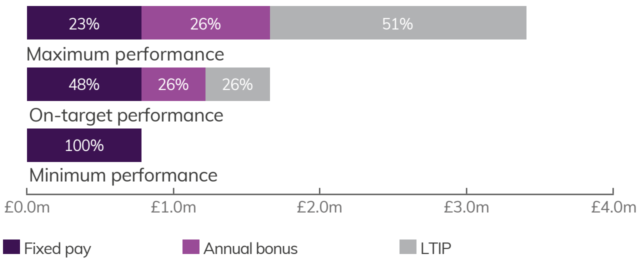
The remuneration package at AVEVA is structured so that the package rewards performance over both the short and long term to ensure that reward is aligned with shareholder value creation.

The charts below show hypothetical values of the remuneration package for Executive Directors under three assumed performance scenarios:

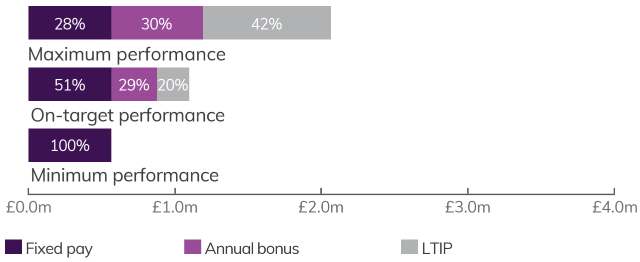
		Awards as a % of salary	
		CEO	Deputy CEO and CFO
Maximum performance	Annual bonus scheme (full pay-out)	125%	125%
	Long-term incentive plan (LTIP) (maximum vesting)	250%	175%
	Total	**375%**	**300%**
On-target performance	Annual bonus scheme (50% pay-out)	62.5%	62.5%
	Long-term incentive plan (25% vesting)	62.5%	43.8%
	Total	**125.0%**	**106.3%**
Minimum performance	Annual bonus scheme (nil pay-out)	0%	0%
	Long-term incentive plan (nil vesting)	0%	0%
	Total	**0%**	**0%**

No share price growth has been assumed. Potential benefits under all employee share schemes and dividend equivalents have not been included.

Craig Hayman



James Kidd



Remuneration Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
• Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities, the expected time commitment for the role and prevalent market rates. • The Board is responsible for setting fees for the Non-Executive Directors with the Remuneration Committee being responsible for setting fees for the Chairman. • Fees are reviewed at appropriate intervals, usually on an annual basis.	• Basic fees are subject to the aggregate limit in the Company's Articles of Association. Any changes in this limit would be subject to shareholder approval. • Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid to Non-Executive Directors who hold the position of Committee Chairman to take into account the additional responsibilities and workload. Additional fees may also be paid for other Board responsibilities or roles if this is considered appropriate. • The Chairman receives an all-inclusive fee for the role. • Fees are paid in cash.	• Non-Executive Directors do not receive incentive pay or share awards. • Non-Executive Directors do not currently receive any benefits nor pension arrangements. Benefits may be provided in the future if, in the view of the Board (or, in the case of the Chairman, the Committee), this was considered appropriate. • Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) are reimbursed to Non-Executive Directors (including any associated tax liability).

The Non-Executive Directors have appointment letters, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services are at the direction of the shareholders.

The letters of appointment for Non-Executive Directors include the following terms:

Name	Date of appointment	Date of contract	Expiry/review date of current contract	Notice period months
Philip Aiken	1 May 2012	1 May 2018	30 April 2021	3
Jennifer Allerton	9 July 2013	1 July 2016	30 June 2019	3
Christopher Humphrey	8 July 2016	27 June 2016	7 July 2019	3
Ron Mobed	1 March 2017	1 March 2017	29 February 2020	3
Emmanuel Babeau	1 March 2018	1 March 2018	28 February 2021	3
Peter Herweck	1 March 2018	1 March 2018	28 February 2021	3
Paula Dowdy	1 February 2019	1 February 2019	31 January 2022	3

All Non-Executive Directors submit themselves for election at the Annual General Meeting following their appointment and subsequent intervals of no more than three years.

There are no predetermined special provisions for Non-Executive Directors with regard to compensation in the event of loss of office. Non-Executive Directors are not entitled to any payments in lieu of notice.

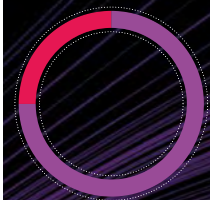
The letters of appointment are available for shareholders to view from the Company Secretary upon request.

REMUNERATION COMMITTEE REPORT CONTINUED

Part B: The Implementation Report

Jennifer Allerton
Remuneration Committee Chair
29 May 2019

Independence split



- Independent **3**
- Non-independent **1**

Membership and attendance

Chair	
Jennifer Allerton	6/6
Committee members	
Ron Mobed	6/6
Paula Dowdy[1]	0/0
Emmanuel Babeau	6/6
Attending by invitation	
CEO	
CFO	
CHRO	

1 Appointed 15 March 2019

The Remuneration Committee

The Remuneration Committee is appointed by the Board. The current members are Jennifer Allerton (Chair), Ron Mobed, Emmanuel Babeau and Paula Dowdy. Paula was appointed to the Remuneration Committee on 15 March 2019. All the Committee members except for Emmanuel are regarded by the Board as independent Non-Executive Directors. Jennifer has been a member of the Remuneration Committee since 2013 and became Chair in July 2017. Committee meetings are also regularly attended by the CEO, CFO and Chief Human Resources Officer (CHRO) at the invitation of the Chair, to provide company insight and advice to help the Committee consider appropriate remuneration. No Committee member or invited attendee is present during the discussion of their own remuneration.

The role of the Committee is set out in its terms of reference which are available on the company's website at www.aveva.com. The Committee's primary responsibility is to determine the remuneration package of both the Company's Executive Directors and its senior management team within broad policies agreed with the Board. The Committee also has begun oversight of our employee engagement activities and overall Human Resources strategy which affects all AVEVA employees.

The Principles of our Remuneration Policy

A significant part of the total reward is related to share price performance and is paid in shares that must be retained until the minimum shareholding requirements have been met. This ensures that our Executive Directors' interests are aligned with those of other shareholders.

A considerable part of the total reward is determined by the Company's success over both the short and the long term. Failure to achieve threshold levels of performance results in no payout for these elements.

Advice and auditors

FIT Remuneration Consultants are the appointed advisors to the Committee. They provide independent advice on comparator information and general remuneration. Fees are charged on a time spent basis and the fees paid during the year to FIT in relation to the advice provided to the Committee were £39,685 (2018 – £107,312). FIT provide no other services to the Company and the Committee are content that their advice is objective and independent.

The auditors have reported on certain sections of Part B and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those sections of Part B which have been subject to audit are clearly indicated.

Shareholder voting and engagement

The table below shows the results of the most recent votes on the Policy (July 2018) and Implementation Report (July 2018).

	Votes for	Percentage	Votes against	Percentage	Votes withheld
Directors Remuneration Policy – AGM 2018	140,852,022	96.31	5,402,475	3.69	2,247,992
Directors Remuneration Report – AGM 2018	138,488,418	93.26	10,013,771	6.74	300

Implementation of policy for the year ended March 2019 and for the forthcoming year ended March 2020

Base salary

Craig Hayman joined AVEVA as CEO on 19 February 2018 with a salary of £700,000 and his salary remained unchanged for 2018/19. James Kidd's salary was £500,000 for 2018/19. Salaries for Craig and James were increased in line with the UK workforce average on 1 April for 2019/20.

Base salary with effect from	Craig Hayman	Increase	James Kidd	Increase
1 April 2018	£700,000		£500,000	
1 April 2019	£718,200	2.6%	£513,000	2.6%

Benefits

In 2018/19, Executive Directors were provided with a car and fuel allowance totalling £19,200, and a £600 annual allowance towards a range of flexible benefits. There is no proposed change to either the benefits structure or quantum for 2019/20.

Pension

Craig Hayman and James Kidd are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). Both Directors receive a cash in lieu allowance equivalent to 10% of salary, reduced for the effect of employers' National Insurance contributions. As we look to integrate the terms and conditions of SES and AVEVA, it is the intention that any changes to Executive pension benefits would be aligned to those of all other employees.

Annual Incentive Scheme

For 2018/19, the maximum opportunity for Executive Directors under the annual incentive was 125% of base salary, requiring a stretch level of performance for full payout.

The performance targets were based on
(1) Group adjusted profit before tax (PBT) targets, with a maximum weighting of 50% of salary,
(2) recurring revenue, with a maximum weighting of 50% of salary, and
(3) key performance objectives, with a maximum of 25% of salary available. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 12.5% of salary should the Group adjusted PBT target not be met.

The performance targets for 2019/20 are based on
(1) Group adjusted PBT targets, with a weighting of 50% of salary,
(2) Total Group revenue, with a weighting of 50% of salary, and
(3) Key performance objectives, with a weighting of 25% of salary. As before, this element will be capped at a maximum achievement of half the available amount should the Group adjusted PBT target not be met.

The Board believes that, given the annual incentive scheme rewards the achievement of the Group's annual business plan, the targets are market sensitive and therefore should not be disclosed in advance, but ordinarily disclosed retrospectively.

40% of any award made under the Annual Incentive Scheme, irrespective of the amount, is payable in deferred shares as per the policy, and is subject to a three-year vesting period, but with no further performance conditions. There is no proposed change to the annual incentive scheme overall structure or quantum for 2019/20.

REMUNERATION COMMITTEE REPORT CONTINUED

Long-Term Incentives

The structure of the LTIs issued in 2018 and intended to be issued in 2019 are as summarised below:

LTIP performance element	Weighting	Minimum performance	Mid performance	Maximum performance
EPS growth	50%	25% vesting for growth of 5%	80% vesting for growth of 10%	100% vesting for growth of 15%
Relative TSR performance	25%	25% vesting at median performance (50th percentile)	Linear vesting between min and max performance	100% vesting if in the upper quartile (25th percentile)
Strategic objectives	25%	25% vesting at threshold	Linear vesting between min and max performance	100% vesting at maximum

As outlined in last year's report, the relative TSR performance condition was reviewed to provide a better alignment with technology companies and to better reflect the global scale of the company. It was agreed to update the TSR comparator Group to one combining the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies for the 2018 award. This resulted in a group of 23 companies, 14 of which are based in the UK, and 9 of which in the USA. Of the TSR element, 25% of this element will vest at median, with 100% vesting at the upper quartile.

The strategic objectives will be a sliding scale of revenue growth targets, and link directly to the Company's strategic objectives, which can be found on pages 22 to 23. 25% of this element (for each revenue target) will vest at threshold levels of performance, with full vesting at maximum achievement.

Due to commercial sensitivity, the Committee does not believe it to be in shareholders' interests to prospectively disclose details of the revenue growth targets. However, they will be objectively measurable over a three-year period, significant outperformance will be required to deliver full vesting, the targets will be disclosed retrospectively following vesting, and vesting will only occur if the Committee is satisfied that the Company's underlying financial performance warrants such payment.

Single total figure of remuneration for Executive Directors (audited)

The following table sets out the single figure of total remuneration for Executive Directors for the 2018/19 and 2017/18 financial years.

	Salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIPs £'000	One-off awards £'000	Total £'000
Craig Hayman 2018/19	**700**	**20**	**60**	**857**	**–**	**5,708**[1]	**7,345**
Craig Hayman 2017/18 (from 19 Feb 2018)	80	2	7	48	–	–	137
James Kidd 2018/19	**500**	**20**	**43**	**613**	**1,347**	**550**[2]	**3,073**
James Kidd 2017/18	450	20	39	562	–	–	1,071
David Ward 2018/19	**–**	**–**	**–**	**–**	**–**	**–**	**–**
David Ward 2017/18 (until 19 Feb 2018)	266	18	27	332	–	–	643

1 These are the value of Craig's buy-out awards. 176,927 options vested, and have been valued using the year end share price of 3,226p.
2 These are the value of James' performance and retention awards (see page 75), calculated as £250k for the retention element and £300k for the performance element.

Annual incentive

This reflects the total annual incentive paid and payable in June 2019 based on performance in the year ended 31 March 2019. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

Metric	Thresholds (Min), Budget (Mid) and Targets (Max)	Actual	% of Max achieved	Craig Hayman Max	Craig Hayman Actual	James Kidd Max	James Kidd Actual
Group revenue (pro forma)	Min: £700.0m	£775.2m	100%	50%	50%	50%	50%
	Mid: £728.0m						
	Max: £742.0m						
Group adjusted PBT	Min: £164.0m	£184.5m	100%	50%	50%	50%	50%
	Mid: £172.6m						
	Max: £179.6m						
Strategic objectives	see below	see below	90%	25%	22.5%	25%	22.5%
Totals as a percentage of salary				125%	122.5%	125%	122.5%
Bonus receivable					£857,500		£612,500
Granted in cash (60%)					£514,500		£367,500
Granted in shares (40%)					£343,000		£245,000

The strategic objectives were based on furthering our financial KPIs. Whilst the revenue elements were very strong, the Committee determined that the increase in costs was beyond the objective of inflationary growth, and awarded performance at 90% achievement.

Long-term incentives

This includes the LTIP awards granted under the Long-Term Incentive Plan in 2016 that were capable of vesting based on performance in the three-year period ended 31 March 2019.

These awards were subject to the delivery of diluted adjusted EPS growth. 0% of awards vest for growth of less than 5% p.a., 100% of awards vest for growth of 15% p.a., and straight-line vesting applies between these two points. Average diluted adjusted EPS growth for the three-year performance period was 13.7% and therefore 89.9% of the LTIP awards vested for the period relating to 2018/19.

Other information in relation to 2018/19

Scheme interests awarded in the year (audited)

The following tables set out details of the LTIP 2014 and deferred share awards made to the Executive Directors during 2018/19:

Executive Director	Date of grant	Basis of Award	Face Value of Awards[1]	Performance Period
Craig Hayman	28 September 2018	250% of base salary	£1,750,000	1 April 2018 – 31 March 2021
James Kidd	28 September 2018	175% of base salary	£875,000	

1 To determine the number of shares over which these awards were made, a share price was used of 2,928p for Craig and James' September 2018 grant, being the average share price for the three days prior to the award.

Deferred Share Awards

Executive Director	Date of grant	Basis of Award	Face Value of Awards[2]	Performance Period
Craig Hayman	5 July 2018	Deferred element of 2017/18 annual incentive	£19,344	No performance period. Awards vest in equal tranches on the date of announcement in May 2019, May 2020 and May 2021.
James Kidd	5 July 2018		£227,247	

2 This is calculated as the number of deferred shares issued, multiplied by the closing share price the day before the preliminary announcement last year (13 June 2018) of 2,532p.

Performance and Retention Awards (PRAs)

A one-off performance and retention award has been put in place for James Kidd as approved by shareholders at the 2018 AGM. The gross initial grant value is £1,500,000. The award is divided into two equal parts: (i) the retention award is subject to continued employment within AVEVA Group, as well as the satisfaction of a performance underpin; and (ii) the performance award is subject to the same conditions as the retention award and in addition, further subject to satisfaction of stretching and challenging business and integration-related targets and objectives.

Subject to the extent to which these performance targets and objectives are satisfied, the portion of the performance award that shall vest will be between 75% and 125% of the initial value. Note that the performance award is also subject to a performance underpin, and the Remuneration Committee may in its absolute discretion reduce the amount payable if it determines that, in its opinion, the amounts payable do not reflect the underlying performance of the Group or the individual during the relevant vesting period.

One third of the total award vested and became payable from the first anniversary of the date of completion (i.e. 1 March 2019) and the remaining two thirds shall vest and become payable from the second anniversary (i.e. 1 March 2020), subject to continued employment and performance conditions as described above. The one-third of the retention award that became payable in March 2019 was paid in full, at a value of £250,000.

The one-third of the performance award that became payable in March 2019 comprised three elements:
- revenue synergies, valued at 40% of the award total,
- cost synergies, valued at 40% of the award total, and
- integration-related objectives, valued at 20% of the award total.

The revenue synergy targets as set out by the Board were achieved at a stretch level of performance, and the cost synergy targets were ahead of schedule for the two year programme. The Committee therefore awarded a full payout at 125% of these elements. The precise details of these targets are currently regarded as commercially sensitive. The progress against, and details of, the integration-related metrics are as follows:
- Delivery of a clear and integrated IT strategy. This is implemented and on track, and relates to ERP and CRM systems.
- Communication of our strategic plan for the enlarged Group, including Capital Markets Day and ongoing communication of progress.
- Real estate strategy plan. This has been established, with the implementation on track and cost savings starting to be achieved.

These metrics are on track and the award was made at 100%. The total amount awarded for the performance element was £300,000.

50% of the net cash amounts paid under the awards are required to be reinvested by the individual into acquiring ordinary shares in AVEVA Group plc, at market value, from the open market. These shares must be held for at least two years from the date of the share purchase, save for circumstances which the Committee determines to be exceptional, or if the individual is classified as a 'good leaver'.

The awards shall be subject to clawback, which shall be operable for a period of three years of the date of payment, if it is later determined that there has been an overpayment as a result of a misstatement of the accounts, an error or reliance upon incorrect information, assumptions or facts, or the individual's misconduct.

REMUNERATION COMMITTEE REPORT CONTINUED

Shareholding guidelines and interests in shares (audited)

Executive Directors are required to build up a shareholding from vested Long-term Incentive awards. Shares are valued for these purposes at the financial year-end price, which was 3,226p at 31 March 2019.

	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary)		Shares owned outright at end of year	
			2018/19	2017/18	2018/19	2017/18
Craig Hayman	200%	No	0%	0%	–	–
James Kidd	200%	On-target	154%	86%	23,809	20,367

Outstanding scheme interests (audited)

	As at 1 April 2018 Number	Normal grants during the year	Dividend equivalent	Exercised during the year	Lapsed/forfeited during the year	As at 31 March 2019	Exercise price (p)	Gain on exercise of share options
Craig Hayman								
LTIP	16,204	63,636	162	–	–	80,002	3.556	n/a
Deferred shares	–	757	7	–	–	764	nil	n/a
Buy-out awards[1]	296,479	–	2,974	–	–	299,453	nil	n/a
James Kidd								
LTIP	108,833	31,818	887	–	(20,397)	121,141	3.556	n/a
Deferred shares	1,867	8,886	99	(824)[2]	–	10,028	nil	20,485[2]

1 During the year, 176,927 shares vested. 31,299 shares remain subject to performance
2 Market value at exercise date was 2,486p

Buy-out awards for Craig Hayman

In order to secure Craig as CEO the Company had to commit to compensate him by way of a "buy-out" for the loss of significant outstanding equity awards on leaving PTC which had a maximum potential value of over £9 million. The maximum value of the awards granted to Craig was £5.5 million, using the share price on his date of appointment, and the structure of the awards was detailed in last year's Remuneration Report.

The awards are subject to an additional requirement that Craig would normally be required to pay back any amounts vesting (net of tax) if he resigns within 2.5 years of joining (or be dismissed for gross misconduct or under one of the summary termination provisions in his service agreement within 3 years of joining).

Revaluing the awards using the year end share price of 3,226p, the total value of the awards is estimated at £9.6 million, with £5.7 million having vested in the year. None of the vested awards were exercised in the year.

Summary of LTIP targets for all LTIPs in issue

Existing AVEVA LTIPs

The following table sets out a summary of the performance targets attached to outstanding long-term incentive awards.

Performance measures are based on diluted adjusted EPS compound annual growth over a three-year period. 25% vests for diluted adjusted EPS growth of threshold, and 100% vests for diluted adjusted EPS growth of the maximum. For LTIs issued in 2014, 2015 and 2016, linear interpolation applied between these points. For LTIs issued in 2017 and beyond, non-linear vesting will apply, as outlined in the table opposite.

Adjusted EPS growth targets p.a.	Proportion of vesting: 2017 LTIP and beyond	Proportion of vesting: 2016 LTIP and previous
Threshold	25%	25%
Midpoint	80%	62.5%
Maximum	100%	100%

Date of award	Options granted to Executive Directors	Period of performance measurement	Diluted adjusted EPS[1] growth threshold	Diluted adjusted EPS[1] growth midpoint	Diluted adjusted EPS[1] growth maximum	Diluted adjusted EPS growth achieved	Achievement
21 July 2015	61,615	2015/16 – 2017/18	12%	16%	20%	6.0%	Target not met, award did not vest
13 July 2016	86,712	2016/17 – 2018/19	5%	10%	15%	13.7%	Target partially met; 89.9% of award vested
8 September 2017 6 March 2018	45,994 16,204	2017/18 – 2019/20	5%	10%	15%		Performance period not yet completed
28 September 2018	95,454	2018/19 –2020/21	5%	10%	15%		Performance period not yet completed

1 The definition of and figures used for adjusted diluted EPS are provided in note 13 in the notes to the consolidated financial statements.

Dilution

The number of shares which may be allocated on exercise of any options granted under any of the Company's share option schemes (including employee schemes) shall not, when aggregated with the number of shares which have been allocated in the previous ten years under these schemes, exceed 5% of the ordinary share capital of the Company in issue immediately prior to that date.

Payments made to past Directors (audited)

Richard Longdon received LTIP awards granted in a previous period. These shall vest as per the scheme rules, as summarised in the Remuneration Policy.

David Ward continued to be employed with the Group and was rewarded in line with the terms and conditions of his employment.

No other payments were made during 2018/19.

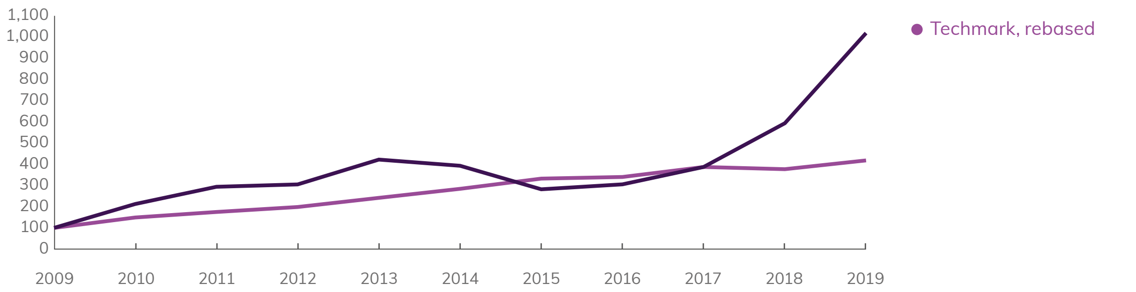
Payments for loss of office (audited)

No payments were made for loss of office during 2018/19.

Total shareholder return v. techMARK All-Share Index 2009–2019

The graph below shows performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index. Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period. The Directors consider this index to be an appropriate choice as it includes AVEVA Group plc.

Total shareholder return (GBP)



CEO single figure ten year history

The table below shows the ten year history of the CEO single figure of total remuneration:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Richard Longdon (to 31 December 2016)	818	695	1,003	963	1,163	517	561	395	–	–
James Kidd (1 January 2017 to 18 February 2018)	–	–	–	–	–	–	–	127	949	–
Craig Hayman (19 February 2018 onwards)	–	–	–	–	–	–	–	–	137	7,346
CEO single figure of total remuneration (£'000)	**818**	**695**	**1,003**	**963**	**1,163**	**517**	**561**	**522**	**1,086**	**7,346**
Annual incentive pay-out (% of maximum)	100%	100%	68%	94%	50%	8%	8%	18%	91%	98%
LTIP pay-out (% of maximum)	100%	0%	100%	33%	94%	0%	0%	0%	0%	n/a[1]

1 The relevant pay-out for LTIPs vesting this year was 90%, but Craig had no LTIPs that vested in the year.

Change in remuneration of the Director undertaking the role of CEO (audited)

The table below illustrates the percentage change in salary, benefits and annual incentive for the Group CEO and two selected sub-sets of employees (including only those employees who were employed at the start of the FY18 financial year through to the end of the FY19 financial year). The UK and US employee base have been chosen because the Group offices of heritage AVEVA and SES are headquartered in these countries respectively, and together employ just over one-quarter of its workforce. Typical salary inflation in some other AVEVA locations is materially higher than the UK and US, which would distort the comparison.

% change (2017/18 to 2018/19)	CEO	Executive Leadership Team	UK & USA employees
Base Salary	45%[1]	7%	2%
Benefits	0%	0%	0%
Annual Bonus	10%	26%	18%

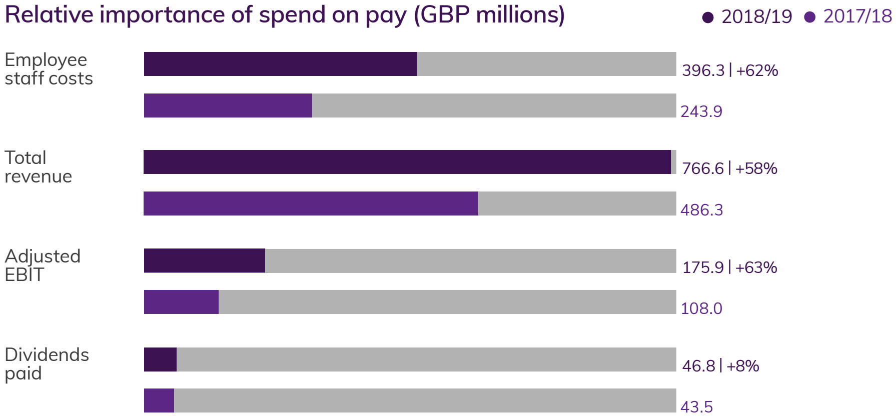
1 This percentage change reflects the change in incumbent over the period rather than a salary increase.

REMUNERATION COMMITTEE REPORT CONTINUED

Relative importance of spend on pay

The chart below illustrates the year-on-year change in total remuneration for all employees in the Group compared to total revenue, adjusted EBIT and distributions to shareholders. The Committee determined total revenue and adjusted EBIT were appropriate measures for this chart as they are the primary measures for the annual incentive scheme.

Relative importance of spend on pay (GBP millions)



Outside appointments

The Board believes that accepting Non-Executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis. Neither Craig nor James held any outside appointments during the year.

Total pension entitlements

The Company's defined benefit scheme is not open to new members, and neither of the Executive Directors in the year are or have ever been a member. Both the Executive Directors are members of the AVEVA Group Personal Pension Plan, a defined contribution pension scheme. Both Directors by virtue of their level of income are subject to a cap on pension contributions of £10,000 per annum. Both Directors have elected to receive a cash alternative, as allowed under the policy. During 2018/19, James received cash in lieu of contributions of £43,100 (FY18: £38,790), and Craig received cash in lieu of contributions of £60,340 (FY18: £6,885).

Non-Executive Directors

Single total figure of remuneration for Non-Executive Directors (audited)

As noted in the Policy Report, the fees for the Chairman and the Non-Executive Directors are determined taking account of the individuals' responsibilities, time devoted to the role and prevalent market rates.

The table below shows a single figure of remuneration for each of our Non-Executive Directors.

	2018/19 fees £	2017/18 fees £
Philip Aiken (Chairman)	**270,000**	192,000
Jennifer Allerton	**71,500**	58,674
Christopher Humphrey	**83,000**	70,174
Ron Mobed	**60,000**	50,300
Paula Dowdy (appointed 1 February 2019)	**10,000**	–
Emmanuel Babeau[1]	**–**	–
Peter Herweck[1]	**–**	–

1 Emmanuel and Peter have waived their fees for their first three-year term (1 March 2018 to 28 February 2021).

Implementation of Remuneration Policy for NEDs in 2019/20

NEDs do not participate in any of the Company's incentive arrangements nor do they receive any benefits. Their fees are reviewed at appropriately regular intervals, usually annually, against those for companies of a similar scale and complexity to AVEVA. They have increased in line with the UK employee average pay rise of 2.6%, except for the Committee Chairman fee, which has increased 6.5% to better reflect market rate. The increased fees were introduced with effect from 1 April 2019. The Chairman's fees are set by the Committee and the Chief Executive; those for the NEDs are set by the Board as a whole. The table below shows the annual fees payable for each of the NED roles held in the year.

Role	**2019/20 fees £**	2018/19 fees £
Chairman	**277,000**	270,000
Basic Non-Executive Director fee	**61,500**	60,000
Vice Chairman	**40,000**	40,000
Committee Chairman fee (Audit and Remuneration)	**12,250**	11,500
Senior Independent Director	**11,800**	11,500

NEDs' interests in shares (audited)

The table shows the interests in AVEVA ordinary shares of Non-Executive Directors and their connected persons.

	Shares owned outright at 31 March 2019	Shares owned outright at 31 March 2018
Philip Aiken (Chairman)	**2,337**	2,337
Jennifer Allerton	**10,300**	12,000
Christopher Humphrey	**4,000**	4,000
Ron Mobed	**3,000**	3,000
Paula Dowdy	**–**	–
Emmanuel Babeau	**–**	–
Peter Herweck	**–**	–

There have been no changes to Directors' holdings between the year-end date and the publication of this report.

This Remuneration Committee report has been approved by the Board of Directors and is signed on its behalf by:

Jennifer Allerton
Remuneration Committee Chair
29 May 2019

OTHER STATUTORY INFORMATION

Results and dividends

The Directors' Report for the year ended 31 March 2019 comprises pages 1 to 83 of this report, together with the other sections of the Annual Report incorporated by reference to page numbers referred to below. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Specifically, these are:

- operations during the year and future business developments (throughout the Strategic Report);
- risk management and internal control on pages 26 to 30; and
- post balance sheet events on page 37;

The Group made a profit for the year after taxation of £33.8 million (FY18: £40.5 million). Revenue was £766.6 million (FY18: £486.3 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 29.0 pence per ordinary share (FY18: 27.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 2 August 2019 to shareholders on the register at close of business on 5 July 2019.

Business review and future developments

A review of the Group's operations during the year and its plans for the future is given in the Chairman's Statement, the Chief Executive's Review and the Finance Review.

The financial Key Performance Indicators used by AVEVA to measure its own performance at the Group level include total revenue, recurring revenue, adjusted EBIT margin, adjusted diluted earnings per share and cash conversion. The figures for the year ended 31 March 2019 are set out on pages 24 to 25, together with figures for the previous year, and a discussion of the principal risks and uncertainties facing the Group is included on pages 26 to 30.

Research & Development

The Group continues an active programme of Research & Development which covers the updating of, and extension to, the Group's range of products.

Intellectual property

The Group owns intellectual property both in its software tools and the products derived from them. The Directors consider such properties to be of significant value to the business and have a comprehensive programme to protect it.

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 27 to the consolidated financial statements.

Directors and their interests

Directors' share and share option holdings are disclosed in the Remuneration Committee Report on pages 76 and 79.

No Director had a material interest in any contract of significance, other than a service contract or contract for services, with the Company or any of its subsidiaries at any time during the year.

Conflicts of interest

Throughout the year the Company had effective procedures in place to deal with conflict situations and these have been operated effectively. During the year no conflicts arose which would require the Board to exercise its authority or discretion.

Share capital

Details of the issued share capital can be found in note 31 to the consolidated financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

Subject to any restrictions referred to in the next section, members may attend any general meeting of the Company.

There are no restrictions on the transfer of ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Market Abuse Regulation and the Company's own rules whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares and pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares. There are no special control rights in relation to the Company's shares.

Voting rights

Subject to any restrictions below, on a show of hands every member who is present in person or by proxy at a general meeting has one vote on each resolution and, on a poll, every member who is present in person or by proxy has one vote on each resolution for every share of which he/she is the registered member. A proxy will have one vote for and one vote against a resolution on a show of hands in certain circumstances specified in the Articles of Association. The Notice of Annual General Meeting specifies deadlines for exercising voting rights.

A resolution put to the vote of a general meeting is decided on a show of hands, unless before or on the declaration of the result of the show of hands, a poll is demanded by the Chairman of the meeting. The Articles of the Company also allow members, in certain circumstances, to demand that a resolution is decided by a poll.

A member may vote personally or by proxy at a general meeting. Any form of proxy must be delivered to the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote (for this purpose, the Directors may specify that no account shall be taken of any part of a day that is not a working day). A corporation which is a member of the Company may authorise such persons as it thinks fit to act as its representatives at any general meeting of the Company.

No member shall be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of any share if any call or other sum presently payable to the Company in respect of such share remains unpaid or in certain other circumstances specified in the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares.

Dividends, distributions and liquidation

Members can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the Board. The Board can pay interim dividends provided the distributable profits of the Company justify such payment. The Board may, if authorised by an ordinary resolution of the members, offer any member the right to elect to receive new shares, which will be credited as fully paid, instead of their cash dividend. Any dividend which has not been claimed for 12 years after it became due for payment will be forfeited and will then revert to the Company. Members may share in surplus assets on a liquidation.

If the Company is wound up, the liquidator can, with the sanction of the members by special resolution and any other sanction required by law, divide among the members all or any part of the assets of the Company and he/she can value any assets and determine how the divisions shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No members can be compelled to accept any asset which would give them any liability.

There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of securities or on voting rights, save as described below in relation to the Employee Benefit Trust.

Change of control

All of the Company's share-based plans and long-term incentive schemes contain provisions relating to change of control. Outstanding awards and options normally vest and become exercisable or payable on or following a change of control arising as a result of an offer or the court sanctioning a compromise or arrangement under the Companies Act 2006, subject to the satisfaction of any relevant performance conditions at that time.

The £100m multicurrency revolving facility with Barclays Bank plc as agent dated 5 September 2017 states that upon any person or group of persons acting in concert gaining control, and following a negotiation period if no agreement is reached, a lender may cancel its commitment and declare all outstanding loans immediately due and payable. The Relationship Agreement referred to below will terminate (amongst other events) upon listing of the Company's shares being cancelled.

There are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution.

Powers of the Directors

The business of the Company is managed by the Directors, who may exercise all powers of the Company, subject to the Company's Articles of Association, relevant statutory law and to any direction that may be given by the Company in general meeting by special resolution. Subject to the Companies Act, shares may be issued by Board resolution. At the Company's last Annual General Meeting, powers were granted to the Directors (subject to limits set out in the resolutions) to issue and to buy back its own shares; similar powers are proposed to be granted at the forthcoming Annual General Meeting. The buy-back authority was limited to 10% of the Company's issued share capital. No shares have been bought back under this authority.

Substantial shareholdings

Interests in the ordinary share capital of the Company are set out in the table below.

The Company had been notified, in accordance with Disclosure Guidance and Transparency Rule 5, of the following interests in the ordinary share capital of the Company:

	As at 31 March 2019		As at 1 May 2019	
Name of holder	Number	Percentage held %	Number	Percentage held %
Schneider Electric SE	97,169,655	60.2	97,169,655	60.2
Aberdeen Standard Investments	8,301,431	5.2	8,284,326	5.1

In the period from 1 May 2019 to the date of this report, we have received no further notifications of any changes to holdings in accordance with the DTR 5.

Appointment of Directors

The Articles of Association limit the number of Directors to not less than two and not more than ten save where members decide otherwise. Members may appoint Directors by ordinary resolution and may remove any Director (subject to the giving of special notice) and, if desired, replace such removed Director by ordinary resolution. New Directors may be appointed by the Board but are subject to election by members at the first Annual General Meeting after their appointment. A Director may be removed from office if requested by all other Directors.

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at each of the preceding two Annual General Meetings and who was not appointed or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2019 to stand for re-election.

Listing Rules disclosures

For the purpose of LR9.8.4C R, the only applicable information required to be disclosed in accordance with LR9.8.4 R can be found in:

- the section below titled "Employee Benefit Trust" (in respect of shareholder waiver of dividends and future dividends);
- the section below titled "Majority Shareholder and the Relationship Agreement" (in respect of a statement by the Board in respect of the Relationship Agreement with the controlling shareholder); and
- the Remuneration Committee Report in relation to Craig Hayman (in respect of details of long-term incentive schemes as required by the Listing Rules).

Annual General Meeting

The Annual General Meeting will be held on 8 July 2019 at Ashurst LLP, London Fruit and Wool Exchange, 1 Duval Square, London, E1 6PW. The Notice of the Annual General Meeting is being sent to shareholders along with this Annual Report, which contains details of the resolutions proposed.

Employee Benefit Trust

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. The Trust holds a total of 350,270 ordinary shares in AVEVA Group plc representing 0.22% (FY18: 14,758 shares) representing 0.01%) of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

OTHER STATUTORY INFORMATION CONTINUED

Majority Shareholder and the Relationship Agreement

The Company entered into a relationship agreement with Schneider Electric SE, its majority shareholder, on 1 March 2018 (the "Relationship Agreement").

The Relationship Agreement will remain in force until (i) AVEVA ceases to be listed or (ii) the Schneider Electric Group ceases to be a shareholder or (iii) if earlier, by agreement between Schneider Electric and AVEVA (subject always to the Listing Rules).

The Relationship Agreement contains provisions relating to the ongoing relationship between AVEVA and Schneider Electric, including:

- Schneider Electric may appoint up to two Non-Executive Directors (depending on the level of its shareholding);
- after a period of two years from completion of the combination, for so long as Schneider Electric has the right to appoint at least one Non-Executive Director, it will have the right (but not the obligation) to appoint such Non-Executive Director as the Chairman;
- so long as Schneider Electric is entitled to appoint at least one Non-Executive Director, each of the Remuneration Committee and Nomination Committee will comprise a total of three members, one of whom will be the (or a) Non-Executive Director appointed by Schneider Electric and the other two members will be independent Non-Executive Directors; and
- for the period of 5 years from completion of the combination and provided Schneider Electric holds more than 50% of the voting rights in AVEVA, AVEVA shall give Schneider Electric reasonable notice of certain specified transactions.

The Relationship Agreement also provides that, for so long as Schneider Electric remains a "controlling shareholder" of AVEVA within the meaning of LR6.1.2AR; or (ii) the Schneider Electric Group holds 25% or more of the voting rights or economic interest in AVEVA, it agrees to undertake, and procure that its Associates (as defined in the Listing Rules) undertake, that:

(a) all transactions, agreements and arrangements between the Schneider Electric Group and any member of the enlarged AVEVA Group are conducted at arms' length basis and on normal commercial terms;

(b) neither Schneider Electric nor any of its Associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

(c) neither Schneider Electric nor any of its Associates will take any action that would have the effect of preventing AVEVA from complying with its obligations under the Listing Rules or the terms of the Relationship Agreement; and

(d) it will abstain and will cause its Associates to abstain from voting on any resolution to approve a "related party transaction" (as defined in the Listing Rules) involving Schneider Electric or any of its Associates as the related party.

There is no restriction on disposals of shares in AVEVA by Schneider Electric. For two years following completion of the combination, without the approval of the majority of the independent Non-Executive Directors, Schneider Electric will not:

(a) announce or make a general offer under the Takeover Code for the remaining shares in the Company;

(b) vote in favour of a delisting of the Company; or

(c) increase the aggregate shareholding of Schneider Electric and its Associates above its percentage shareholding immediately after completion.

For 18 months after the end of the two-year period, the restrictions outlined above regarding making an offer for the Company or acquiring further shares in the Company shall continue to apply save that Schneider Electric and its Associates will be permitted, without any need for independent Non-Executive Director approval:

(a) to announce or make a general offer under the Takeover Code for the remaining shares in the Company (subject to certain requirements as to the offer price and to recommendation by a majority of the independent Non-Executive Directors); and

(b) otherwise to acquire additional shares in the Company in the market or otherwise, up to an aggregate shareholding below 75% of AVEVA's issued share capital.

After this further 18-month period, Schneider Electric will be under no restrictions as to further acquisitions of shares or making offers. Further details of the Relationship Agreement are set out in the Prospectus, Part XII, paragraph 3.7.

AVEVA has and, in so far as it is aware, Schneider Electric and its Associates have complied with the independence provisions in the Relationship Agreement during the period under review.

Disabled employees

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

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

Employee involvement

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

Directors' indemnity

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' report.

Greenhouse gas emissions reporting

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel, the operation of any facility, and resulting from the purchase of electricity, heat, steam or cooling. Details of our emissions are set out within the Corporate Responsibility section of the Strategic Report and form part of the Directors' Report disclosures.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be put to the members at the Annual General Meeting.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare consolidated financial statements for each financial year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the undertakings included in the consolidation as a whole as at the end of the financial year and the profit or loss of the undertakings included in the consolidation as a whole, so far as concerns members of the Company, for the financial year. In preparing those Consolidated financial statements, the Directors are required to:

- select and apply accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In preparing the parent company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records which are sufficient to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 46 to 47. Each of these Directors confirms that:

- so far as he/she is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and
- he/she has taken all the steps he/she ought to have taken as a Director in order to make himself/herself aware of any such relevant audit information and to establish that the Company's auditor is aware of that information.

Fair and balanced reporting

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Responsibility statement pursuant to FCA's Disclosure Guidance and Transparency Rule 4 (DTR 4)

Each Director of the Company (whose names and functions appear on pages 46 and 47) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements in this document, prepared in accordance with the applicable UK law and applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Directors' Report has been approved by the Board of Directors and is signed on its behalf by:

David Ward

David Ward
Deputy CFO & Company Secretary
29 May 2019

FINANCIAL STATEMENTS

Strong financial

performance

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Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVEVA GROUP PLC

Opinion

In our opinion:

- AVEVA Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of AVEVA Group plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2019	Balance sheet as at 31 March 2019
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 26-31 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 26-31 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 26-31 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 26-31 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of inappropriate revenue recognition on software licence contracts, in particular: – Inappropriate application of the group revenue recognition policy and IFRS 15 (Revenue) for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and – Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on Percentage of Completion (POC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete.
Audit scope	• We performed an audit of the complete financial information of four (2018: seven) components and audit procedures on specific balances for a further ten (2018: eight) components. • The components where we performed full or specific audit procedures accounted for 86% of adjusted Profit before tax, 70% of Revenue and 84% of Total assets.
Materiality	• Overall group materiality of £3.8m which represents 5% of adjusted Profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition– £766.6m (2018: £486.3m) In particular, the risks are: • Inappropriate application of the group revenue recognition policy and IFRS 15 (Revenue) for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and • Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on Percentage of Completion (POC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete.	We have walked through the central process over the approval and recognition of revenue contracts across the group. We have walked through and assessed the design effectiveness of key management controls over data input and IT. A summary of our key procedures are: We have performed licence revenue transaction testing at a local and group level to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IFRS 15 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts and: • agreeing licence revenues to signed contracts or software licence agreements; • agreeing the revenue to subsequent payment as evidence of collectability; • checking evidence to support that software has been delivered to customers prior to revenue recognition; • reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities; • ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract; and • assessing whether revenue has been recognised in line with the Group's revenue recognition policy and IFRS 15. • We selected a sample of revenue journals and assessed the appropriateness of the journal by checking to supporting evidence and ensuring compliance with the Group's revenue recognition policy and IFRS 15. The sample selected was based on risk based criteria including but not limited to manual journal entries, those close to period end and postings that appeared inconsistent with roles and responsibilities.	We conclude that revenue recognised in the year, and deferred as at 31 March 2019, is materially correct on the basis of our procedures performed both at group and by component audit teams.

INDEPENDENT AUDITOR’S REPORT CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to the Audit Committee Report (pages 56-59); Accounting policies (pages 131-136); and Note 2 of the Consolidated Financial Statements (pages 98-100)	We have performed an independent assessment as to whether the fair value rate of the support and maintenance is still applicable and that any non-standard contracts have an appropriate fair value rate applied. To validate our understanding of contractual terms with customers and to identify any contractual issues or any ongoing contractual obligations, we made enquiries of management outside the finance function, including the sales team and legal counsel to ensure that appropriate obligations and commitments had been recorded in the financial statements. We have performed a test of detail on a sample of contract liability and contract asset revenue items to ensure it is in accordance with the revenue recognition principles. We have performed analytical review by revenue stream and geography to assess unexpected trends and patterns that could be indicative of incorrect revenue recognition. We have performed cut-off testing for a sample of revenue items booked either side of year end to ensure that licence revenue was only recognised for software in the period where the contract was signed by both AVEVA and the customer prior to year-end and the software has been made available prior to the year end. For projects accounted for under ‘Percentage of Completion’ (PoC), we evaluated judgements made by management regarding the expected costs to complete and the timing and recognition of variation orders. We also tested the cut-off of project costs. Where detailed procedures were performed by overseas teams, the primary team exercised oversight of the testing and performed additional testing of contracts over £5m or containing non-standard terms. For related party transactions between AVEVA and the Schneider Electric business, we obtained evidence that the performance obligations had been fulfilled and that they form part of the related party disclosures. We performed full and specific scope audit procedures over this risk area in 12 locations, which covered 70% of the risk amount.	

In the prior year, our auditor’s report included a key audit matter in relation to acquisition accounting. In the current year, this has not been included as a key audit matter as the risk of material misstatement and in turn allocation of resources, was greatly reduced as only minor measurement period adjustments to the acquisition accounting were required.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 82 reporting components of the Group, we selected 14 components covering entities within the UK, US, Canada, Germany, France, Korea, China, India and Australia, which represent the principal business units within the Group.

Of the 14 components selected, we performed an audit of the complete financial information of 4 components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining 10 components (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The number of full scope components has reduced from 7 in the prior to 4 in the current year. This is due to 3 components being significant by size to the opening net assets in the acquisition accounting in prior year, but they are no longer significant by size for the enlarged group.

The reporting components where we performed audit procedures accounted for 86% (2018: 98%) of the Group's adjusted Profit before tax, 70% (2018: 76%) of the Group's Revenue and 84% (2018: 91%) of the Group's Total assets. For the current year, the full scope components contributed 71% (2018: 64%) of the Group's adjusted Profit before tax, 48% (2018: 62%) of the Group's Revenue and 78% (2018: 88%) of the Group's Total assets. The specific scope components contributed 15% (2018: 34%) of the Group's adjusted profit before tax, 22% (2018: 14%) of the Group's Revenue and 6% (2018: 3%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 68 components that together represent 14% of the Group's adjusted Profit before tax, none are individually greater than 1% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany elimination and foreign currency translation recalculation to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

For the current year we have designated the components in Germany and Italy as review scope compared to specific scope in the comparative period, as they represent a small proportion of the Group following the reverse acquisition in the prior year. They have therefore been included within our review scope population, which includes components that are neither significant by size or risk. The number of full scope components has reduced from 7 in the prior to 4 in the current year. This is due to 3 components being significant by size to the opening net assets in the acquisition accounting in prior year, but they are no longer significant by size for the enlarged group.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 4 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the 10 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits at least two (2018: two) of the components each year. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in US, Canada, China and Germany (2018: US, Germany, France and Italy). These visits involved where appropriate, discussing the audit approach with the component team and any issues arising from their work, meeting with local and regional management, attending the planning meeting and closing meetings, reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.8 million (2018: £3.5 million), which is 5% (2018: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax provides us with the most relevant measure of the underlying financial performance of the Group, as it removes the impact of one-off transactions. For both years, we have used Profit before tax adjusted for exceptional items as reported in note 7, however have not made adjustment for recurring items, such as amortisation of intangibles, share based payments and gain/loss on forward exchange contracts.

We determined materiality for the Parent Company to be £26.7 million (2018: £27.5 million), which is 2% (2018: 2%) of total assets. We believe that total assets is the most relevant measure, given the primary activity of the Parent Company is to hold investments in subsidiaries.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Starting basis	• Profit before tax – £46.7m
Adjustments	• Exceptional items (note 7) – £28.9m
Materiality	• Totals £75.6m • Materiality of £3.8m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and updated for the final profit shown above.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £2.9m (2018: £2.6m). We have set performance materiality at this percentage to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5m to £1.6m (2018: £0.4m to £1.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2018: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-83, including the Strategic Report and the Corporate Governance Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 83** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 56-59** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 48-53** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 83, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks are those which are directly relevant to the specific assertions in the financial statements (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the

INDEPENDENT AUDITOR'S REPORT CONTINUED

determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.

- We understood how AVEVA Group plc is complying with those frameworks by making enquiries of management and legal counsel, oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and review of accounting estimates and judgements and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved management enquiries, review of legal correspondences, journal entry testing, and full and specific scope management.

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

Other matters we are required to address

We were appointed by the company on 11 July 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods.
The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 31 March 2003 to 31 March 2019.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

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

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 May 2019

Notes:
1 The maintenance and integrity of the AVEVA Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2019

	Notes	2019 £m	2018 £m (restated)
Revenue	3,4	**766.6**	486.3
Cost of sales		**(193.2)**	(150.8)
Gross Profit		**573.4**	335.5
Operating Expenses			
Research & Development costs		**(178.0)**	(116.3)
Selling and administrative expenses	5	**(341.9)**	(181.3)
Net impairment loss on financial assets		**(6.3)**	(1.2)
Total operating expenses		**(526.2)**	(298.8)
Profit from operations	6	**47.2**	36.7
Other income		**–**	1.0
Finance revenue	3,8	**0.2**	0.5
Finance expense	9	**(0.7)**	(3.7)
Profit before tax from continuing operations		**46.7**	34.5
Income tax (expense)/credit	11	**(12.9)**	6.0
Profit for the year attributable to equity holders of the parent		**33.8**	40.5

Profit from operations		**47.2**	36.7
Amortisation of intangibles (excluding other software)		**88.1**	45.2
Share-based payments		**11.2**	1.4
Loss on fair value of forward foreign exchange contracts		**0.5**	0.1
Exceptional items	7	**28.9**	23.6
Other income		**–**	1.0
Adjusted EBIT		**175.9**	108.0

Earnings per share (pence)			
– basic	13	**20.97**	39.92
– diluted	13	**20.90**	39.72

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 2019

	Notes	2019 £m	2018 £m (restated)
Profit for the year		**33.8**	40.5
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain/(loss) arising on translation of foreign operations		**8.4**	(15.5)
Total of items that may be reclassified to profit or loss in subsequent periods		**8.4**	(15.5)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on defined benefit plans	29	**(0.5)**	(2.4)
Deferred tax effect	11(a)	**(0.4)**	1.5
Total of items that will not be reclassified to profit or loss in subsequent periods		**(0.9)**	(0.9)
Total comprehensive income for the year, net of tax		**41.3**	24.1

The accompanying notes are an integral part of this Consolidated statement of comprehensive income.

CONSOLIDATED BALANCE SHEET

31 March 2019

	Notes	2019 £m	2018 £m (restated)	2017 £m (restated)
Non-current assets				
Goodwill	15	**1,285.3**	1,283.5	42.4
Other intangible assets	16	**599.5**	678.8	199.0
Property, plant and equipment	17	**17.1**	14.8	8.7
Deferred tax assets	28	**11.8**	9.0	2.1
Other receivables	20	**2.2**	1.2	–
Retirement benefit surplus	29	**7.1**	5.6	–
Financial assets		**–**	–	1.6
		1,923.0	1,992.9	253.8
Current assets				
Inventories		**0.8**	0.9	1.0
Trade and other receivables	20	**237.9**	230.4	171.4
Contract assets	3	**100.5**	67.6	72.7
Treasury deposits	21	**0.6**	0.2	–
Cash and cash equivalents	21	**127.2**	105.6	22.4
Financial assets	19	**–**	0.5	–
Current tax assets		**10.8**	11.1	5.2
		477.8	416.3	272.7
Total assets		**2,400.8**	2,409.2	526.5
Equity				
Issued share capital	31(a)	**5.7**	5.7	2.3
Share premium		**574.5**	574.5	27.3
Other reserves	31(b)	**1,178.8**	1,179.4	(4.2)
Retained earnings		**165.5**	195.1	181.1
Total equity		**1,924.5**	1,954.7	206.5
Current liabilities				
Trade and other payables	22	**156.8**	147.2	129.2
Contract liabilities	3	**174.6**	141.7	96.0
Loans and borrowings	23	**–**	10.0	–
Financial liabilities	24	**0.1**	–	1.9
Provisions	25	**1.9**	–	–
Current tax liabilities		**12.8**	12.1	8.6
		346.2	311.0	235.7
Non-current liabilities				
Deferred tax liabilities	28	**111.3**	130.5	75.7
Other liabilities		**3.1**	2.2	3.4
Provisions	25	**2.6**	–	–
Retirement benefit obligations	29	**13.1**	10.8	5.2
		130.1	143.5	84.3
Total equity and liabilities		**2,400.8**	2,409.2	526.5

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 29 May 2019. They were signed on its behalf by:

Philip Aiken
Chairman

Craig Hayman
Chief Executive Officer

Company number
2937296

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 March 2019

	Notes	Share capital £m	Share premium £m	Other reserves: Merger reserve £m	Other reserves: Cumulative translation adjustments £m	Other reserves: Capital contribution reserve £m	Other reserves: Capital redemption reserve £m	Other reserves: Reverse acquisition reserve £m	Other reserves: Treasury shares £m	Total other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2017		2.3	27.3	–	25.4	–	–	(29.4)	(0.2)	(4.2)	146.6	172.0
Impact of change in accounting polices		–	–	–	–	–	–	–	–	–	34.5	34.5
Restated balance as at 1 April 2017		2.3	27.3	–	25.4	–	–	(29.4)	(0.2)	(4.2)	181.1	206.5
Profit for the year		–	–	–	–	–	–	–	–	–	40.5	40.5
Other comprehensive income		–	–	–	(15.5)	–	–	–	–	(15.5)	(0.9)	(16.4)
Total comprehensive income		–	–	–	(15.5)	–	–	–	–	(15.5)	39.6	24.1
Shares issued to acquire the Schneider Electric software business	31	3.4	548.9	1,265.6	–	–	–	–	–	1,265.6	–	1,817.9
Issue and redemption of B shares	31	–	–	(650.0)	–	–	101.7	–	–	(548.3)	–	(548.3)
Recognition of reverse acquisition reserve on combination	31	–	–	–	–	–	–	481.9	–	481.9	–	481.9
Transaction costs		–	(1.7)	–	–	–	–	–	–	–	–	(1.7)
Share-based payments	30	–	–	–	–	–	–	–	–	–	1.2	1.2
Investment in own shares	31	–	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Transactions with Schneider Electric		–	–	–	–	–	–	–	–	–	(26.8)	(26.8)
Cost of employee benefit trust shares issued to employees	31	–	–	–	–	–	–	–	0.2	0.2	–	0.2
At 31 March 2018		5.7	574.5	615.6	9.9	–	101.7	452.5	(0.3)	1,179.4	195.1	1,954.7
Profit for the year		–	–	–	–	–	–	–	–	–	33.8	33.8
Other comprehensive income		–	–	–	8.4	–	–	–	–	8.4	(0.9)	7.5
Total comprehensive income		–	–	–	8.4	–	–	–	–	8.4	32.9	41.3
Share-based payments	30	–	–	–	–	–	–	–	–	–	11.2	11.2
Tax arising on share options		–	–	–	–	–	–	–	–	–	1.3	1.3
Investment in own shares	31	–	–	–	–	–	–	–	(9.3)	(9.3)	–	(9.3)
Capital contribution		–	–	–	–	0.1	–	–	–	0.1	–	0.1
Transactions with Schneider Electric		–	–	–	–	–	–	–	–	–	(8.8)	(8.8)
Cost of employee benefit trust shares issued to employees	31	–	–	–	–	–	–	–	0.2	0.2	(0.2)	–
Equity dividends	12	–	–	–	–	–	–	–	–	–	(66.0)	(66.0)
At 31 March 2019		**5.7**	**574.5**	**615.6**	**18.3**	**0.1**	**101.7**	**452.5**	**(9.4)**	**1,178.8**	**165.5**	**1,924.5**

The accompanying notes are an integral part of this Consolidated statement of changes in shareholders' equity. Details of other reserves are contained in note 31.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2019

	Notes	2019 £m	2018 £m (restated)
Cash flows from operating activities			
Profit for the year		**33.8**	40.5
Income tax expense/(credit)	11(a)	**12.9**	(6.0)
Net finance expense	8, 9	**0.5**	3.2
Other income		**–**	0.5
Amortisation of intangible assets	16	**88.8**	46.4
Depreciation of property, plant and equipment	17	**5.4**	3.2
Impairment and loss on disposal of intangible assets	6, 16	**–**	14.9
Loss/(Profit) on disposal of property, plant and equipment	6	**0.1**	(1.8)
Share-based payments	30	**11.2**	1.2
Difference between pension contributions paid and amounts charged to operating profit		**0.1**	(1.3)
Research & Development expenditure tax credit		**(2.0)**	(0.3)
Capitalisation of Research & Development costs		**–**	(9.9)
Changes in working capital:			
Trade and other receivables		**(51.4)**	(28.4)
Trade and other payables		**69.2**	28.9
Changes to fair value of forward foreign exchange contracts		**0.5**	0.1
Cash generated from operating activities before tax		**169.1**	91.2
Income taxes paid		**(32.4)**	(28.6)
Net cash generated from operating activities		**136.7**	62.6
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(7.4)**	(4.9)
Purchase of intangible assets	16	**(0.2)**	(1.2)
Cash received on acquisition of business		**–**	132.2
Consideration paid on completion of business combination	32	**(19.4)**	–
Proceeds from disposal of property, plant and equipment		**–**	3.3
Proceeds from disposal of intangible assets		**–**	3.1
Purchase of treasury deposits		**(0.4)**	–
Interest received	8	**0.2**	0.5
Net cash flows (used in)/from investing activities		**(27.2)**	133.0
Cash flows from financing activities			
Interest paid	9	**(0.7)**	(3.5)
Purchase of own shares		**(9.3)**	–
Repayment of/(proceeds from) borrowings	23	**(10.0)**	10.0
Change in funding with related parties		**–**	(18.1)
Return of value to shareholders		**–**	(100.0)
Transaction costs on issue of shares		**–**	(1.7)
Dividends paid to shareholders of the parent	12	**(66.0)**	–
Net cash flows used in financing activities		**(86.0)**	(113.3)
Net increase in cash and cash equivalents		**23.5**	82.3
Net foreign exchange difference		**(1.9)**	0.9
Opening cash and cash equivalents	21	**105.6**	22.4
Closing cash and cash equivalents	21	**127.2**	105.6

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 the inside back cover. 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 126 to 130.

2 Key accounting policies

Explained below are the key accounting policies of the Group. The full Statement of Group Accounting Policies is included on pages 131 to 136.

a) Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest £0.1m (2018: £'000) except when otherwise indicated. The change in presentation to £0.1m has been made to reflect the increasing size of the business.

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2019.

For the year ended 31 March 2019, the consolidated financial statements comprise the results of both Schneider Electric industrial software business (hereafter referred to as 'SES') and the AVEVA Group for the full financial year. For the year ended 31 March 2018, the consolidated financial statements comprise the results of the SES for the full year, and the results of the AVEVA Group from 1 March 2018, the date of the reverse acquisition (hereafter referred to as the 'Combination'). For the year ended 31 March 2018, in accordance with IFRS 3, the financial statements were prepared as a reverse acquisition of AVEVA Group by SES. Therefore, although the consolidated financial statements were issued in the name of AVEVA Group plc, the legal acquirer, the Group's activity is in substance the continuation of the financial information of SES.

b) Revenue

The Group generates its revenue principally through the supply of:
- Initial and perpetual licence fees
- Support and maintenance fees, including mandatory annual fees
- Rental and subscription licences; and
- Training 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.

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

Annual licence fees and support and maintenance fees
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. Revenue is recognised over time on a straight-line basis over the period of the contract, which is typically 12 months.

Rental and subscription licences
The Group offers a number of rental and subscription models for a non-cancellable term of between one month and five years. 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.

Subscriptions are agreements with customers to provide access to software through a hosted solution. 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.

Training and 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 when control is deemed to have passed to the customer.

Revenue from short-term one-off contracts is recognised when the service is complete.

c) Adoption of IFRS 15 Revenue from Contracts

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018, using the full retrospective method. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

i) Rendering of services – transfer of control
Under IAS 18, revenue from sales of initial licences, perpetual licences and the initial software delivery element of rental/term licences was recognised upon delivery. Delivery occurred when the customer had access to the intellectual property described in the contract. In some limited circumstances, AVEVA recognised revenue from a rental/term licence agreement rateably over the contract period. This assessment was based on whether AVEVA could reliably estimate the maintenance and support element of the contract.

Under IFRS 15, revenue is recognised when a customer obtains control of the services. All distinct performance obligations relating to licences for software are considered to be ‘right to use’ and are transferred to the customer at a ‘point in time’. Therefore, under IFRS 15, all revenue from software licences which are distinct performance obligations are recognised at a ‘point in time’ and not ‘over time’. This results in an acceleration of the recognition in revenue for certain contracts and revenue streams.

The effect on the income statement for the year ended 31 March 2018 has been to reduce revenue by £10.4m, and profit after tax by £5.2m.

ii) Providing extended payment terms to customers
Under IAS 18, where AVEVA provided a customer with extended payment terms, the revenue was deferred until the consideration was due in accordance with the contract. Under IFRS 15, all the contractual payments are included in the transaction price and allocated to the performance obligations at the start of the contract, to the extent that collectability is considered probable. Where the performance obligation has already been satisfied, this has resulted in revenue being recognised at an earlier point under IFRS 15.

The effect on the income statement for the year ended 31 March 2018 has been to reduce revenue and profit after tax by £0.1m.

iii) Stand-alone selling prices
Revenue from contracts with separately-identifiable components (multiple-element arrangements) were previously recognised based on the relative fair value of the components. Under IFRS 15, the total consideration of a customer arrangement is allocated based on their relative stand-alone selling prices. Stand-alone selling prices are determined based on list prices (with standard discounts where appropriate), the adjusted market assessment approach and the residual approach.

The effect on the income statement for the year ended 31 March 2018 has been to reduce revenue by £2.3m, and profit after tax by £1.8m.

The full restatements made to the amounts recognised in the primary statements as a result of the adoption of IFRS 15 are summarised in note 33.

d) 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. This has been changed from adjusted profit before tax in order to better align with peers and because the Directors believe that the adjusted earnings measure presented provides the most reliable and consistent presentation of the underlying performance of the Group. Adjusted EBIT is not defined by IFRS 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 important 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, and are non-cash items.

These items relate to amortisation of intangibles (excluding other software), share-based payment charges, and fair value adjustments on financial derivatives, although other types of recurring items may arise. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 Key accounting policies continued

e) Significant accounting judgements

Allocation of goodwill
The unallocated carrying value of the goodwill arising from the reverse acquisition of the AVEVA business by SES has been allocated to the appropriate cash generating units. The two businesses were largely integrated on a regional basis shortly after the completion of the merger, and judgement was applied in the conclusion that Asia Pacific, EMEA and Americas are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation was performed by applying the respective proportions of the cumulative return based on the value in use model of aggregated discounted cash flows. The results of this allocation are set out in note 15.

f) 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. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17-18%.

Provision for impairment of receivables
The Group provides against trade receivables using a lifetime expected credit loss allowance. Loss allowances are calculated using historical account payment profiles and the corresponding historical credit losses experienced and adjusted for forward looking factors specific to the debtor and the economic environment. In addition, provision for the impairment of receivables is made on a customer-specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers and 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. The provision for impairment of receivables at 31 March 2019 was £7.2m (2018: £1.8m). Details of the provision for impairment of receivables, and sensitivity of the estimate, are contained in note 20.

Intangible assets
IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. 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.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Further details about the assumptions used and sensitivity analysis performed are set out in note 15.

Retirement benefit obligations
The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 29 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 obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2019, net of surplus, was £6.0m (2018: £5.2m).

Impairment of assets
Goodwill arising on acquisition is allocated to cash-generating units 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 cash-generating units. The recoverable amount of the cash-generating unit 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 cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-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 cash-generating unit 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.

3 Revenue

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

	2019 £m	2018 £m
Support and maintenance, including annual fees	**194.4**	133.5
Rental and subscriptions	**218.2**	72.7
Initial fees and perpetual licences	**211.6**	163.1
Training and services	**142.4**	117.0
	766.6	486.3
Timing of revenue recognition		
Services transferred at a point in time	**357.3**	220.0
Services transferred over time	**409.3**	266.3
	766.6	486.3
Finance revenue	**0.2**	0.5
	766.8	486.8

Training and services consists of consultancy, implementation services and training fees.

Contract balances are as below:

	31 March 2019 £m	31 March 2018 £m	1 April 2017 £m
Trade receivables	**174.9**	146.9	64.5
Contract assets	**100.5**	67.6	72.7
Contract liabilities	**174.6**	141.7	96.0

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

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

Set out below is the amount of revenue recognised from:

	2019 £m
Amounts included in contract liabilities at the beginning of the year	**127.6**
Performance obligations satisfied in previous years	**–**

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

	2019 £m
Within one year	**248.0**
More than one year	**164.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 Segment information

The Executive Leadership Team monitors and appraises the business based on the performance of three geographic regions: Asia Pacific; Europe, Middle East and Africa (EMEA); and Americas. 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, IT, Finance and Legal. Balance sheet information is not included in the information provided to the Executive Leadership Team.

	Year ended 31 March 2019				
	Asia Pacific £m	EMEA £m	Americas £m	Corporate £m	Total £m
Revenue					
Support and maintenance, including annual fees	45.0	71.7	77.7	–	194.4
Rental and subscriptions	49.4	107.2	61.6	–	218.2
Initial fees and perpetual licences	57.3	86.6	67.7	–	211.6
Training and services	27.8	48.8	65.8	–	142.4
Regional revenue total	**179.5**	**314.3**	**272.8**	**–**	**766.6**
Cost of sales	(28.8)	(42.6)	(66.2)	(53.7)	(191.3)
Selling and administrative expenses	(36.6)	(65.9)	(60.9)	(115.2)	(278.6)
Net impairment loss on financial assets	(4.0)	(1.6)	(0.7)	–	(6.3)
Regional contribution	**110.1**	**204.2**	**145.0**	**(168.9)**	**290.4**
Research & Development costs					(114.5)
Adjusted EBIT					**175.9**
Exceptional items, other normalised adjustments[1] and net interest					(129.2)
Profit before tax					**46.7**

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

As the Combination of the two businesses completed so close to the end of the financial year, it was not possible to report cost data between the three regions for the year ended 31 March 2018. Neither was it possible to consistently report the combined business on any other segmental basis. Therefore, the segmental information provided has had to be limited to regional revenue only for the comparative period.

	Year ended 31 March 2018			
	Asia Pacific £m	EMEA £m	Americas £m	Total £m
Revenue				
Support and maintenance, including annual fees	15.3	34.9	83.3	133.5
Rental and subscriptions	18.0	39.1	15.6	72.7
Initial fees and perpetual licences	44.1	51.6	67.4	163.1
Training and services	25.0	35.2	56.8	117.0
	102.4	**160.8**	**223.1**	**486.3**

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £31.5m and £735.1m (2018: £11.3m and £475.0m) respectively. The USA accounted for 26.8% of the Group's revenue (2018: 40.1%). No other individual country accounted for more than 10% of the Group's total revenue (2018: none). Revenue is allocated to countries on the basis of the location of the customer. No single external customer accounted for 10% or more of the Group's total revenue (2018: none).

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £1,762.4m and £148.8m (2018: £1,802.6m and £181.3m) respectively. There are material non-current assets (excluding deferred tax assets) located in the USA amounting to £113.7m (2018: £158.0m). There are no material non-current assets located in any other individual country outside of the UK and USA (2018: none).

5 Selling and administration expenses

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

	2019 £m	2018 £m
Selling and distribution expenses	**235.6**	128.0
Administrative expenses	**106.3**	53.3
	341.9	181.3

6 Profit from operations

Profit from operations is stated after charging:

	2019 £m	2018 £m
Depreciation of owned property, plant and equipment	**5.4**	3.2
Amortisation of intangible assets:		
– included in Research & Development costs	**61.8**	25.9
– included in selling and distribution expenses	**26.3**	19.4
– included in administrative expenses	**0.7**	1.1
Staff costs	**396.3**	243.9
Operating lease rentals – minimum lease payments	**16.7**	9.7
Loss/(profit) on disposal of property, plant and equipment	**0.1**	(1.8)
Impairment of intangible assets	**–**	11.2
Loss on disposal of intangible assets	**–**	3.7
Net foreign exchange losses	**0.5**	1.0

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

	2019 £m	2018 £m
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	**0.9**	1.5
Fees payable to the Company auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.6**	0.2
	1.5	1.7

The figures above for the year ended 31 March 2018 represent the fees incurred in relation to SES, and fees for the AVEVA Group from the date of the Combination, 1 March 2018. In the 11 months to 28 February 2018, the Group of which AVEVA Group plc was the parent obtained services from the Group's auditor at costs of £6,000 for tax, £30,000 for other assurance services pursuant to legislation, and £1,200,000 for services related to the Combination.

7 Exceptional items

	2019 £m	2018 £m
Acquisition and integration activities	**23.0**	5.7
Restructuring costs	**5.9**	2.9
Impairment and loss on sale of capitalised R&D	**–**	15.0
	28.9	23.6

Acquisition and integration activities relate to fees paid to professional advisers primarily for legal and financial due diligence services related to the combination of AVEVA Group plc and SES, plus other consultancy costs paid to advisors in relation to the integration, and provisions taken in relation to onerous leases. Details of provisions are contained in note 25.

The restructuring costs relate to severance payments in a number of global office locations. In the financial year ended 31 March 2018 this also included a divestment made by SES in China, which resulted in an exceptional write off of £0.9m. This was offset by an exceptional gain of £1.9m made by selling the property relating to the same write off.

The impairment of capitalised R&D recognised in the year ended 31 March 2018 related to a development project that was ceased, prior to completion, following a divestment of a Schneider Electric Software joint venture operation with Schneider Electric. Also included are the previously capitalised development costs related to a project over which a commercial review of financial prospects was performed, and it was concluded that the carrying value of the development costs should be fully impaired.

The total cash outflow during the year as a result of exceptional items was £18.9m (2018: £25.0m).

Exceptional items were included in the Consolidated income statement as follows:

	2019 £m	2018 £m
Cost of sales	**1.9**	0.4
Research & Development costs	**1.7**	15.5
Selling and distribution expenses	**12.6**	2.8
Administrative expenses	**12.7**	5.9
Other income	**–**	(1.0)
	28.9	23.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 Finance revenue

	2019 £m	2018 £m
Bank interest receivable and other interest earned	**0.2**	0.2
Interest receivable from related parties	–	0.3
	0.2	0.5

9 Finance expense

	2019 £m	2018 £m
Net interest on pension scheme liabilities	**0.2**	0.1
Bank interest payable and similar charges	**0.5**	0.1
Interest payable to related parties	–	3.5
	0.7	3.7

10 Staff costs

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

	2019 £m	2018 £m
Wages and salaries	**339.5**	209.6
Social security costs	**28.1**	23.5
Pension costs	**17.5**	9.4
Share-based payments	**11.2**	1.4
	396.3	243.9

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

	2019 Number	2018 Number
Project delivery and customer support	**1,780**	1,438
Research, development and product support	**1,329**	771
Sales and marketing	**1,001**	497
Administration	**481**	161
	4,591	2,867

Directors' remuneration

The Directors of AVEVA Group plc received remuneration as follows:

	2019 £m	2018 £m
Directors' remuneration	**10.4**	1.8
Aggregate gains on the exercise of share options	–	0.1
	10.4	1.9

	2019 Number	2018 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:

	2019 £m	2018 £m
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	**5.8**	3.6
Foreign tax	**29.8**	35.1
Adjustments in respect of prior periods	**(0.5)**	(1.1)
	35.1	37.6
Deferred tax		
Origination and reversal of temporary differences (note 28)	**(22.0)**	(43.6)
Adjustments in respect of prior periods	**(0.2)**	–
	(22.2)	(43.6)
Total income tax expense/(credit) reported in Consolidated income statement	**12.9**	(6.0)

	2019 £m	2018 £m
Tax relating to items charged directly to Consolidated statement of comprehensive income		
Deferred tax on actuarial remeasurements on retirement benefit obligation	**0.4**	(1.5)
Tax expense/(credit) reported in Consolidated statement of comprehensive income	**0.4**	(1.5)

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 (2018: UK) corporation tax to the profit before tax are as follows:

	2019 £m	2018 £m
Tax on Group profit before tax at standard US (2018: UK) corporation tax rate of 24% (2018: 19%)	**11.2**	6.6
Effects of:		
– expenses not deductible for tax purposes	**1.9**	1.8
– US deferred tax rate benefit	**–**	(23.7)
– R&D incentives	**(4.1)**	(0.9)
– irrecoverable withholding tax	**0.7**	1.3
– movement on unprovided deferred tax balances	**1.4**	4.9
– differing tax rates	**2.5**	5.1
– adjustments in respect of prior years	**(0.7)**	(1.1)
Income tax expense/(credit) reported in Consolidated income statement	**12.9**	(6.0)

The Group's effective tax rate for the year was: 27.6% (2018: -17.4%). The Group's effective tax rate for the year before exceptional items was 22.9% (2018: -7.9%). The Group's effective tax rate before exceptional and other normalised adjustments (see note 7) was 20.2% (2018: 30.5%).

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:

	2019 £m	2018 £m
Declared and paid during the year		
Interim 2018/19 dividend paid of 14.0 pence (2017/18: nil) per ordinary share	**22.5**	–
Final 2017/18 dividend paid of 27.0 pence (2016/17: 27.0 pence) per ordinary share	**43.5**	17.3
	66.0	17.3
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2018/19 of 29.0 pence (2017/18: 27.0 pence) per ordinary share	**46.8**	43.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 8 July 2019 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 2 August 2019 to shareholders on the register at the close of business on 5 July 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 Earnings per share

	2019 Pence	2018 Pence
Earnings per share for the year:		
– basic	**20.97**	39.92
– diluted	**20.90**	39.72
Adjusted earnings per share for the year[1]:		
– basic	**91.24**	71.78
– diluted	**90.90**	71.42

1 Adjusted earnings per share has been calculated inclusive of the acquisition accounting adjustment to revenue.

	2019 Number	2018 Number
Weighted average number of ordinary shares for basic earnings per share	**161.081,559**	101,464,203
Effect of dilution: employee share options	**589,978**	514,438
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,671,537**	101,978,641

The calculations of basic and diluted earnings per share are based on the net profit attributable to equity holders of the parent for the year of £33.8m (2018: £40.5m). Basic earnings per share 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. For the purpose of the calculation, the number of shares prior to the Combination is considered to be 96,034,353. This is the number of AVEVA Group plc ordinary shares as at 1 March 2018, adjusted by the exchange ratio of the Combination.

Diluted earnings per share 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 for the year ended 31 March 2019, and the period from 1 March 2018 to 31 March 2018. Details of the terms and conditions of share options are provided in note 30.

Details of the calculation of adjusted earnings per share are set out below:

	2019 £m	2018 £m
Profit after tax for the year	**33.8**	40.5
Intangible amortisation (excluding software)	**88.1**	45.2
Share-based payments	**11.2**	1.4
Loss on fair value of forward foreign exchange contracts	**0.5**	0.1
Exceptional items	**28.9**	23.6
Effect of acquisition accounting adjustments	**8.6**	–
Tax effect on exceptional items	**(4.4)**	(1.4)
Tax effect on other normalised adjustments (excluding net finance expense)	**(18.1)**	(36.6)
Tax effect on acquisition accounting adjustments	**(1.6)**	–
Adjusted profit after tax	**147.0**	72.8

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

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

14 Business combinations

On 1 March 2018 AVEVA Group plc acquired SES. For accounting purposes, this was treated as a reverse acquisition under IFRS 3: Business Combinations, being the acquisition of AVEVA Group plc by SES. The AVEVA Group is fully consolidated in the financial statements with effect from 1 March 2018, and all financial results prior to this date are for SES only.

At the end of the previous reporting period, the acquisition accounting was provisionally determined. This has been finalised in the current year, as part of the measurement period permitted by IFRS 3.

The following table shows the fair values of the identifiable assets acquired and liabilities assumed of AVEVA Group at the acquisition date.

	Carrying value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible assets	–	551.4	551.4
Property plant and equipment	6.7	–	6.7
Other receivables	3.2	–	3.2
Retirement benefit surplus	4.3	–	4.3
Trade and other receivables	76.7	–	76.7
Contract assets	14.1	–	14.1
Cash and cash equivalents	132.4	–	132.4
Financial liabilities	(100.0)	–	(100.0)
Financial assets	0.5	–	0.5
Trade and other payables	(43.5)	–	(43.5)
Contract liabilities	(40.8)	9.2	(31.6)
Current tax	10.1	–	10.1
Deferred tax	(1.3)	(94.0)	(95.3)
Retirement benefit obligations	(3.6)	–	(3.6)
Net assets acquired	**58.8**	**466.6**	**525.4**
Goodwill			1,244.6
Total consideration			**1,770.0**

The total consideration of £1,770.0m is split between £1,198.2m of equity consideration, a £550.0m cash payment, £3.4m being the fair value of the pre-acquisition cost relating to 697,240 outstanding share options acquired on 28 February 2018, and £18.4m subsequent completion accounts adjustments determined during the measurement period. The equity consideration was calculated by multiplying the 64,037,660 AVEVA Group plc shares deemed to be acquired by Schneider Electric (in exchange for £550m and SES) by the ex-dividend share price of the AVEVA Group plc ordinary shares on 28 February 2018, adjusted for the value per share of the Return of Value.

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

All associated transaction costs were expensed and are included in administrative expenses and more details of these are included in note 7. The attributable costs of the issuance of the shares of £1.7m were charged directly to equity as a reduction in share premium in the year to 31 March 2018.

The revenue and profit included in the consolidated statement of income for the period 1 March 2018 to 31 March 2018 contributed by AVEVA were £42.7m and £15.0m respectively. If the acquisition had occurred on 1 April 2017, the consolidated statement of comprehensive income for the year to 31 March 2018 would have presented revenue of £704.6m and profit after tax of £66.0m (at an effective tax rate of -2%).

On 17 April 2019, the Group completed the acquisition of the software assets of MaxGrip, a pioneer in optimising asset performance with Reliability Centred Maintenance (RCM) solutions. The cash consideration paid was €25m. Given the proximity to year end, the acquisition accounting has not yet been completed.

15 Goodwill

	2019 £m	2018 £m
At 1 April	**1,283.5**	42.4
Acquisitions	**–**	1,244.6
Exchange adjustment	**1.8**	(3.5)
At 31 March	**1,285.3**	1,283.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Goodwill continued

Goodwill impairment tests

The following table shows the allocation of the carrying value of goodwill at the end of the year by cash generating unit.

	2019 £m	2018 £m
Asia Pacific	**282.9**	–
EMEA	**615.1**	7.1
Americas	**387.3**	31.3
Unallocated at 31 March	–	1,245.1
	1,285.3	1,283.5

Unallocated goodwill at 31 March 2018 related to goodwill arising on the reverse acquisition of AVEVA Group plc by SES as detailed in note 14. The allocation has been performed for the year ended 31 March 2019, being the first annual period beginning after the acquisition date.

The carrying value of goodwill allocated to the EMEA and Americas CGUs as at 31 March 2018 relates to acquisitions made by SES in previous financial years.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. In 2018/19 the goodwill impairment testing was carried out on a value in use (VIU) basis using the most recently approved management budgets for the year ended 31 March 2020 together with the most recent three-year business plan extrapolated to a duration of five years in total. 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.

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.

The cash flow projections have been discounted using the Group's post-tax weighted average cost of capital adjusted for the country and market risk. 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. CGU operating margin is based on past results.

	Discount Rate	Long-term growth rate
Asia Pacific	**11.9%**	**1.7%**
EMEA	**9.6%**	**1.9%**
Americas	**9.8%**	**1.9%**

Summary of results

During the year all goodwill was tested for impairment, with no impairment charge resulting.

As the VIU is most sensitive to a change in the discount rate and long-term growth rate, the Directors have considered combinations of a reduction in the long-term growth rate and an increase in the discount rate and concluded that no reasonably foreseeable changes in key assumptions would result in an impairment of goodwill, such is the margin by which the estimate exceeds the carrying value.

16 Intangible assets

	Developed technology £m	Customer relationships £m	Purchased brand and trademarks £m	Other software £m	Purchased software rights £m	Favourable leases £m	Capitalised Research and Development £m	Total £m
Cost								
At 1 April 2017	157.7	92.4	29.5	7.8	15.6	–	50.9	353.9
Additions	–	–	–	0.8	0.4	–	9.9	11.1
Acquisitions	–	151.5	76.0	–	309.0	14.9	–	551.4
Disposals	–	–	–	(1.1)	–	–	(8.9)	(10.0)
Exchange adjustment	(17.2)	(9.7)	(3.2)	(0.8)	(1.4)	–	(4.4)	(36.7)
At 31 March 2018	140.5	234.2	102.3	6.7	323.6	14.9	47.5	869.7
Additions	–	–	–	0.2	–	–	–	0.2
Disposals	–	(0.3)	–	–	(0.3)	–	(11.4)	(12.0)
Exchange adjustment	10.6	6.2	2.0	0.1	1.1	–	1.8	21.8
At 31 March 2019	**151.1**	**240.1**	**104.3**	**7.0**	**324.4**	**14.9**	**37.9**	**879.7**
Amortisation and impairment								
At 1 April 2017	63.1	41.0	11.8	4.7	8.5	–	25.8	154.9
Charge for the year	18.6	11.1	3.7	1.1	4.5	0.1	7.3	46.4
Impairment	–	–	–	–	–	–	11.2	11.2
Disposals	–	–	–	(0.8)	–	–	(2.4)	(3.2)
Exchange adjustment	(7.9)	(4.7)	(1.5)	(0.6)	(0.7)	–	(3.0)	(18.4)
At 31 March 2018	73.8	47.4	14.0	4.4	12.3	0.1	38.9	190.9
Charge for the year	18.7	22.5	3.3	0.7	39.5	0.5	3.6	88.8
Disposals	–	(0.3)	–	–	(0.3)	–	(11.4)	(12.0)
Exchange adjustment	5.7	3.8	1.1	0.1	0.3	–	1.5	12.5
	98.2	**73.4**	**18.4**	**5.2**	**51.8**	**0.6**	**32.6**	**280.2**
Net book value								
At 31 March 2017	94.6	51.4	17.7	3.1	7.1	–	25.1	199.0
At 31 March 2018	66.7	186.8	88.3	2.3	311.3	14.8	8.6	678.8
At 31 March 2019	**52.9**	**166.7**	**85.9**	**1.8**	**272.6**	**14.3**	**5.3**	**599.5**

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £0.7m (2018: £1.1m).

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 2017	7.1	17.1	5.6	0.1	29.9
Additions	0.3	2.7	1.3	0.6	4.9
Acquisitions	2.6	2.4	1.5	0.3	6.8
Disposals	(1.6)	(3.3)	(0.1)	–	(5.0)
Exchange adjustment	(0.4)	(1.7)	(0.7)	(0.1)	(2.9)
At 31 March 2018	8.0	17.2	7.6	0.9	33.7
Additions	1.6	4.9	0.6	0.3	7.4
Disposals	–	(1.1)	(0.2)	(0.1)	(1.4)
Exchange adjustment	0.2	0.7	0.4	–	1.3
At 31 March 2019	**9.8**	**21.7**	**8.4**	**1.1**	**41.0**
Depreciation					
At 1 April 2017	3.8	13.3	4.0	0.1	21.2
Charge for the year	0.4	1.9	0.8	0.1	3.2
Disposals	(0.4)	(3.0)	(0.1)	–	(3.5)
Exchange adjustment	(0.3)	(1.3)	(0.4)	–	(2.0)
At 31 March 2018	3.5	10.9	4.3	0.2	18.9
Charge for the year	1.0	3.2	0.9	0.3	5.4
Disposals	–	(1.0)	(0.2)	(0.1)	(1.3)
Exchange adjustment	0.1	0.5	0.3	–	0.9
At 31 March 2019	**4.6**	**13.6**	**5.3**	**0.4**	**23.9**
Net book value					
At 31 March 2017	3.3	3.8	1.6	–	8.7
At 31 March 2018	4.5	6.3	3.3	0.7	14.8
At 31 March 2019	**5.2**	**8.1**	**3.1**	**0.7**	**17.1**

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 2019 the Group held the following principal investments. The remainder of companies, not included below, are disclosed on the inside back cover, and the addresses of all subsidiaries, principal or dormant, are provided on pages 137-139.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Solutions Limited	United Kingdom	Schneider Electric Software Italia S.P.A	Italy
Schneider Electric Software GB Limited	United Kingdom	Wonderware Italia S.P.A.	Italy
Schneider Electric Software Argentina S.A.	Argentina	AVEVA KK	Japan
AVEVA Pty Limited	Australia	Schneider Electric Software Japan Inc	Japan
AVEVA Software Australia Holdings Pty Ltd	Australia	AVEVA Korea Limited	Korea
Schneider Electric Software Australia Pty Ltd	Australia	Schneider Electric Software Korea Ltd	Korea
AVEVA do Brasil Informática Ltda	Brazil	AVEVA Sendirian Berhad	Malaysia
Schneider Electric Software Brasil LTDA	Brazil	AVEVA Asia Pacific Sendirian Berhad	Malaysia
Schneider Electric Software Canada Inc.	Canada	Schneider Electric Software Mexico SA de CV	Mexico
Schneider Electric Software Chile SpA	Chile	Schneider Electric Software Holdings Netherlands BV	Netherlands
AVEVA (Shanghai) Consultancy Co. Limited	China	Schneider Electric Software Netherlands BV	Netherlands
AVEVA Solutions (Shanghai) Co. Limited	China	AVEVA AS	Norway
Telvent Control System (China) Co. Ltd	China	AVEVA Limited Liability Company	Russia
Schneider Electric Software Colombia S.A.S.	Colombia	Schneider Electric Software RU	Russia

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Denmark A/S	Denmark	AVEVA Pte Limited	Singapore
AVEVA SA	France	Schneider Electric Software Holdings Singapore PTE Ltd	Singapore
Schneider Electric Software France SAS	France	Schneider Electric Software Spain S.L.	Spain
AVEVA GmbH	Germany	AVEVA AB	Sweden
Schneider Electric Software Germany GmbH	Germany	Wonderware Scandinavia AB	Sweden
AVEVA East Asia Limited	Hong Kong	Schneider Electric Software (Thailand) Co. Ltd	Thailand
AVEVA Solutions India LLP	India	Schneider Electric Software Middle East FZE	United Arab Emirates
AVEVA Information Technology India Private Limited	India	AVEVA Inc.	United States of America
Schneider Electric Software India Private Limited	India	AVEVA Software, LLC	United States of America

19 Financial assets

	2019 £m	2018 £m
Current		
Fair value of forward foreign exchange contracts	–	0.5
Non-current		
Fair value of forward foreign exchange contracts	–	–

20 Trade and other receivables

	2019 £m	2018 £m
Current		
Amounts falling due within one year:		
Trade receivables	**174.9**	146.9
Amounts owed from related parties (note 32)	**35.5**	52.5
Prepayments and other receivables	**27.5**	31.0
	237.9	230.4

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.

	2019 £m	2018 £m
Non-current		
Prepayments and other receivables	**2.2**	1.2
	2.2	1.2

Non-current prepayments and other receivables include rental deposits for operating leases.

As at 31 March 2019, the provision for impairment of receivables was £7.2m (2018: £1.8m) and an analysis of the movements during the year was as follows:

	£m
At 1 April 2017	2.0
Charge for the year	1.2
Utilised	(1.3)
Exchange adjustment	(0.1)
At 31 March 2018	1.8
Charge for the year	6.3
Utilised	(0.7)
Exchange adjustment	(0.2)
As at 31 March 2019	**7.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20 Trade and other receivables continued

As 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
2019						
Trade receivables	**174.9**	**122.4**	**45.6**	**5.1**	**1.8**	**–**
Amounts owed from related parties	**35.5**	**29.0**	**4.5**	**0.5**	**1.5**	**–**
	210.4	**151.4**	**50.1**	**5.6**	**3.3**	**–**
2018						
Trade receivables	146.9	101.1	44.0	1.4	0.4	–
Amounts owed from related parties	52.5	23.6	24.3	4.6	–	–
	199.4	124.7	68.3	6.0	0.4	–

Further disclosures relating to the credit quality of trade receivables are included in note 27.

21 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**126.5**	104.5
Short-term deposits	**0.7**	1.1
Net cash and cash equivalents per cash flow	**127.2**	105.6
Treasury deposits	**0.6**	0.2
	127.8	105.8

Treasury deposits represent bank deposits with an original maturity of over three months. Treasury deposits held with a fixed rate of interest were £0.6m (2018: £0.2m), with the remainder held at a floating rate.

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 short-term deposit rates. £0.6m (2018: £1.0m) were at a fixed rate of interest and the remainder were held at a floating rate of interest.

The fair value of cash and cash equivalents and treasury deposits is £127.8m (2018: £105.8m).

Further disclosures relating to credit quality of cash and cash equivalents and treasury deposits are included in note 27.

22 Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	**20.3**	22.9
Amounts owed to related parties (note 32)	**10.5**	8.9
Social security, employee taxes and sales taxes	**22.6**	17.4
Accruals	**100.5**	74.8
Other payables	**2.9**	23.2
	156.8	147.2

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.

23 Loans and borrowings

	2019 £m	2018 £m
Current		
Bank loan	**–**	10.0

As at 31 March 2019 the Group had access to £100.0m under a 3-year revolving credit facility (2018: £100.0m). The drawings as at 31 March 2019 totalled £nil (2018: £10.0m).

The revolving credit facility permits 15 loans to be outstanding at any one time. Interest on drawings is calculated at LIBOR plus a margin, initially 0.5%, rising only if net leverage position deteriorates considerably. Additionally, a quarterly commitment fee is charged on the undrawn facility at 35% of the margin. The termination date of the facility is 28 February 2021 but is subject to an extension option.

24 Financial liabilities

	2019 £m	2018 £m
Current		
Fair value of forward foreign exchange contracts	**0.1**	–

25 Provisions

	Non-current	**Current**	
	Onerous leases £m	**Onerous leases £m**	**Restructuring £m**
At 1 April 2019	–	–	–
Arising during the year	2.6	0.5	1.4
At 31 March 2019	**2.6**	**0.5**	**1.4**

Restructuring
Following the Combination in the prior year, the Group has been working to integrate the business. This has resulted in severances being announced, particularly where there is duplication of roles and functions across the former heritage businesses.

Onerous leases
As part of the integration exercise, the Group is in the process of exiting certain properties and relocating activities. A provision has been recognised to reflect vacant space and instances where the agreed lease payments exceed market rates.

26 Obligations under leases

As at 31 March 2019 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings £m	**Plant and machinery £m**	Land and buildings £m	Plant and machinery £m
Not later than one year	**14.8**	**1.7**	13.7	1.7
After one but not more than five years	**27.6**	**1.8**	24.8	1.7
More than five years	**0.4**	**–**	2.7	–
	42.8	**3.5**	41.2	3.4

The Group has entered into commercial leases on certain properties, motor vehicles and items of equipment. These leases have a duration of between one and fifty years. Certain property leases contain an option for renewal.

27 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 holds net funds and hence its interest rate risk is associated with short-term 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 and cash equivalents. Borrowings are at a fixed rate of interest. The impact is determined by applying sensitised interest rates to the cash and cash equivalents balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27 Financial risk management continued

A 1% point decrease in the Sterling and US Dollar interest rates would not have had an impact on interest income (2018: reduced by £0.5m) or profit after tax (2018: reduced by £0.4m).

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. 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 2019, the Group had outstanding currency exchange contracts to sell $8.2m and €3.1m.

The Group has not applied hedge accounting during the current year and therefore all gains and losses on 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 show the effects 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 2017/18.

31 March 2019	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US Dollar	**10%**	(2.2)	(2.2)
	(10%)	2.4	2.4
Euro	**10%**	(2.4)	(2.4)
	(10%)	2.6	2.6

31 March 2018	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US Dollar	10%	(1.0)	(1.0)
	(10%)	1.1	1.1
Euro	10%	(0.6)	(0.6)
	(10%)	0.7	0.7

b) Credit risk

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

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.

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 2019 the Group has access to undrawn borrowing facilities of £100.0m (2018: £90.0m).

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:

As at 31 March 2019	Less than three months £m	Between three months and six months £m	Between six months and one year £m	Greater than one year £m
Trade and other payables	**19.0**	**0.4**	**1.2**	**2.6**
Amounts due to related parties	**5.6**	**3.0**	**1.6**	**0.3**
	24.6	**3.4**	**2.8**	**2.9**

As at 31 March 2018	Less than three months £m	Between three months and six months £m	Between six months and one year £m	Greater than one year £m
Trade and other payables	45.2	0.9	–	–
Amounts due to related parties	6.7	2.2	–	–
Loans and borrowings	–	10.0	–	–
	51.9	13.1	–	–

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:

As at 31 March 2019	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	**€1.6**	**€1.0**	**€0.5**	**–**
Inflow	**£1.4**	**£0.9**	**£0.4**	**–**
Forward foreign exchange contracts (GBP/USD)				
Outflow	**$3.2**	**$4.0**	**$1.0**	**–**
Inflow	**£2.4**	**£3.0**	**£0.7**	**–**

As at 31 March 2018	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	€3.5	€3.1	€1.4	–
Inflow	£3.2	£2.8	£1.3	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	$7.9	$2.8	$1.7	–
Inflow	£5.9	£2.0	£1.2	–

d) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £127.2m (2018: £105.6m) and treasury deposits of £0.6m (2018: £0.2m). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

In addition, the Group's financial assets 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 2019, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts was £0.1m at 31 March 2019 (2018: asset of £0.5m).

The resulting loss of £0.5m (2018: loss of £0.1m) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27 Financial risk management continued

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 capital structure of the Group consists of equity attributable to the equity holders of AVEVA Group plc comprising issued share capital, other reserves and retained earnings.

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.

28 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 benefit obligations £m	Intangible assets £m	Share options £m	Losses £m	Other temporary differences[1] £m	Total £m
At 1 April 2017	–	(60.8)	–	–	2.1	(58.7)
Impact of change in accounting policies	–	–	–	–	(14.9)	(14.9)
Restated balance as at 1 April 2017	–	(60.8)	–	–	(12.8)	(73.6)
Acquired	(0.9)	(94.9)	0.7	0.6	(0.8)	(95.3)
Credit to income statement	–	33.6	–	–	10.0	43.6
Credit to other comprehensive income	1.5	–	–	–	–	1.5
Credited to equity	–	(4.2)	–	–	0.9	(3.3)
Exchange adjustment	–	5.5	–	–	0.1	5.6
At 31 March 2018	0.6	(120.8)	0.7	0.6	(2.6)	(121.5)
Credit to income statement	(0.4)	15.9	1.3	(0.6)	6.0	22.2
Credit to other comprehensive income	(0.4)	–	–	–	–	(0.4)
Credited to equity	–	–	1.2	–	–	1.2
Exchange adjustment	–	(2.0)	–	–	1.0	(1.0)
At 31 March 2019	**(0.2)**	**(106.9)**	**3.2**	**–**	**4.4**	**(99.5)**

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:

	2019 £m	2018 £m
Deferred tax liabilities	**(111.3)**	(130.5)
Deferred tax assets	**11.8**	9.0
	(99.5)	(121.5)

At the balance sheet date, the Group has unused tax losses of £28.3m (2018: £28.1m) available for offset against future profits. No losses (2018: £1.4m) expire after 5 years and losses of £9.5m (2018: £7.5m) expire after 20 years. All other losses may be carried forward indefinitely.

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £39.5m (2018: £20.4m) 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. No liability has been recognised 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.

29 Retirement benefit obligations

The Group operates defined benefit pension schemes in the UK, Sweden, Italy and Germany. The Group also provides certain post employment benefits to employees in South Korea, Japan, Australia, UAE and Saudi Arabia.

The UK defined benefit pension scheme, previously available to all UK employees, was closed to new applicants in 2002 and closed to future accrual from 1 April 2015. UK employees are now offered membership of a defined contribution scheme.

The German unfunded defined benefit schemes are closed to new applicants and provide benefits to nine deferred members. No current employees participate in the schemes.

The Group provides pension arrangements to its Swedish employees through an industry-wide defined benefit scheme. It is not possible to identify the share of the underlying assets and liabilities in the scheme which is attributable to the Group on a fair and reasonable basis. Therefore the Group has applied the provisions in IAS 19 to account for the scheme as if it was a defined contribution scheme.

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

	UK defined benefit scheme £m	German defined benefit schemes £m	South Korean severance pay £m	Italy Plan £m	IPS Japan Plan £m	Other £m	Total £m
At 31 March 2017	–	1.4	–	1.8	1.4	0.6	5.2
On acquisition	(4.3)	1.9	1.6	–	–	–	(0.8)
Current service cost	–	0.1	–	0.2	0.1	0.5	0.9
Net interest on pension scheme liabilities	0.2	–	–	–	–	0.1	0.3
Return on pension scheme assets	(0.2)	–	–	–	–	–	(0.2)
Actuarial remeasurements	–	(0.5)	–	–	0.1	2.8	2.4
Employer contributions	(1.3)	–	–	(0.2)	(0.2)	(0.5)	(2.2)
Exchange adjustment	–	–	–	–	(0.1)	(0.3)	(0.4)
At 31 March 2018	(5.6)	2.9	1.6	1.8	1.3	3.2	5.2
Current service cost	–	0.1	0.2	0.3	0.2	0.9	1.7
Past service cost	0.8	–	0.3	–	–	–	1.1
Net interest on pension scheme liabilities	2.0	–	–	–	–	0.2	2.2
Return on pension scheme assets	(1.9)	–	–	–	–	–	(1.9)
Actuarial remeasurements	(0.8)	–	0.4	0.7	–	0.2	0.5
Employer contributions	(1.6)	(0.1)	(0.1)	(0.2)	(0.1)	(0.8)	(2.9)
Exchange adjustment	–	–	–	–	–	0.1	0.1
At 31 March 2019	**(7.1)**	**2.9**	**2.4**	**2.6**	**1.4**	**3.8**	**6.0**

The following is the analysis of the retirement benefit balances:

	2019 £m	2018 £m
Retirement benefit surplus	**(7.1)**	(5.6)
Retirement benefit liabilities	**13.1**	10.8
	6.0	5.2

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.

The past service cost recognised in the UK defined benefit scheme relates to the amendment of certain historic pension schemes to equalise benefits for men and women. This adjustment was made as a result of the judgement issued by the High Court of Justice of England and Wales on 26 October 2018 regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits.

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.

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

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

	2019 %	2018 %
Main assumptions:		
Discount rate	**2.5**	2.6
Inflation assumption – RPI	**3.6**	3.5
Rate of salary increases	**5.6**	5.5
Rate of increase of pensions in payment	**3.3**	3.2
Rate of increase of pensions in deferment	**2.6**	2.5
Cash Commutation	**20% of pension**	20% of pension

The duration of the scheme liabilities is estimated to be 17 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29 Retirement benefit obligations continued

For the years ended 31 March 2019 and 2018, the mortality assumptions adopted imply the following weighted average life expectancies at age 65:

	2019 Years	2018 Years
Male currently aged 65	**22.5**	22.9
Female currently aged 65	**23.5**	23.9
Male currently aged 45	**23.5**	23.9
Female currently aged 45	**24.7**	25.1

Company contributions were £1.6m (2018: £1.3m), comprising deficit contributions totalling £1.4m (2018: £0.1m) per annum plus an administration charge of £0.2m (2018: £0.2m). In 2018, there was a one off additional Company contribution of £1.0m. The total contributions in 2019/20 is expected to be approximately £1.6m.

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)	
	2019 £m	2018 £m
0.25 percentage point increase to:		
– discount rate	**(3.2)**	(3.4)
– inflation (including pension increases linked to inflation)	**2.3**	2.4
Additional one-year increase to life expectancy	**3.2**	2.3

The assets and liabilities of the scheme at 31 March 2019 and 2018 were as follows:

	2019 £m	2018 £m
Equities	**31.0**	33.2
Bonds	**28.7**	27.1
Other	**25.1**	23.1
Total fair value of assets	**84.8**	83.4
Present value of scheme liabilities	**(77.7)**	(77.8)
Net pension asset	**7.1**	5.6

The amounts recognised in the Consolidated income statement and Consolidated statement of comprehensive income for the year are analysed as follows:

	2019 £m	2018 £m
Selling and administrative expenses		
Past service cost	**0.8**	–
Finance revenue		
Interest income on pension scheme assets	**(1.9)**	(0.2)
Finance costs		
Interest on pension scheme liabilities	**2.0**	0.2
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	**3.7**	0.2
Less: interest income on pension scheme assets	**(1.9)**	(0.2)
	1.8	–
Changes in assumptions and experience adjustments on liabilities	**(1.0)**	–
Remeasurement gain on defined benefit plan	**0.8**	–

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

	2019 £m	2018 £m
At 1 April	**77.8**	–
On acquisition	**–**	77.6
Interest on pension scheme liabilities	**2.0**	0.2
Benefits paid	**(3.9)**	–
Actuarial loss due to experience	**0.1**	–
Actuarial loss due to changes in the economic assumptions	**2.2**	–
Actuarial gain due to changes in the demographic assumptions	**(1.3)**	–
Past service cost	**0.8**	–
At 31 March	**77.7**	77.8

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

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

	2019 £m	2018 £m
At 1 April	**83.4**	–
On acquisition	**–**	81.9
Interest income	**1.9**	0.2
Contributions by employer	**1.6**	1.3
Benefits paid	**(3.9)**	–
Actual return less interest in income	**1.8**	–
At 31 March	**84.8**	83.4

b) German defined benefit schemes

The Group operates four defined benefit pension schemes. There are three defined benefit pension schemes in AVEVA GmbH. Tribon Solutions GmbH operated an unfunded defined benefit scheme that provides benefits to three deferred members following an acquisition in 1992. No current employees participate in the scheme and it is closed to new applicants. Benefit payments are made as they fall due.

Since the acquisition of Bocad in May 2012, AVEVA Software GmbH had been responsible for the pension obligations of six former Bocad employees. At the time of the acquisition, the pension obligations were only partly financed via external funding vehicles. In March 2013, AVEVA concluded an agreement with an external insurance provider which resulted in the insurance company being obliged to provide all benefits as detailed in the individual pension commitments, with AVEVA only having an obligation if the external insurance provider defaults.

In addition, AVEVA GmbH operates a defined benefit pension scheme for one employee. This scheme is closed to new members.

There are two unfunded defined benefit schemes in the German SES entity. Seven current employees participate in the schemes, both schemes are closed to new applicants.

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

	2019	2018
Rate of increase of pension in payment	**1.8–2.5%**	1.5%–2.5%
Discount rate	**1.3%**	1.2%–1.6%
Mortality	**13 – 20 years**	13 – 20 years
Rate of salary increases	**n/a**	n/a
Retirement age	**60 – 63**	60 – 63

c) South Korean severance pay

South Korean employees are entitled to a lump sum on severance of their employment equal to one month's salary for each year of service.

d) Italy plan

Certain employees in Italy have an accrued entitlement to Defined Benefit termination indemnity payments. The plan is unfunded.

e) IPS Japan plan

Employees enrolled in the IPS Japanese plan receive a lump sum payment on retirement or earlier exit. The plan is unfunded.

f) Other retirement schemes

Swedish employees employed by AVEVA AB aged 28 or over are members of the ITP, an industry scheme for salaried employees which provides benefits in addition to the state pension arrangements. The ITP scheme is managed by Alecta, a Swedish insurance company. It is a multi-employer defined benefit scheme with a supplementary defined contribution component. AVEVA AB pays monthly premiums to the insurers which vary by age, service and salary of the employee. AVEVA AB is unable to identify its share of the underlying assets and liabilities in the scheme on a fair and reasonable basis because this information is not provided by the scheme and therefore has accounted for the scheme as if it was a defined contribution pension scheme. At 31 March 2019, Alecta's surplus in the form of collective funding level was 144% (2018: 152%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £0.2m (2018: £0.1m).

Certain employees in Australia have a statutory right to receive a Long Service Leave payment at dates agreed with the employee (after the qualifying period).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29 Retirement benefit obligations continued

Employees in UAE and Saudi Arabia are entitled to a lump sum benefit on retirement or termination. This is based on service and final salary and is a legal requirement in these countries.

Certain employees in India have a statutory right to receive a gratuity payment when they leave service. They also have a leave encashment plan (where unused annual leave can be used to purchase an additional retirement benefit).

g) Defined contribution schemes

The Group operates defined contribution retirement schemes for certain European and Asian employees. The assets of the schemes are held separately from those of the Group. The total cost charged to the income statement of £15.6m (2018: £8.6m) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

30 Share-based payment plans

The Group has four equity-settled share schemes: the AVEVA Group plc Long-Term Incentive Plan (LTIP); the AVEVA Group Management Bonus Deferred Share Scheme; the AVEVA Group plc Senior Employee Restricted Share Plan 2015; and the AVEVA Group plc Executive Share Option Scheme 2007. No grants have been made under the 2007 scheme.

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 2017	–	–	–	–
On acquisition	488,101	196,671	12,468	697,240
Granted during year	307,143	–	–	307,143
Additional grants as a result of modifications to existing options[1]	154,900	105,861	6,703	267,464
Outstanding at 31 March 2018	950,144	302,532	19,171	1,271,847
Exercisable at 31 March 2018	4,069	1,248	–	5,317
Granted during year	358,111	122,156	44,620	524,887
Forfeited during the year	(299,258)	(32,390)	–	(331,648)
Exercised during the year	(1,145)	(79,237)	(7,262)	(87,644)
Outstanding at 31 March 2019	**1,007,852**	**313,061**	**56,529**	**1,377,442**
Exercisable at 31 March 2019	**2,924**	**6,212**	**–**	**9,136**

1 During the year ended 31 March 2018, modifications occurred under the Company's employee share plans in relation to the Return of Value to the Company's shareholders, which was implemented by means of a B Share Scheme. The modifications operated to increase the number of shares held under the awards by a factor of 1.53846 and rounded down to the nearest number of whole shares.

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. As a result of the reverse acquisition accounting, existing share option awards were revalued using the relevant inputs as at the acquisition date, using a consistent methodology as outlined above. The element relating to service prior to the acquisition date has been included within consideration, as outlined in note 14, with the post-acquisition element reflecting the ongoing charge in the income statement. The following table lists the inputs to the model used for each of the awards:

Year ended 31 March 2019

	LTIP	Restricted share plan	Deferred Share Scheme
Weighted average exercise price	**3.56p**	**3.56p**	**–**
Expected volatility	**32%**	**32%**	**32%**
Risk-free interest rate	**0.8% to 0.9%**	**0.8% to 0.9%**	**0.8%**
Expected life of option	**3 to 5 years**	**3 years**	**3 years**
Weighted average share price	**27.58**	**26.51**	**25.71**
Valuation type	**Black Scholes and Monte Carlo**	**Black Scholes**	**Black Scholes**

Year ended 31 March 2018

	LTIP	Restricted share plan	Deferred Share Scheme
Weighted average exercise price	3.56p	3.56p	–
Expected volatility	48%	48%	48%
Risk-free interest rate	0.5%	0.5%	0.5%
Expected life of option	3 years	3 years	3 years
Weighted average share price	18.26	18.26	18.26
Valuation type	Black Scholes and Monte Carlo	Black Scholes	Black Scholes

The weighted average remaining contractual life for the options outstanding at 31 March 2019 is 7.3 years (2018: 7.1 years).

The average fair value of options granted during the year was £25.31 (2018: £19.14). 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 2019 the Group recognised an expense of £11.2m related to equity-settled share-based payment transactions (2018: £1.2m) and nil related to cash-settled share-base payment transactions (2018: £0.2m).

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

The performance conditions attached to the options awarded in 2018/19 and 2017/18 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 page 74.

b) Deferred annual bonus share plan

The AVEVA Group Management Bonus Deferred Share Scheme 2008 (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 his 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) AVEVA Group plc Senior Employee Restricted Share Plan 2015

The AVEVA Group plc Senior Employee Restricted Share Plan 2015 (the Restricted Share Plan) allows awards of options to be made to senior management employees. The right to exercise an option is subject to completion of a required period of continued employment within the Group, usually being three years. 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.

31 Share capital and reserves

a) Share capital

	2019 £m	2018 £m
Allotted, called-up and fully paid		
161,287,697 (2018: 161,207,315) ordinary shares of 3.56 pence each	**5.7**	5.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 Share capital and reserves continued

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

	2019 Number	2019 £m	2018 Number	2018 £m
At 1 April	161,207,315	5.7	63,975,869	2.3
Issued as consideration for the purchase of SES	–	–	97,169,655	3.4
Exercise of share options	80,382	–	61,791	–
At 31 March	**161,287,697**	**5.7**	**161,207,315**	**5.7**

On 1 March 2018 the Company issued 97,169,655 consideration shares of 3.56 pence each with a nominal value of £3.4m. The issue of new shares in the Company in exchange for shares in SES attracted merger relief under section 612 of the Companies Act 2006. Of the £1,817.9m fair value of the shares issued, £3.4m (3.56 pence per ordinary share) was credited to share capital, £547.2m (after writing off certain transaction costs) to share premium, and the remaining £1,265.6m to the merger reserve within equity.

On 1 March 2018 the Company issued 64,037,660 B shares of £10.15 each paid up by capitalisation of £650.0m of the merger reserve. Later on the same date the B shares were redeemed at £10.15 per share, in part out of the fresh issue referred to above and as to £101.7m out of distributable reserves (which was transferred to capital redemption reserve).

During the year the Company issued 80,382 (2018: 61,791) ordinary shares of 3.56 pence each with a nominal value of £2,858 (2018: £2,197) pursuant to the exercise of share options. The total proceeds were £2,858 (2018: £2,197), which included a premium of £nil (2018: £nil).

b) Other reserves

Other reserves consist of the following:

Merger reserve
This represents 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 which arise from the translation of the financial statements of foreign subsidiaries.

Capital contribution reserve
Capital contributions represent the reimbursement by Schneider Electric Group of capital expenditure incurred in relation to the carve out of SESB following the Combination.

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

Reverse acquisition reserve
This represents the difference between the consideration and the AVEVA capital equity interests on acquisition.

Treasury shares
Treasury shares 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, 342,774 (2018: 15,444) shares were purchased by the EBT at a price of £27.07 (2018: £20.91) and 7,262 shares (2018: 11,543) with an attributable cost of £150,028 (2018: £243,462) were issued to employees in satisfying share options that were exercised.

	£m
At 1 April 2017	0.2
Own shares purchased	0.3
Shares issued to employees	(0.2)
At 31 March 2018	0.3
Own shares purchased	9.3
Shares issued to employees	(0.2)
At 31 March 2019	**9.4**

32 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.

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

	2019 £m	2018 £m
Sales of goods and services	**80.1**	72.9
Purchases of goods and services	**(19.7)**	(13.1)
Interest income	**–**	0.3
Interest expense	**–**	(3.4)
Completion accounts adjustment	**(19.4)**	–
Other non-trading transactions	**4.3**	(7.9)
Pre-closing management fees	**–**	(11.0)

During the year, the Group paid £17.4m to Schneider Electric SE, the parent company of the Schneider Electric Group. All other transactions were with subsidiary companies within the Schneider Electric Group.

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

	2019 £m	2018 £m
Trade and other receivables	**34.1**	43.1
Trade and other payables	**(10.5)**	(8.9)
Non-trading receivables	**1.4**	9.4

Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2019 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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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.

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. In the 11 month period to 28 February 2018, the key management personnel were considered to be the Chief Operating Officer and the Heads of Business of SES. Following the Combination, during the one month period from 1 March 2018 to 31 March 2018, and the year to 31 March 2019, the key management personnel were considered to be the Board and the Executive Leadership Team of the AVEVA Group plc enlarged Group. In addition to their salaries, the Group also 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 parts of the Remuneration Committee report on pages 60 to 79.

	2019 £m	2018 £m
Short-term employee benefits	**7.2**	2.9
Share-based payments	**8.2**	0.4
	15.4	3.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 Changes in accounting policies

The Group has adopted IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments, from 1 April 2018. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

a) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group adopted IFRS 15 using the full retrospective method of adoption. In summary, the following adjustments were made to the amounts recognised in the primary statements:

i) Rendering of services – transfer of control
ii) Providing extended payment terms to customers
iii) Stand-alone selling prices

Impact on the balance sheet as at 31 March 2018

	£m	IFRS 15 (i) £m	IFRS 15 (ii) £m	IFRS 15 (iii) £m	Restated £m
Non-current assets					
Goodwill	1,287.6	–	(0.8)	(3.3)	1,283.5
Current assets					
Contract assets	40.6	23.8	1.8	1.4	67.6
Current liabilities					
Contract liabilities	(157.2)	16.0	(0.9)	0.4	(141.7)
Non-current liabilities					
Deferred tax liabilities	(120.7)	(9.3)	(0.2)	(0.3)	(130.5)
Equity					
Other reserves	(1,178.1)	(1.2)	(0.1)	–	(1,179.4)
Retained earnings	(167.7)	(29.3)	0.1	1.8	(195.1)

Due to the Combination being accounted for as a reverse acquisition, IFRS 15 adjustments that would ordinarily adjust equity in the year ended 31 March 2018 are divided between pre-acquisition and post-acquisition. The pre-acquisition element is accounted for as an adjustment to goodwill, the post-acquisition element is adjusted to equity.

Contract assets recognised in relation to contracts with customers were previously presented as accrued income. Contract liabilities were previously presented as deferred revenue.

Impact on the balance sheet as at 1 April 2017

	£m	IFRS 15 (i) £m	IFRS 15 (ii) £m	IFRS 15 (iii) £m	Restated £m
Current assets					
Contract assets	44.7	28.0	–	–	72.7
Current liabilities					
Contract liabilities	(117.4)	21.4	–	–	(96.0)
Non-current liabilities					
Deferred tax liabilities	(60.8)	(14.9)	–	–	(75.7)
Equity					
Retained earnings	(146.6)	(34.5)	–	–	(181.1)

Impact on the income statement and statement of other comprehensive income

	Year ended 31 March 2018				
	£m	IFRS 15 (i) £m	IFRS 15 (ii) £m	IFRS 15 (iii) £m	Restated £m
Revenue	499.1	(10.4)	(0.1)	(2.3)	486.3
Selling and administration expenses	(181.8)	0.5	–	–	(181.3)
Income tax expense	0.8	4.7	–	0.5	6.0
Profit for the period		(5.2)	(0.1)	(1.8)	
Exchange differences on translation of foreign operations	(16.8)	1.2	0.1	–	(15.5)
Other comprehensive income for the period		1.2	0.1	–	
Total comprehensive income		(4.0)	–	(1.8)	

Impact on the cash flow statement

	Year ended 31 March 2018 £m	IFRS 15 (i) £m	IFRS 15 (ii) £m	IFRS 15 (iii) £m	Restated £m
Profit for the period	47.6	(5.2)	(0.1)	(1.8)	40.5
Income tax expense	(0.8)	(4.7)	–	(0.5)	(6.0)
Changes in working capital					
Contract assets	(34.0)	4.5	0.1	0.9	(28.5)
Contract liabilities	22.1	5.4	–	1.4	28.9
Net cash generated from operating activities		–	–	–	

Impact on earnings per share

	Year ended 31 March 2018 Pence	IFRS 15 pence	Restated pence
Earning per share			
– basic	46.97	(7.05)	39.92
– diluted	46.73	(7.01)	39.72
Adjusted earnings per share			
– basic	78.83	(7.05)	71.78
– diluted	78.43	(7.01)	71.42

b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 Financial Instruments replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The total impact on the Group's retained earnings as at 1 April 2018 was £6,000.

c) Classification and measurement

As at 1 April 2018, management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The reclassification has had no effect on the financial statements.

d) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Contract assets
- Debt investments carried at amortised cost (other receivables)
- Debt investments carried at fair value (derivatives included in financial assets and financial liabilities)

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 and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The contract assets relate to unbilled work in progress and 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.

The application of the IFRS 9 accounting policy resulted in a decrease of £0.5m to selling and administration expenses for the year ending 31 March 2019.

COMPANY BALANCE SHEET

31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investments	5	**1,325.0**	1,303.7
Deferred tax assets		**1.3**	–
		1,326.3	1,303.7
Current assets			
Trade and other receivables	6	**121.0**	71.6
Cash and cash equivalents		**0.2**	0.3
		121.2	71.9
Total assets		**1,447.5**	1,375.6
Equity			
Issued share capital	8	**5.7**	5.7
Share premium		**574.5**	574.5
Capital redemption reserve		**101.7**	101.7
Merger reserve		**619.6**	619.6
Retained earnings		**127.9**	73.3
Total equity		**1,429.4**	1,374.8
Current liabilities			
Trade and other payables	7	**17.0**	0.8
Current tax liabilities		**1.1**	–
		18.1	0.8
Total equity and liabilities		**1,447.5**	1,375.6
Profit for the year		**108.8**	103.7

The accompanying notes are an integral part of this Company balance sheet.

The financial statements on pages 126 to 130 were approved by the Board of Directors on 29 May 2019 and signed on its behalf by:

Philip Aiken
Chairman

Craig Hayman
Chief Executive Officer

Company number
2937296

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 March 2019

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 1 April 2017	2.3	27.3	–	4.0	84.7	118.3
Profit for the year	–	–	–	–	103.7	103.7
Shares issued to acquire SES, net of transaction costs	3.4	547.2	–	1,265.6	–	1,816.2
Issue and redemption of B shares	–	–	101.7	(650.0)	(101.7)	(650.0)
Share-based payments	–	–	–	–	0.9	0.9
Share options granted to employees of subsidiary companies	–	–	–	–	3.0	3.0
Dividends paid	–	–	–	–	(17.3)	(17.3)
At 31 March 2018	5.7	574.5	101.7	619.6	73.3	1,374.8
Profit for the year	–	–	–	–	108.8	108.8
Share-based payments	–	–	–	–	6.6	6.6
Share options granted to employees of subsidiary companies	–	–	–	–	4.7	4.7
Tax arising on share options	–	–	–	–	0.5	0.5
Dividends paid	–	–	–	–	(66.0)	(66.0)
At 31 March 2019	**5.7**	**574.5**	**101.7**	**619.6**	**127.9**	**1,429.4**

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 2019 were authorised for issue by the Board of Directors on 29 May 2019 and the balance sheet was signed on the Board's behalf by Philip Aiken, the Chairman, and Craig Hayman, the CEO. 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 2019. The financial statements are presented in sterling, rounded to the nearest £0.1m 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 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 131 to 136.

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
- 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) 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.

c) 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.

d) 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 2019 of £108.8m (2018: profit of £103.7m).

Audit fees of £7,000 (2018: £7,000) are borne by another Group company.

The Company does not have any employees (2018: nil). Directors' emoluments are disclosed in the Remuneration Report on pages 60 to 79, and in respect of the Executive Directors were paid by a UK subsidiary company.

4 Dividends

	2019 £m	2018 £m
Declared and paid during the year		
Interim 2018/19 dividend paid of 14.0 pence (2017/18: nil) per ordinary share	**22.5**	–
Final 2017/18 dividend paid of 27.0 pence (2016/17: 30.0 pence) per ordinary share	**43.5**	17.3
	66.0	17.3
Proposed for approval by shareholders at the Annual General Meeting		
Final 2018/19 proposed dividend of 29.0 pence (2017/18: 27.0 pence) per ordinary share	**46.8**	43.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 8 July 2019 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 2 August 2019 to shareholders on the register at the close of business on 5 July 2019.

5 Investments

	£m
Cost and net book value	
At 1 April 2018	1,303.7
Additions	21.3
At 31 March 2019	**1,325.0**

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

	2019 £m	2018 £m
Amounts owed by Group undertakings	**121.0**	71.6

7 Trade and other payables

	2019 £m	2018 £m
Accruals	**3.2**	0.8
Amounts owed to Group undertakings	**13.8**	–
	17.0	0.8

8 Share capital

	2019 £m	2018 £m
Allotted, called-up and fully paid		
161,287,697 (2018: 161,207,315) ordinary shares of 3.56 pence each	**5.7**	5.7

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

	2019 Number	2019 £m	2018 Number	2018 £m
At 1 April	**161,207,315**	**5.7**	63,975,869	2.3
Issued as consideration for the purchase of SES	**–**	**–**	97,169,655	3.4
Exercise of share options	**80,382**	**–**	61,791	–
At 31 March	**161,287,697**	**5.7**	161,207,315	5.7

On 1 March 2018 the Company issued 97,169,655 (2017: nil) consideration shares of 3.56 pence each with a nominal value of £3.4m (2017: nil). The issue of new shares in the Company in exchange for shares in SES has attracted merger relief under section 612 of the Companies Act 2006. Of the £1,817.9m fair value of the shares issued, £3.4m (3.56 pence per ordinary share) has been credited to share capital, £547.2m (after writing off certain transaction costs) to share premium, and the remaining £1,265.6m to the merger reserve within equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8 Share capital continued

On 1 March 2018 the Company issued 64,037,660 B shares of £10.15 each paid up by capitalisation of £650.0m of the merger reserve. Later on the same date the B shares were redeemed at £10.15 per share, in part out of the fresh issue referred to above and as to £101.7m out of distributable reserves (which was transferred to capital redemption reserve).

During the year the Company issued 80,382 (2018: 61,791) ordinary shares of 3.56 pence each with a nominal value of £2,858 (2018: £2,197) pursuant to the exercise of share options. The total proceeds were £2,858 (2018: £2,197), which included a premium of £nil (2018: £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' remuneration report. Note 30 of the Consolidated financial statements for the Group includes details of share option awards made during the year.

9 Related party transactions

During the year the Company made a payment of £19.4m to Schneider Electric, a related party, in relation to the finalised completion accounts following the acquisition of SES.

There are no related party balances held at 31 March 2019.

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 IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2019. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

The parent Company financial statements of AVEVA Group plc have been prepared under the FRS 101 reduced disclosure framework and are included on pages 126 to 130.

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.

SES entities are a combination of software legal entities in certain countries and the software portion of other legal entities that also include non-software related businesses. The software portion of these legal entities has been carved-out and included in this combined financial information as described in this basis of preparation. Assets and liabilities have been measured at the carrying amount at which they would be included in each of the combined entities separate financial statements (whether resulting from a carve-out from a larger legal entity or incorporated in a separate legal entity as a subsidiary), based on Schneider Electric's date of transition to IFRS as endorsed by the EU on April 1, 2004.

Assets and liabilities of software operations carved-out from legal entities with other non-software operations have been initially recorded through group funding (expressed as amounts receivable from/payable to related parties) at their carrying value in the separate financial statements of the legal entity to which these assets and liabilities belong to as described above. Subsequently, the cash generated or consumed by such carved-out entities has been reflected as a debit or credit to group funding and has been reflected accordingly in the cash flow statement in the line "change in funding with related parties". Last, at the time of the legal reorganisation of each of these carved-out operations into a separate dedicated legal entity/subsidiary, group funding has been recorded as equity or current account with a related party (the Schneider Electric Group).

Some of the operations of SES reflected in the combined financial information have not existed as separate legal entities for the entire financial years for which information is presented. The revenues and costs of these operations have been carved-out from the legal entities in which these operations are included using historical information relating to SES transactions included in the accounting information systems and management reporting of the Schneider Electric Group.

Direct and indirect costs reflected in the combined financial statements include costs that were charged to SES by Schneider Electric related to the operations of SES. Indirect costs relate to certain support functions that, prior to completion of the combination, were provided on a centralised basis within Schneider Electric and Schneider Electric shared service centre locations. For all carved-out operations, other indirect costs incurred have been allocated using reasonable and consistent conventions based on the type of costs involved to provide the fairest approximation of the cost of services received based on amounts actually attributable to the carved-out SES operations.

Current income tax, other than taxes owed to a tax jurisdiction (i.e. for combined entities that are not a separate tax entity of their own but are included or consolidated in a larger tax entity), was deemed to have been settled by or to Schneider Electric and recorded against group funding when income tax profits/deficits continue to belong to the combined entity under applicable tax law or contract with their tax parent, in the year the related income tax was recorded. The current income tax charge and position included in the combined financial information may not be indicative of the financial position, results and cash flows that would have been presented if SES had been a standalone entity.

Business Combinations

Business combinations are accounted for using the acquisition method.

Identifying the acquirer in a business combination is based on the concept of 'control'. Normally, where an acquisition is affected by an exchange of equity interests, the shareholders of the entity that issues securities (the legal parent entity) retain the majority holding in the combined group. The positions might be reversed in certain circumstances, where it is the legal subsidiary entity's shareholders who effectively control the combined group, even though the other party is the legal parent. In the case of the legal acquisition of SES, the financial statements are a continuation of the accounting acquirer (SES) and reflect the acquisition of the legal acquirer (AVEVA Group plc).

STATEMENT OF GROUP ACCOUNTING POLICIES CONTINUED

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. In the case of a reverse acquisition, this represents the consideration transferred by the accounting acquirer, as opposed to the legal acquirer. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Acquisition-related costs are expensed as incurred and included in administrative expenses. In the case of a reverse acquisition, the costs incurred by the legal acquirer (AVEVA Group plc) are considered to be pre-acquisition and are not therefore included within the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). In the case of a reverse acquisition, the net identifiable assets acquired and liabilities assumed, are those of the legal acquirer (AVEVA Group plc). After 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 cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Adoption of new and revised standards

The Group has applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time for the annual reporting period commencing 1 April 2018. For further detail regarding the adoption of these accounting standards, please refer to note 31. No other standards or interpretations came into force during the year which had a significant impact on the Group's financial statements.

New standards and interpretations not yet effective

The IASB have issued the following standards (although in some cases not yet adopted by the EU) which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

		Effective for periods commencing after
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatment	1 January 2019
Annual Improvements 2017		1 January 2019
Amendments to IAS 28		1 January 2019
Amendments to IAS 19		1 January 2019

The Group intends to adopt these standards in the first accounting period after the effective date. The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 Leases

IFRS 16 will replace the current requirements of IAS 17. IFRS 16 requires lessees to recognise new assets, in the form of right of use assets and corresponding liabilities under an on balance sheet accounting model, similar to current finance leases accounting. AVEVA will adopt the standard from 1 April 2019, with the first application in the financial year ending 31 March 2020. The Group will apply the standard without restating figures for comparative periods, under the modified retrospective approach. As a practical expedient, AVEVA will not reassess whether a contract is or contains a lease at the date of initial application.

The Group has assessed the impact that the adoption of IFRS 16 will have on the financial statements and relevant indicators and the implications on the business practices. Analyses are undertaken in the context of the recent Business Combination, using the available exemptions for short term leases (including leases with a residual maturity below twelve months) and low value leases (<£5,000).

In the Consolidated statement of comprehensive income, the right of use asset will be depreciated using the straight-line method and finance related cost/interest will be recognised on the liability. When the standard is implemented on 1 April 2019, AVEVA estimates that the impact on the assets will be between £57.0m and £67.0m, together with an additional lease liability of the same amount. Net right of use assets are estimated at between £71.4m and £81.4m, including £14.3m relating to a favourable lease transferred from intangible assets. The impact on the income statement in future periods is not expected to be material.

Existing operating lease commitments are set out in note 26 of the consolidated financial statements.

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 at the average exchange rates for the year. Exchange differences arising on the retranslation are taken directly to the Consolidated statement of other comprehensive income.

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.

Where goodwill forms part of a cash-generating unit 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 cash-generating unit 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	3–12
Customer relationships	5–20
Purchased brands[1]	n/a
Trademarks	5–15
Other software	3–7
Purchased software rights	3–10
Favourable Leases	Length of contract
Capitalised Research & Development	3–5

1 Brands held are considered to have indefinite lives, therefore no amortisation is charged.

Research expenditure

Research expenditure is written off in the year of expenditure.

Government grants

Grants in respect of specific Research & Development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related Research & Development costs 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
Fixtures, fittings and office equipment	6–8
Motor vehicles	4

Leasehold buildings and improvements are amortised on a straight-line basis over the period of the lease (3 to 49 years) or useful economic life, if shorter.

STATEMENT OF GROUP ACCOUNTING POLICIES CONTINUED

Impairment of assets

Goodwill arising on acquisition is allocated to cash-generating units 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 cash-generating units. The recoverable amount of the cash-generating unit 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 cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-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 cash-generating unit 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 income statement in the administrative expenses line item.

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried 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. Bad debts are written off when identified.

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.

Derivative financial instruments

The only derivative financial instruments the Group holds are forward foreign exchange contracts 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. The Group has not applied hedge accounting during the year and therefore movements in fair value are being recorded in the Consolidated income statement. Fair value is estimated using the settlement rates prevailing at the period end.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term.

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 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.

Post retirement benefits

For the defined benefit schemes, the defined benefit obligation is calculated 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 profit before tax 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 30.

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 or not the market condition is satisfied, provided that all other performance conditions are satisfied.

STATEMENT OF GROUP ACCOUNTING POLICIES CONTINUED

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 earnings per share, 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.

FULL LIST OF ADDRESSES AND SUBSIDIARIES

A full list of addresses of all subsidiaries and significant holdings is provided below, alphabetically by country within each region.

Head office

AVEVA Group plc

High Cross
Madingley Road
Cambridge
CB3 0HB
UK

EMEA

AVEVA Denmark A/S

Sofiendalsvej 5A
9200 Aalborg SV
Denmark

AVEVA SA

5 Square Felix Nadar
Bat C, 94300 Vincennes
France

Schneider Electric Software France SAS

35 Rue Joseph Monier
92506 Rueil Malmaison
France

AVEVA GmbH

Otto-Volger-Street 7c
65843 Sulzbach (Taunus)
Germany

Schneider Electric Software Germany GmbH

Altrottstraße 31
Walldorf
69190
Germany

Schneider Electric Software Italia SPA
Wonderware Italia S.p.A.

Viale Milano no. 177
GALLARATE
Milan
Italy

AVEVA (The Netherlands) B.V.
Schneider Electric Software Netherlands B.V.
Schneider Electric Software Holdings Netherlands B.V.

Baarnsche dijk 10 B
3741LS Baarn
Netherlands

AVEVA AS

Golf Tower
Kanalsletta 2,N-4033 Stavanger
Norway

AVEVA Limited Liability Company

3rd Floor, Office 9, Lit 4
Pavlovskaya Street 7, 115093
Moscow
Russia

Schneider Electric Software RU

Moika Embankment 58
lit. A, of. 504 190 000
St. Petersburg
Russia

Schneider Electric Software Spain S.L.

Calle Valgrande 6
Alcobendas 28108
Madrid
Spain

AVEVA AB

PO Box 50555, Drottninggatan 18
SE-202 15
Malmo
Sweden

Wonderware Scandinavia AB

Mobilvagen 10,
223 62, Skane lan
Lund
Sweden

AVEVA Yazilim VE Hizmetleri A.S.

Kurtköy Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı
No:11 Kat 5 A/28, 34912 Pendik/İstanbul
Turkey

Schneider Electric Software Middle East FZE

Plot. No. S10809
P.O. Box 61495
Jebel Ali
Dubai
UAE

AVEVA Solutions Limited
AVEVA Finance Limited
AVEVA Financing Limited
CADCentre Property Limited
FabTrol Systems, UK Limited
LFM Software Limited
AVEVA Limited
AVEVA Consulting Limited
AVEVA Engineering IT Limited
AVEVA Managed Services Limited
CadCentre Limited
CadCentre Engineering IT Limited
Cadcentre Pension Trustees Limited
Tribon Solutions (UK) Limited

High Cross
Madingley Road
Cambridge
CB3 0HB
UK

FULL LIST OF ADDRESSES AND SUBSIDIARIES CONTINUED

8over8 Limited
Northern Ireland Science Park
Fort George, Bay Road
Londonderry
BT48 7TG
UK

Schneider Electric Software GB Limited
101 Science Park
Milton Road
Cambridge
CB4 0FY
UK

Americas

Schneider Electric Software Argentina S.A.
Suipacha 1111, Floor 11
Buenos Aires
C1008AAW
Argentina

AVEVA do Brasil Informática Ltda
Torre Rio Sul
Rua Lauro Muller
116 Sala 2202, 2203, 2204 and 2205
Botaforgo – Rio de Janeiro
Cep: 22.290-160
Brazil

Schneider Electric Software Brasil Ltda.
Rua Alves Guimaraoes
No. 462, conj. 41/42
Pinheiros
Sao Paulo
05410-000
Brazil

Schneider Electric Software Canada Inc.
49 Quarry Park Blvd. SE
Calgary Alberta AB T2C 5H9
Canada

AVEVA Chile S.p.A.
Calle Andrés Bello 2711
Office 1701
Chile

Schneider Electric Software Chile S.p.A.
222 Ricardo Lyon Av
Office 501
Providencia
Santiago
Chile

AVEVA Colombia S.A.S
World Trade Center
Calle 100 No. 8a-49
TorreB, PH,
Oficina 22. Bogota
Colombia

Schneider Electric Software Colombia S.A.S.
Calle 69 A No. 4-77 Bogota
Colombia

AVEVA Software and Services S.A de C.V.
AVEVA de Mexico S. de R.L.
AV. Insurgentes Sur No. 863, Piso 7
Col. Napoles, Deleg Benito Juarez
D.F. CP 06600
Mexico

Schneider Electric Software Mexico SA de CV
Ejercito National No. 904, Palmas Polanco
Ciudad de Mexico
11560
Mexico

AVEVA Software, LLC
Wonderware de Mexico, Inc.
Wonderware of Venezuela, Inc.
2711 Centerville Road
Suite 400
Wilmington Delaware
DE 19808
USA

AVEVA Inc.
10350 Richmond Avenue, Suite 400
Houston
TX 77042
USA

Asia Pacific

AVEVA Pty Limited
The Forest Centre
Suite 5, Level 29
221 St Georges Terrace,
Perth,
WA 6000
Australia

8over8 Pty Limited
L29, 108 St Georges Terrace
Perth, WA 6000
Australia

Schneider Electric Software Australia Pty Ltd
AVEVA Software Australia Holdings Pty Ltd
78 Waterloo Road
Macquarie Park
New South Wales 2113
Australia

AVEVA (Shanghai) Consultancy Co. Limited
AVEVA Solutions (Shanghai) Co. Limited
Unit 1503-1506, YouYou International Plaza
No. 76 Pu Jian Road
Shanghai 200127
China

Telvent Control Systems (China) Co. Ltd

Middle Zone, 2/F, No.1 Building
No. 2, 2nd Liangshuihe River Street
Beijing Economic & Technological Development Area
100176 Beijing
China

AVEVA East Asia Limited

Room 1501
Grand Millennium Plaza (lower block)
181 Queens Road
Central Hong Kong
Hong Kong

AVEVA Information Technology India Private Limited

Unit No 202, Wing A, 2nd Floor
Supreme Business Park, Supreme City, Powai
Mumbai 400 076
India

AVEVA Solutions India LLP

Tower 2.1, 2nd/4th Floor, WaveRock
Sy.no 115 APIIC IT/ITE SEZ
Nanakramguda
Gachibowli, Hyderabad – 500008
India

AVEVA Software India Private Limited

3rd Floor,
Plot No 97 & 98
Survey Nos 40 Part 41 Guttala, Begumpet Village Serilingampally
Hyderabad
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COMPANY INFORMATION AND ADVISERS

DIRECTORS

Philip Aiken	Chairman
Craig Hayman	Chief Executive
James Kidd	Deputy Chief Executive & CFO
Emmanuel Babeau	Non-Executive Director
Peter Herweck	Non-Executive Director
Jennifer Allerton	Independent Non-Executive Director
Christopher Humphrey	Independent Non-Executive Director
Ron Mobed	Independent Non-Executive Director
Paula Dowdy	Independent Non-Executive Director (appointed 1 February 2019)

COMPANY SECRETARY

David Ward

REGISTERED OFFICE

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REGISTERED NUMBER

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AUDITOR

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GLOSSARY

AGM – Annual General Meeting

AI – Artificial Intelligence

AR – Augmented Reality

AVEVA E3D – AVEVA Everything3D

AVEVA LIFE – AVEVA's newly-developed set of values

CAD – Computer-Aided Design

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGUs – Cash Generating Units

CHRO – Chief Human Resources Officer

CIO – Chief Information Officer

COO – Chief Operating Officer

CTO – Chief Technology Officer

Digital Twin – A digital replica of a physical asset that can understand the asset's state, respond to changes, improve business operations and add value

EBT – Employee Benefit Trust

ELT – Executive Leadership Team

EMEA – Europe, Middle East & Africa

EPC – Engineering Procurement and Construction

EPS – Earnings per share

ERM – Enterprise Resource Management

EY – Ernst & Young

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

GDPR – General Data Protection Regulation

GHG – Greenhouse Gas

IE&D – Integrated Engineering and Design

IFRSs – International Financial Reporting Standards

IIoT – Industrial Internet of Things

Industry 4.0 – The name given to the fourth industrial revolution; this includes cyber-physical systems, the Internet of Things, cloud computing and artificial intelligence

ISAs UK – International Standards on Auditing (UK)

KPI – Key Performance Indicators

LTIP – Long-Term Incentive Plans

MT3D – More than 3D

NED – Non-Executive Director

OO – Owner Operator

PBT – Profit before tax

R&D – Research & Development

RCF – Rolling Credit Facility

Revenue haircut – An adjustment to revenue of £8.6m for the 12 months to 31 March 2019 reflecting an acquisition accounting adjustment to deferred revenue on the opening balance sheet

RDEC – Research & Development Expenditure Credit

RSP – Restricted Share Plan

SaaS – Software as a Service

SES – Schneider Electric industrial software business

SLT – Strategic Leadership Team

STEM – Science, Technology, Engineering & Maths

TSA – Transitional Services Agreement. An arrangement where Schneider Electric continues to provide infrastructure support and back office resource for legal entities transferred in the sale to AVEVA for a monthly fee, for an agreed time period

TSR – Total Shareholder Return

VIU – Value in use

VR – Virtual Reality

WAEP – weighted average exercise price

WISE – Women in Science and Engineering

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