Press Release

14 June 2018

AVEVA GROUP PLC

PRELIMINARY RESULTS FOR YEAR ENDED 31 MARCH 2018

AVEVA Group plc ('AVEVA' or 'the Group') announces its preliminary results for the year ended 31 March 2018.

On 1 March 2018, the Group announced the completion of the combination with the Schneider Electric Industrial Software Business ('the Combination'), creating a global leader in engineering and industrial software. The statutory results[1] are prepared on a reverse acquisition basis and reflect 12 months of trading for the Schneider Electric Industrial Software Business and one month of trading for the heritage AVEVA Group.

To provide a better understanding of the combined trading performance and to improve transparency, non-statutory results are also shown for the combined Group on a pro forma 12 month basis[2]; and summary results are shown for the heritage AVEVA and Schneider Electric Industrial Software Business ('SES') on a 12 month standalone basis. We believe that the pro forma results for the combined Group give the most insight both into the historic performance of the Group as it is structured today and also give the most appropriate basis from which to consider the outlook for the combined Group.

Summary results

Year ended 31 March	2018	2017[3]	Change
Combined AVEVA Group on a 12 month pro forma basis[2]			
Revenue	**£704.6m**	£648.7m	8.6%
Heritage AVEVA	*£248.2m*	*£215.8m*	*15.0%*
Heritage SES	*£456.4m*	*£432.8m*	*5.4%*
Adjusted[4] EBIT	**£165.6m**	£152.0m	8.9%
Heritage AVEVA	*£67.6m*	*£54.6m*	*23.8%*
Heritage SES	*£98.0m*	*£97.3m*	*0.7%*
Profit before tax	**£64.6m**	£98.3m	(34.3)%
Adjusted[4] profit before tax	**£162.8m**	£152.4m	6.8%
Diluted earnings per share	**40.9p**	47.3p	13.5%
Adjusted[4] diluted earnings per share	**75.6p**	67.6p	11.8%
AVEVA Group plc statutory results on a reverse acquisition basis[1]			
Revenue	**£499.1m**	£432.8m	15.3%
Profit before tax	**£46.9m**	£51.4m	(8.8)%
Adjusted[4] profit before tax	**£117.2m**	£97.4m	20.3%
Diluted earnings per share	**46.7p**	39.8p	17.3%
Adjusted[4] diluted earnings per share	**78.4p**	68.8p	14.0%
Net cash from operations before tax	**£101.2m**	£112.4m	(6.3)%

Highlights

- Pro forma revenue for the combined Group grew 8.6% to £704.6m (2017 – £648.7m) adjusted EBIT grew 8.9% to £165.6m (2017 – £152.0m) and adjusted profit before tax grew 6.8% to £162.8m (2017 – £152.4m)
- Strong performance from the heritage AVEVA business with revenue up 15.0% to £248.2m (2017 – £215.8m), helped by FX tailwinds (+1.5%) and a large contract (+3%) to give underlying growth of c.10%. Adjusted profit before tax up 23.3% to £67.8m (2017 – £55.0m) representing a margin of 27.3% (2017 – 25.5%)
- Robust performance from the heritage Schneider Electric industrial software business ('SES') with revenue up 5.4% to £456.4m (2017 – £432.8m) adjusted EBIT up 0.7% to £98.0m (2017 – £97.3m)
- On a statutory basis, revenue grew 15.3% to £499.1m (2017 – £432.8m) and profit before tax fell 8.8% to £46.9m (2017 – £51.4m)
- Proposed final dividend maintained at 27.0 pence per share following the return of value of £10.15 per share in March 2018
- Today AVEVA announces that it is targeting annualised cost synergies of £25m which we expect to be fully implemented by the end of the 2020 financial year with the Combination also expected to generate material revenue synergies over the medium term.

Chief Executive Officer, Craig Hayman said:

"The last 12 months have been transformational for AVEVA, and the years ahead will be even more exciting as a global leader in industrial software. There is an accelerating, secular trend toward the digitalisation of industry and the combined Group is uniquely placed to capture this opportunity.

Our suite of proven solutions, deep sector expertise and global partner ecosystem, will help to drive innovation across the whole lifecycle of our customers' assets: from design, through to operations and maintenance, maximising returns on investment to the capital intensive industries we serve.

I am pleased with the results that we have announced today, which are a credit to the hard work of our people in what has been a very busy year. The integration of the business has begun in earnest to drive top-line synergies. I am excited about the opportunities that lie ahead of us and will be focused on driving profitable growth."

Notes

[1] 2018 statutory results are stated under reverse acquisition accounting principles and therefore include the results for heritage SES for the 12 months to 31 March 2018 and results for heritage AVEVA for 1 month to 31 March 2018. 2017 statutory results include results for heritage SES only for the 12 months to 31 March 2017.

[2] 2018 combined Group pro forma results include results for both heritage SES and heritage AVEVA for the 12 months to 31 March 2018, as well as for the full 2017 comparative period.

[3] Certain reclassifications have been made to the prior year SES results. See note 2 for an explanation.

[4] Adjusted earnings before interest and tax (EBIT) and Adjusted profit before tax and adjusted earnings per share 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 earnings per share also include the tax effects of these adjustments.

Enquiries:

AVEVA Group plc
Matt Springett, Head of Investor Relations
Tel: 01223 556 676

FTI Consulting LLP
Edward Bridges / Dwight Burden / Harry Staight
Tel: 020 3727 1000

Conference call and webcast
AVEVA management will host a meeting for analysts and investors at 09:30 (BST) today. A webcast of this meeting will be accessible via the AVEVA website www.aveva.com/investors.

Chairman's Statement

Overview

The year to 31 March 2018 was transformational for AVEVA. We delivered a significantly improved trading performance during the year and at the same time combined the Group with the Schneider Electric Industrial Software business (‘SES’), creating a new global leader in engineering and industrial software.

Trading for the heritage AVEVA Group was strong during the year. A sharp focus on sales execution, combined with a stabilisation of conditions in our Oil & Gas and Marine end markets drove good growth in revenue and profitability. SES also delivered a solid performance, such that the combined Group achieved a return to growth on a pro forma basis.

We are proposing to maintain the final dividend at 27.0 pence per share, in line with last year, following the £650 million (£10.15 per share) cash return of value to AVEVA shareholders in March 2018.

Delivering on our strategy

AVEVA's strategy has been to increase revenue by growing more markets for its products as the concept of the digitalisation of industry is more widely adopted; to sell a wider range of products; and to grow in industry verticals and geographies where the Group's market share is underweight.

We made significant progress against this strategy during the year on an organic basis and the Combination with SES also advanced all of these objectives. The Group now has an unmatched set of solutions and is optimally placed to advance the digitalisation of the industrial world. By adding new capabilities to AVEVA's engineering design and 3D visualisation technologies, the Combination enables us to offer customers Digital Twins of their physical assets throughout their entire life cycle.

The Combination has also improved AVEVA’s end market and geographic balance, significantly increasing our presence in the key North American market and reducing our exposure to the cyclical upstream Oil & Gas end market.

Board developments

There were several changes to the Board during the year associated with AVEVA’s Combination with SES.

The Board and I were delighted to appoint Craig Hayman as AVEVA's new CEO in February 2018. Craig has more than 30 years of transformational product and sales leadership experience in enterprise software to draw upon in leading AVEVA in its next phase of growth, having held senior global leadership roles at PTC, eBay and IBM.

On Craig’s appointment, James Kidd stepped down as CEO and became Deputy CEO and CFO. James demonstrated strong leadership as CEO, being instrumental in returning AVEVA to growth and in executing the transformational Combination with SES.

On James’ appointment as Deputy CEO and CFO, David Ward stepped down from the Board as CFO, to become Deputy CFO and Company Secretary of the combined Group. David has made a significant contribution to AVEVA’s success. Both James and David will continue to play vital roles in the enlarged Group.

We welcomed Emmanuel Babeau and Peter Herweck to the Board in March as Non-Executive Directors, with Emmanuel also assuming the role of Vice-Chairman. Both are employees of Schneider Electric; Emmanuel is Deputy CEO and Chief Financial Officer, and Peter is Executive Vice President – Industry. They have added significant management and industrial experience to the existing AVEVA Board.

Also, earlier in the year, having reached his nine year tenure, Philip Dayer stepped down from the Board at the AGM in July 2017.

In order for the Board of the enlarged AVEVA Group to comprise a majority of independent Non-Executive Directors, an additional independent Non-Executive Director will be appointed in due course.

Summary

The last financial year was one of the most significant years of progress in AVEVA's 50 year history. This progress would not have been possible without the hard work and dedication of all our employees, including the 2,700 new colleagues that we welcomed to the Group in March as a result of the Combination. The Board would like to express its sincere thanks for the team's considerable efforts in both completing a transformational business combination and in delivering a revitalised trading performance. We would also like to thank our customers, shareholders and other stakeholders for their continued support.

Philip Aiken AM
Chairman
14 June 2018

Chief Executive's strategic review

Summary

I joined AVEVA in February 2018 at an exciting time as the industrial sector seeks new approaches to increase safety and efficiency, while reducing operational and capital expense. AVEVA is at the forefront of industrial digitalisation and continues to deliver innovative and proven solutions to customers.

My initial focus has been ensuring we remain on track with the integration of the two businesses while spending time with customers, investors and employees around the world. I've established new leadership teams to drive the business including an Executive Leadership Team and Strategy Leadership Team, which work hand-in-hand with the regional sales teams and the business units.

AVEVA had a successful year as it was transformed through the Combination with SES, improved its operational execution and delivered financial growth. On a statutory basis revenue was up 15.3% to £499.1m (2017 – £ 432.8m) and adjusted profit before tax was up 20.3% to £117.2m (2017 – £ 97.4m). This reflects organic growth in SES and the inclusion of the strong trading results of AVEVA for the month of March 2018.

On a 12 month pro forma basis the enlarged Group achieved revenue growth of 8.6% to £704.6 million (2017 – £648.7 million) and growth in adjusted profit before tax of 6.8% to £162.8m (2017 – £152.4 million).

Combination with the Schneider Electric Industrial Software Business

On 5 September 2017, AVEVA and Schneider Electric announced an agreement to combine AVEVA and SES to create a global leader in industrial software for process and hybrid industries. This proposed Combination received shareholder approval on 29 September 2017 and following regulatory approvals, completed on 1 March 2018. The Combination saw Schneider Electric contribute certain software assets to AVEVA and make a £550m cash payment to AVEVA shareholders in exchange for a 60% shareholding in the combined Group.

After completion of the Combination, the £550 million of cash contributed by Schneider Electric and £100 million of excess cash on AVEVA's existing balance sheet was distributed to existing AVEVA shareholders. Together this represented £10.15 per AVEVA share.

The Combination advances our vision for the widespread adoption of constantly-evolving Digital Twins and positions AVEVA as a global leader in engineering and industrial software, ready to drive the digitalisation of the industrial world. By adding a software portfolio focused on the operational lifecycle, including market leading products such as Wonderware™, to AVEVA's engineering design and 3D visualisation technologies, such as AVEVA Everything3D™, the Combination enables the Group to offer customers Digital Twins of their physical assets throughout their whole life cycle.

A Digital Twin is a virtual replica of a physical asset, an evolving, digital model that updates and changes as its physical counterpart changes. Digital Twins that incorporate all aspects of digital asset management from process simulation, to design engineering, through to the optimisation of production operations and ensuring the reliable operation of assets, help our customers increase their returns on capital by reducing both the build and operating costs of their industrial assets. We expect both the power of the Digital Twin and the pace of digitalisation of the industrial world to increase, enabled by technology trends such as the Industrial Internet of Things, Artificial Intelligence and the availability of ever more powerful and mobile computing.

The Combination also gives AVEVA a more balanced geographic profile, with in particular a much stronger market position in North America and a more balanced end market profile. The Group's exposure to the cyclical upstream Oil & Gas market has been reduced and diversification into downstream Oil & Gas and markets in batch and hybrid industries, such as Food, Beverages and Pharmaceuticals, has increased.

Trading and market trends

The heritage AVEVA and SES businesses were run separately during the financial year, with the Combination taking place on 1 March, shortly before the year end.

The performance of the heritage AVEVA business improved significantly during the 12 months to 31 March 2018. Revenue increased 15.0% to £248.2 million (2017 – £215.8 million), on a constant currency basis revenue increased 13.5%, and adjusting for the effect of a large individual contract in the year, underlying revenue growth for heritage AVEVA was c. 10%.

This improved performance was driven by a sharp focus on execution and getting closer to our customers. This followed simplification of AVEVA's management structure with greater decision-making capabilities and direct accountability for performance being allocated to our regions. More customer-facing leaders were added to the Executive team, including a new Head of Sales, with overall responsibility for leading Global Sales, Partnership Management and Marketing.

SES revenue increased 5.4% to £456.4 million (2017 – £432.8 million) and on a constant currency basis revenue increased 5.6%. The business experienced continued growth in its Licencing and Maintenance revenue streams, partly offset by a decline in Projects revenue. This mainly related to the mid-stream Oil & Gas business area, where as previously communicated, there has been a reduction in project volume, related to the large asset upgrade programs of major customers that the business delivered in the previous two years.

Revenue growth also benefited from changes in commercial agreements between the business and Schneider Electric, which moved the relationship between these businesses to commercial trading terms in preparation for the separation of the business from Schneider Electric. These changes accounted for approximately 3% of the revenue growth.

In terms of our largest end markets, in upstream Oil & Gas we saw capital expenditure levels begin to recover with growth of some 4% in calendar 2017, supported by an improved oil price (Source: Barclays). Similarly in downstream Oil & Gas we saw some capex growth driven by upgrading existing assets and improving operational efficiency. In the Marine market we saw an increase in new ship orders, albeit from a low base. Our key markets, such as Power and Food, Beverage & Packaged goods are less cyclical and continue to benefit from ongoing digitalisation.

Update on integration

Given the size and complexity of the business that we have brought together, there is significant management focus on the integration of the two businesses in order to establish a firm platform for growth in the coming years.

Good progress has already been made: a new Executive Leadership team, comprising key people from each of the two combined businesses was put in place in March. An integration management office has been established with focus on synergy programmes and back office integration supported by an external consultant.

We are 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. Approximately half of these are expected to be implemented by the end of the current financial year.

Cost synergies are expected to be achieved through a rationalisation of duplicated functions; the implementation of shared services for back office functions; real estate consolidation; and enhanced R&D effectiveness.

The exceptional cash costs associated with achieving these synergies are expected to be approximately the same as the annualised saving.

Revenue synergies are expected to be achieved through cross selling between the combined businesses; the leveraging of Schneider Electric’s multiple go-to-market channels; the implementation of sales effectiveness and best practice initiatives; greater pricing discipline with an increase in subscription licensing; and product and platform development.

From a sales perspective, we held our annual sales conference for the combined Group in mid-April, bringing the two teams together to share knowledge on their respective businesses and help drive short-term performance.

Outlook

In the current year, we are focused on integrating the businesses whilst driving performance through improved execution. In the medium-term we expect to drive stronger growth assisted by the positive trend of the ongoing digitalisation of industry, an optimisation of our products and go-to-market strategies, and capitalising on the synergies outlined above.

Craig Hayman
Chief Executive Officer
14 June 2018

Finance Review

Overview

The statutory results for the year ended 31 March 2018 are stated under reverse acquisition accounting principles and therefore include the results for heritage SES for the 12 months to 31 March 2018 and results for heritage AVEVA for 1 month from 1 March to 31 March 2018. The comparative statutory results include the results for heritage SES only for the 12 months to 31 March 2017.

Statutory results for the year ended 31 March 2018

The statutory results are summarised below:

£m	Year ended 31 March		Reported change
	2018	2017	
Revenue	**499.1**	432.8	15.3%
Cost of sales	**(150.8)**	(137.1)	10.0%
Gross profit	**348.3**	295.7	17.8%
Operating expenses*	**(228.9)**	(199.7)	14.6%
Adjusted EBIT	**119.4**	96.0	24.4%
Net interest and other income	**(2.2)**	1.4	-
Adjusted PBT	**117.2**	97.4	20.3%
Normalised adjustments	**(70.3)**	(46.0)	52.8%
Reported PBT	**46.9**	51.4	(8.8)%
Adjusted PBT margin	**23.5%**	22.5%	(100bps)

* Operating expenses adjusted to exclude amortisation of intangible assets (excluding other software), share-based payments, gain/loss on forward foreign exchange contracts and exceptional items.

On a statutory reverse acquisition accounting basis, revenue for the period was £499.1 million which was up 15.3% compared to the previous year (2017 – £432.8 million). This change was primarily due to the Combination creating a larger business and the inclusion of the trading results of the heritage AVEVA business for the one month of March 2018.

The Group made a profit before tax of £46.9 million (2017 – £51.4 million) and on an adjusted basis, the Group made an adjusted profit before tax of £117.2 million (2017 – £97.4 million).

Financial impact of the Combination

The Combination with SES has changed the financial profile of the Group as follows:

1. Scale

The Combination of SES and AVEVA has more than doubled the revenue of the Group to over £700 million for the year ended 31 March 2018 on a pro forma basis. In addition, the profits of the Group have more than doubled to over £160 million on an adjusted basis. The combined business is present in over 40 countries and has more than 80 offices providing us with true global scale. Furthermore, our revenue is more balanced between Asia Pacific, Europe and Americas with a much bigger presence in the important North America market.

2. Revenue mix

The SES business has a higher services mix which increased Group training and services revenue to approximately 19% of total revenue for the year ended 31 March 2018. These services relate to project implementations and training. Included within services revenue is an immaterial amount related to hardware that is resold as part of project implementations.

In addition, the SES business has a higher proportion of perpetual licences which mainly relate to the Monitoring and Control portfolio. Initial fees and perpetual licences represented approximately 29% of total revenue for the year ended 31 March 2018.

As a result the recurring revenue for the Group is now 51.7% compared to 74.2% for heritage AVEVA in FY18 and one of the key objectives is to increase the level of recurring revenue.

The revenue mix for the combined Group is shown below:

£m	Asia Pacific	EMEA	Americas	Total	Reported change	% of total
Support and maintenance	47.8	67.9	91.1	206.8	10.6%	29.3%
Rental and subscriptions	32.6	93.3	31.9	157.8	11.8%	22.4%
Initial fees and perpetuals	68.4	65.6	71.3	205.3	17.8%	29.1%
Training and services	29.4	44.7	60.6	134.7	(7.9)%	19.2%
Total	178.2	271.5	254.9	704.6		
Change	12.6%	11.5%	3.2%	8.6%		

3. Margin profile

The SES business has a lower margin profile compared to the heritage AVEVA business and for the year ended 31 March 2018 reported an adjusted profit before tax margin of 20.8%. This is mainly due to the higher services revenue within the overall revenue mix. The margin for the combined Group was 23.1% which is lower than the historical margin achieved by AVEVA.

In order to improve profitability within the SES business, we are aiming to enhance licence revenue, drive higher project services margins and increasingly leverage already established offshore Research & Development and project delivery teams and facilities in order to reduce costs.

4. Capital structure

The structure of the Combination resulted in AVEVA returning £100 million of excess cash as part of the overall £650 million (£10.15 per share) return of value that was paid to shareholders in March 2018. In order to provide funding for general corporate and working capital purposes, the Group signed a three year revolving credit facility for £100 million. At 31 March 2018 the Group had drawn down £10 million and had gross cash and treasury deposits on the balance sheet of £105.9 million. The completion accounts for SES and the net working capital statement which are required to be drawn up under the terms of the merger agreement have not been finalised as at the date of this report. Therefore, there may be further cash outflows as part of the completion mechanics.

5. Balance sheet

The Combination between AVEVA Group plc and SES completed on 1 March 2018. For accounting purposes this has been accounted for as a reverse acquisition, being the acquisition of AVEVA Group plc by SES. The fair value of the consideration paid is determined based on the published share price of AVEVA Group plc on 1 March 2018 of £18.71 per share. This resulted in consideration paid of £1,752 million with goodwill of £1,260 million arising. Furthermore, the preliminary purchase price allocation exercise resulted in intangible assets of £526.0 million being separately identified as £151.5 million for customer relationships, £46.3 million for the AVEVA brand, £309.0 million for the intellectual property and £19.2 million for contract assets.

Pro forma results for the year ended 31 March 2018

In order to enhance understanding of these results and improve transparency, non-statutory summary results are also discussed for the combined AVEVA Group on a 12-month pro forma basis. To help explain the drivers behind the Group's pro forma results, we have also shown standalone results for heritage AVEVA and heritage SES.

Revenue for the pro forma combined AVEVA Group on a 12-month basis was £704.6 million which was up 8.6% compared to the previous year (2017 – £648.7 million). Adjusted EBIT for the pro forma combined Group was £165.6 million (2017 – £152.0 million). Profit before tax for the pro forma combined Group was £64.6 million (2017 – £98.3 million). Adjusted profit before tax for the enlarged Group was £162.8 million (2017 – £152.4 million), an increase of 6.8% due to a strong performance from the heritage AVEVA business.

Results for the pro forma combined AVEVA Group on a 12-month basis are summarised below:

£m	Year ended 31 March		Reported change
	2018	2017	
Revenue	**704.6**	648.7	8.6%
Cost of sales	**(177.6)**	(165.9)	7.1%
Gross profit	**527.0**	482.8	9.2%
R&D	(99.1)	(97.5)	1.6%
Selling & admin	(262.3)	(233.3)	12.4%
Operating expenses*	**(361.4)**	(330.8)	9.2%
Adjusted EBIT	**165.6**	152.0	8.9%
Adjusted EBIT margin	**23.5%**	23.4%	10bps
Net interest and other income	**(2.8)**	0.4	-
Adjusted PBT	**162.8**	152.4	6.8%
Normalised adjustments	**(98.2)**	(54.1)	81.5%
Reported PBT	**64.6**	98.3	(34.3)%
Adjusted PBT margin	**23.1%**	23.5%	(40bps)

* Operating expenses adjusted to exclude amortisation of intangible assets (excluding other software), share-based payments, gain/loss on forward foreign exchange contracts and exceptional items.

Heritage AVEVA

The heritage AVEVA business performed very strongly during the year with revenue growing 15.0% (13.5% constant currency) to a record level of £248.2 million (2017 – £215.8 million). This included a benefit of 3% from a large contract renewal with one of our Global Account EPC customers and on an underlying basis the growth rate was c10%. The strong revenue performance resulted in adjusted profit before tax increasing 23.3% to £67.8 million representing a margin of 27.3% (2017 – 25.5%). A sharp focus on sales execution, combined with a stabilisation of conditions in our Oil & Gas and Marine end markets helped drive the strong performance in the year. Statutory profit before tax for the heritage AVEVA business was £32.8 million (2017 – £46.9 million) primarily due to the exceptional transaction and integration costs of £24.9 million incurred in relation to the Combination with SES.

AVEVA Everything3D™ (AVEVA E3D™) grew strongly during the period as existing customers continued to migrate and new contracts were won. It contributed around 17% of total revenue, up from approximately 13% in the prior year, representing revenue growth of some 55%. MT3D sales, which include areas such as Information Management and Schematics, also grew strongly during the year increasing 27% to account for some 29% of revenue.

The results for the heritage AVEVA Group for the year ended 31 March 2018 are summarised below:

£m	Year ended 31 March		Reported change
	2018	2017	
Revenue	**248.2**	215.8	15.0%
Cost of sales	**(30.5)**	(29.1)	4.8%
Gross profit	**217.7**	186.7	16.6%
R&D	(32.3)	(27.2)	18.7%
Selling & admin	(117.8)	(104.9)	12.3%
Operating expenses*	**(150.1)**	(132.1)	13.6%
Adjusted EBIT	**67.6**	54.6	23.8%
Adjusted EBIT margin	**27.2%**	25.3%	190bps
Net interest	**0.2**	0.4	(50.0%)
Adjusted PBT	**67.8**	55.0	23.3%
Normalised adjustments	**(35.0)**	(8.1)	332.1%
Reported PBT	**32.8**	46.9	(30.0%)
Adjusted PBT margin	**27.3%**	25.5%	180bps

Revenue – heritage AVEVA

The analysis of the heritage AVEVA revenue is set out below:

£m	Asia Pacific	EMEA	Americas	Total	Reported change	Constant currency change
Support and maintenance	35.3	30.7	8.5	74.5	3.8%	2.1%
Rental and subscriptions	18.9	74.3	16.5	109.7	16.5%	14.9%
Initial fees and perpetuals	27.5	9.2	5.4	42.1	30.7%	29.9%
Training and services	5.2	12.2	4.5	21.9	24.4%	22.5%
Total	86.9	126.4	34.9	248.2		
Change	13.9%	18.5%	6.1%	15.0%		
Constant currency change	*13.8%*	*15.2%*	*7.3%*	*13.5%*		

Support and maintenance grew 3.8% to £74.5 million (2017 – £71.8 million) and was up 2.1% in constant currency terms. This was primarily due to strong sales of initial licence fees in Asia Pacific and in North America, offset by some churn in annual fees in EMEA and Latin America.

Rentals and subscriptions grew 16.5% to £109.7 million (2017 – £94.2 million) (constant currency growth 14.9%) driven by a strong performance in EMEA which was up 25.5% in constant currency benefiting from increased renewals including the impact of a substantial three-year contract renewal with one of our key Global Account EPC customers which accounted for 3% of AVEVA's revenue growth. Generally we saw market conditions stabilise which helped drive the growth in rental fees and it was pleasing that we closed our first cloud deal for asset visualisation with one of the major oil companies in North America.

Recurring revenue was 74.2% compared to 76.9% in FY17.

Initial fees and perpetual licences grew 30.7% to £42.1 million (2017 – £32.2 million) and were up 29.9% in constant currency terms. This primarily reflected the strong growth in Asia Pacific which was driven by the Marine market where we signed three significant initial licence deals with shipyards in Korea and Japan, as well as seeing strong growth in China, and some new customer wins in North America.

Training and services revenue was £21.9 million (2017 – £17.6 million), up 24.4% on the previous year (constant currency growth of 22.5%). The increase was driven by increased projects in the Americas and EMEA.

Cost management – heritage AVEVA

Adjusted total costs were £180.6 million (2017 – £161.2 million), an increase of 12.0% over the previous year.

An analysis of total expenses for the heritage AVEVA business is summarised below:

£m	Cost of sales	Research & Development	Selling and distribution	Administrative expenses	Total
Including normalised items	30.5	39.4	82.0	63.7	215.6
Amortisation	-	(7.1)	(2.8)	-	(9.9)
Share based payments	-	-	-	(3.9)	(3.9)
Gain on FX contracts	-	-	-	0.7	0.7
Exceptional items	-	-	(0.1)	(21.8)	(21.9)
Normalised costs	**30.5**	**32.3**	**79.1**	**38.7**	**180.6**
2017	29.1	27.2	74.4	30.5	161.2
Change	4.8%	18.7%	6.3%	26.9%	12.0%
Constant currency change	4.1%	17.2%	5.2%	16.5%	9.2%

On a normalised basis, Research & Development costs were £32.3 million (2017 – £27.2 million) representing an increase of 17.2% on a constant currency basis. The increase was due to salary inflation, increased expansion in Hyderabad, India in R&D in products such as Enterprise Resource Management, Instrumentation and Electrical, together with higher bonus costs due to the strong performance, offset by higher R&D tax credits.

Selling and distribution expenses were £79.1 million (2017 – £74.4 million), an increase of 5.2% in constant currency due to salary inflation, increased bonus and commission due to the strong sales performance and hiring of additional pre sales technical staff.

Administrative expenses were £38.7 million (2017 – £30.5 million). On a constant currency basis the increase was 16.5% due to salary inflation, investment in IT in cyber security and business systems, investment in HR, higher National Insurance charges on share options and higher bonus payments due to the strong performance.

Heritage SES

The heritage SES business performed well in the year with revenue growth of 5.4% to £456.4 million (2017 – £432.8 million). Constant currency growth was 5.6%. The growth included a one-off benefit of approximately 3% from new inter-company commercial agreements with Schneider Electric which were put in place in the year.

Adjusted EBIT was up 0.7% to £98.0 million (2017 – £97.3 million) principally due to higher selling and distribution costs as explained below. Statutory profit before tax was £31.8 million (2017 – £51.4 million).

The results for the heritage SES business for the year ended 31 March 2018 are summarised below:

£m	Year ended 31 March		Reported change
	2018	2017	
Revenue	**456.4**	432.8	5.4%
Cost of sales	**(147.1)**	(136.8)	7.5%
Gross profit	**309.3**	296.0	4.5%
R&D	**(66.8)**	(70.3)	(5.0)%
Selling & admin	**(144.5)**	(128.4)	12.5%
Operating expenses*	**(211.3)**	(198.7)	6.3%
Adjusted EBIT	**98.0**	97.3	0.7%
Adjusted EBIT margin	**21.5%**	22.5%	(100bps)
Net interest	**(3.0)**	0.1	-
Adjusted PBT	**95.0**	97.4	(2.5)%
Normalised adjustments	**(63.2)**	(46.0)	37.4%
Reported PBT	**31.8**	51.4	(38.1)%
Adjusted PBT margin	**20.8%**	22.5%	(170bps)

Revenue – heritage SES

The analysis of the heritage SES revenue by category is set out below:

£m	Asia Pacific	EMEA	Americas	Total	Reported change
Support and maintenance	12.5	37.3	82.7	132.5	15.2%
Rental and subscriptions	13.7	18.9	15.3	47.9	1.9%
Initial fees and perpetuals	40.9	56.4	65.9	163.2	14.8%
Training and services	24.2	32.5	56.1	112.8	(12.4%)
Total	91.3	145.1	220.0	456.4	
Change	11.3%	6.0%	2.8%	5.4%	

Support and maintenance grew 15.2% to £132.5 million (2017 – £115.0 million) with strong growth across each of the regions with particularly strong performance from the monitoring and control portfolio.

Rentals and subscriptions grew 1.9% to £47.9 million (2017 – £47.0 million) with strong growth from EMEA offset by a small reduction in the Americas. Revenue was mostly from existing customers in the process engineering area. There was growth from the Trading, Planning and Scheduling business addressing the downstream Oil & Gas market which benefited EMEA and Asia Pacific. There was a small amount of churn in North America in the Oil & Gas industry. The Design, Simulation and Optimisation business has predominantly rental licences together with the Trading, Planning and Scheduling portfolio which has largely transitioned to subscription.

Initial fees and perpetual licences grew 14.8% to £163.2 million (2017 – £142.1 million). This was driven by strong growth from the sale of HMI/SCADA licences in the Monitoring and Control business through the indirect channel which benefited the Americas and Asia Pacific.

Training and services revenue was £112.8 million (2017 – £128.7 million). The reduction predominantly related to the mid-stream Oil & Gas business area, where there has been a reduction in project volume, related to the asset upgrade cycles of major customers. This predominantly impacted North American and China. In addition there was a decline in the number of Operator Training Simulation projects typically associated with new capital project commissioning, and Manufacturing Execution projects, particularly in the food and beverage industry.

Cost management – heritage SES

Adjusted total operating costs for the heritage SES business were £358.4 million (2017 – £335.5 million), an increase of 6.8% due to selling and distribution and administrative costs as noted below.

An analysis of operating expenses for heritage SES business basis is below:

£m	Cost of sales	Research & Development	Selling and distribution	Administrative expenses	Total
Including normalised items	147.5	109.5	116.7	48.8	422.5
Amortisation	-	(27.1)	(13.5)	-	(40.6)
Exceptional items	(0.4)	(15.6)	(2.2)	(5.3)	(23.5)
Normalised costs	**147.1**	**66.8**	**101.0**	**43.5**	**358.4**
2017	136.8	70.3	89.8	38.6	335.5
Change	7.5%	(5.0%)	12.5%	12.7%	6.8%

The gross margin for the SES business was 67.8% which was broadly flat compared to 68.4% for the previous year. Cost of sales increased by 7.5% to £147.1 million (2017 – £136.8 million) mainly due to salary inflation, foreign exchange impact and increased costs due to the new inter-company transfer pricing arrangements with Schneider Electric.

Research & Development costs fell by 5.0% to £66.8 million (2017 – £70.3 million). This was due to savings from the restructuring during the year and reduced outsourced costs, partly offset by salary inflation.

Selling and distribution costs increased 12.5% to £101.0 million (2017 – £89.8 million) due to salary inflation, additional sales resources in EMEA and Asia Pacific and FX impact.

Administrative expenses increased by 12.7% to £43.5 million (2017 – £38.6 million) due to salary inflation, additional accounting and consulting fees and additional costs arising from the legal reorganisation.

Normalised items

Included in the pro forma results are exceptional and other normalised items which were incurred during the year as follows:

	Year ended 31 March 2018			Year ended 31 March 2017		
£m	AVEVA	SES	Total	AVEVA	SES	Total
Exceptional items						
Acquisition and integration activities	24.9	4.6	**29.5**	-	0.6	0.6
Restructuring costs	-	3.9	**3.9**	4.2	3.4	7.6
Indemnified receivable	-	-	**-**	(1.8)	-	(1.8)
Provision for sales taxes	(3.0)	-	**(3.0)**	(0.5)	-	(0.5)
Impairment of capitalised R&D	-	15.0	**15.0**	-	-	-
Total exceptional costs	21.9	23.5	45.4	1.9	4.0	5.9
Other income	-	(1.0)	(1.0)	-	(1.2)	(1.2)
Total exceptional items	**21.9**	**22.5**	**44.4**	**1.9**	**2.8**	**4.7**
Amortisation	9.9	40.6	**50.5**	5.8	41.9	47.7
Share based payments	3.8	0.1	**3.9**	1.1	1.3	2.4
Gain on FX contracts	(0.6)	-	**(0.6)**	(0.7)	-	(0.7)
Total normalised items	**35.0**	**63.2**	**98.2**	**8.1**	**46.0**	**54.1**

Exceptional items
The acquisition and integration fees for the year ended 31 March 2018 relates to fees paid to professional advisers primarily for legal and financial due diligence services related to the combination of AVEVA Group plc and the Schneider Electric software business plus other consultancy costs paid to advisors in relation to the integration.

The restructuring costs related to severance payments within the Schneider Electric software business in a number of global office locations prior to the combination.

The impairment of capitalised R&D related to a development project that was ceased, prior to completion, following a divestment of a Schneider Electric Software joint venture operation with a third party. Also included are the previously capitalised development costs related to a project. Further to a commercial review of the project and the financial prospects for the developed technology, it was concluded that the carrying value of the development costs should be fully impaired.

Other income relates to a divestment made by the Schneider Electric software business in China resulted in an exceptional write off, offset by an exceptional gain made by selling the property relating to the same write off.

Net cash paid out during the year in respect of exceptional items was £25.0 million.

Taxation

The statutory tax charge was minus 1.7% (2017 – 25.3%). This is lower than the UK rate of corporation because of the benefit of the reduction in the US tax rate.

On a standalone basis, the SES tax rate was minus 7% (2017 – 25.3%) and the AVEVA tax rate was 9% (2017 – 22.1%). The reduction in the SES tax rate was largely due to the benefit of the reduction in the rate of US Federal tax from 35% to 21% which came into effect in January 2018. US deferred tax liabilities have been calculated at the lower rate. The reduction in the AVEVA tax rate was assisted by increased benefit from the Patent Box tax regime and the benefit from the release of overseas tax provisions following a successful tribunal hearing.

On a pro forma basis the combined tax rate was minus 2% (2017 – 22.2%) for the reasons explained above. The pro forma tax rate on an underlying basis i.e. excluding exceptional and normalised items and excluding adjustments in respect of prior periods, was 29%. Going forward we expect the Group tax rate to be approximately 25% in FY19.

Earnings per share (EPS)

Statutory diluted EPS was 46.73 pence (2017 – 39.82 pence). On an adjusted diluted basis EPS was 78.43 pence (2017 – 68.80 pence).

Pro forma adjusted diluted EPS for the enlarged Group on a 12 month basis was 75.59 pence (2017 – 67.57 pence), an increase of 11.9%.

Dividends

The Board is proposing to pay a final dividend of 27.0 pence per share (2017 – 27.0 pence for the heritage AVEVA) at a cost of £43.5 million (2017 – £17.3 million for the heritage AVEVA). The increased cost is due to the greater number of shares in issue following the Combination with the Schneider Electric industrial software business. The final dividend will be payable on 3 August 2018 to shareholders on the register on 6 July 2018.

An interim dividend was not paid in respect of the 2018 financial year due to the return of value of £10.15 per share in March 2018.

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

Balance sheet

The Group balance sheet presented as at 31 March 2018 reflects the goodwill and intangible assets that arose from the Combination resulting in non-current assets of £1982.4 million. The intangible assets are being amortised over a range of 8-30 years.

Trade receivables at 31 March 2018 were £146.9 million, net of the provision for impairment of £1.8 million. Deferred revenue at 31 March 2018 was £166.3 million. At 31 March 2018, the Group was owed £43.1 million of trade receivables by Schneider Electric, had £8.9 million of trade payables to Schneider Electric and had non-trade receivables of £9.4 million owing from Schneider Electric.

Cash flows

Cash generated from operating activities before tax on a statutory basis was £91.2 million compared to £106.2 million in the previous year.

Pro forma cash generated from operating activities before tax for the enlarged Group on a 12 month basis was £118.8 million (2017 – £163.4 million). However, changes in reported working capital were distorted by inter-company movements as a result of the carve out of the new legal entities.

At 31 March 2018 net cash (including treasury deposits) was £95.9 million, net of £10.0 million drawn down under the revolving credit facility.

The completion accounts for SES and the net working capital statement which are required to be drawn up under the terms of the merger agreement have not been finalised as at the date of this report. Therefore, there may be further cash outflows as part of the completion mechanics.

James Kidd
Deputy CEO & CFO
14 June 2018

Review of principal risks and uncertainties

AVEVA faces a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them effectively.

Integration Risks

Risk	Mitigation
Integration and Synergies The Group may fail to efficiently and effectively integrate the heritage AVEVA and Schneider Electric Software businesses and/or fail to fully realise the anticipated synergies from the merger. There are many areas that the Group must carefully manage so that a successful integration takes place throughout 2018 and beyond including management of costs, integration of systems, controls, processes and management reporting. Should these areas fail to be adequately managed, this could lead to financial or reputational impact for the Group.	AVEVA has appointed a senior executive as an Integration Director who leads the integration management office which is supported by external integration consultants who have been engaged throughout the integration process. In addition, there are a number of workstreams in progress which are managing day to day integration activities including HR, Finance, IT, Marketing, Legal, Real Estate and Communications. There are specific workstreams focused on realising the synergy benefits from the merger. These are regularly monitored and reported upon to the Executive Leadership Team and the Board.

Strategic and market risks

Risk	Mitigation
Dependency on key markets AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects in the Oil & Gas, Power and Marine markets. Recent world economic conditions have reduced available funding for new capital projects, particularly in the Oil & Gas market, and currently, some of AVEVA's vertical end markets are under pressure with lower oil prices. As the availability of capital expenditure returns to our key markets, particularly Oil & Gas, the balance may shift away from our traditional core sector of complex off-shore projects, towards simpler on-shore projects, such as shale gas extraction, that may not require as much use of AVEVA software. The risk of this further reinforces our need for market diversification.	The combination with SES diversifies our over-reliance on upstream Oil & Gas into midstream and downstream, as well as to a number of other industry verticals. AVEVA is now present in many market segments such as Mining, Petrochemicals, Power, Utilities, Food & Beverage and Infrastructure, which helps reduce our dependency on Oil & Gas. In addition, our extensive global presence provides some mitigation from over-reliance on key geographic markets.
Competition AVEVA operates in highly competitive markets but our 3D design tools are well established in our markets and we believe that there are a relatively small number of significant competitors. However, some of these competitors could, in the future, pose a greater competitive threat to AVEVA's revenue, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies. Further threats are posed by the entrance into AVEVA's markets of a much larger technology competitor or transformational technology, such as Cloud-based solutions. The risk of competition has heightened following the combination with SES as the proportion of our revenue that comes from services has increased.	We carefully monitor customers and other suppliers operating within our chosen markets. We stay close to our customers and ensure we have a strong understanding of their needs and their expectations from the AVEVA product development roadmap. We expect that the customers we serve will, over the next three to five years, show an increased appetite or insistence on their software needs being delivered with more flexibility. AVEVA is already well progressed with its Cloud strategy and expects to be able to meet these customer demands as they develop.

The Group's strategy to extend into the digitalised world is key to ensuring that our customer penetration is broad and that AVEVA's sources of revenue are diversified.	
Professional Services Where AVEVA assists customers with the deployment of a solution this involves some degree of consulting and/or implementation work. This requires specialist knowledge to be available and well managed potentially in many geographic locations. There is a risk that the services provided do not meet the customer's expectations or that technical difficulties are encountered. In some instances we may opt to partner with a third party for this work and this relationship also requires careful management and maintenance to ensure that AVEVA's strong reputation with our customers is not damaged. The risk is higher than in 2017 due to higher professional services revenue streams within the heritage Schneider Electric Software business.	We employ experienced industry professionals within our professional services team and continue to build commercial partnerships with third party systems integrators. We have rigorous processes and controls for the appraisal of potential commercial opportunities prior to any bid being submitted. Bids are appraised on grounds of technical complexity as well as financial and commercial risk.

Operational risks

Risk	Mitigation
Recruitment and retention of employees AVEVA's success has been built on the quality and reputation of its products and services, which rely almost entirely on the quality of the people developing and delivering them. Managing this pool of highly skilled and motivated individuals across all disciplines and geographies remains key to our ongoing success.	The Group 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 the Group and individual achievement is appropriately rewarded.
Protection of intellectual property The Group's success has been built upon the development of its substantial intellectual property rights and the future growth of the business requires the continual protection of these tools. The protection of the Group's proprietary software products is achieved by licensing rights to use the application, rather than selling or licensing the computer source code.	The Group uses third party technology to encrypt, protect and restrict access to its products. Access limitations and rights are also defined within the terms of the software licence agreement. The Group seeks to ensure that its intellectual property rights are appropriately protected by law and seeks to vigorously assert its proprietary rights wherever possible.
Research & Development The Group makes substantial investments in Research & Development in enhancing existing products and introducing new products and must effectively appraise its investment decisions and ensure that we continue to provide class-leading solutions that meet the needs of our markets. 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.	AVEVA continually reviews the alignment of the activities of our Research & Development teams to ensure that they remain focused on areas that will meet the demands of our customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. 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 secure as possible.

International operations The Group must determine how best to utilise its resources across many diverse markets. Where necessary, the business must adapt its market approach to best capitalise on local market opportunities, particularly in the strategically key growth economies. Whilst the likelihood and impact remain unchanged, the overall risk is considered slightly higher now the enlarged Group employs staff in over 40 countries globally following the combination with SES.	The Group manages its overseas operations by employing locally qualified personnel who are able to provide expertise in the appropriate language and an understanding of local culture, custom and practice.
Regulation & Compliance The Group 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. A recent example is GDPR, and the large regulatory fines that could apply.	Local management are supported by local professional advisers and further oversight is maintained from the Group's corporate legal and finance functions. In addition, the Group uses compliance policies and guidance materials, communications & training platforms for its employees and external partners.
Cyber Attack The Group depends on its IT systems. Should AVEVA 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.	The Group utilises multiple layers of cyber security threat defences including perimeter, network, endpoint, application and data security controls. A dedicated Security team monitors threats and targets investment in appropriate controls such as penetration testing, phishing and malware protection.

Consolidated income statement

for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Revenue	3, 4	**499,098**	432,832
Cost of sales		**(150,815)**	(137,114)
Gross profit		**348,283**	295,718
Operating expenses			
Research & Development costs		**(116,314)**	(99,463)
Selling and administrative expenses	5	**(182,932)**	(146,188)
Total operating expenses		**(299,246)**	(245,651)
Profit from operations		**49,037**	50,067
Other income		**1,008**	–
Finance revenue		**521**	1,635
Finance expense		**(3,687)**	(278)
Profit before tax		**46,879**	51,424
Income tax credit/(expense)	7	**778**	(13,020)
Profit for the year attributable to equity holders of the parent		**47,657**	38,404

Profit before tax		**46,879**	51,424
Amortisation of intangibles (excluding other software)		**45,240**	41,894
Share-based payments		**1,383**	1,300
Loss on fair value of forward foreign exchange contracts		**68**	–
Exceptional items	6	**23,642**	2,813
Adjusted profit before tax		**117,212**	97,431

Earnings per share (pence)			
– basic	9	**46.97**	39.99
– diluted	9	**46.73**	39.82
Adjusted earnings per share (pence)			
– basic	9	**78.83**	69.09
– diluted	9	**78.43**	68.80

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 2018

	Notes	**2018 £000**	2017 £000
Profit for the year		**47,657**	38,404
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange (loss)/gain arising on translation of foreign operations		**(16,734)**	25,389
Total of items that may be reclassified to profit or loss in subsequent periods		**(16,734)**	25,389
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement loss on defined benefit plans		**(2,347)**	(106)
Deferred tax effect	7(a)	**1,479**	–
Total of items that will not be reclassified to profit or loss in subsequent periods		**(868)**	(106)
Total comprehensive income for the year, net of tax		**30,055**	63,687

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

Consolidated balance sheet

31 March 2018

	Notes	2018	2017
Non-current assets			
Goodwill		**1,298,323**	42,442
Other intangible assets		**653,403**	199,133
Property, plant and equipment		**14,832**	8,610
Deferred tax assets		**9,051**	2,077
Other receivables		**1,201**	–
Retirement benefit surplus		**5,563**	–
Financial assets		–	1,547
		1,982,373	253,809
Current assets			
Inventories		**907**	964
Trade and other receivables	11	**230,377**	171,386
Accrued income		**40,668**	44,681
Treasury deposits	12	**226**	-
Cash and cash equivalents	12	**105,649**	22,431
Financial assets		**451**	–
Current tax assets		**11,062**	5,222
		389,340	244,684
Total assets		**2,371,713**	498,493
Equity			
Issued share capital		**5,732**	2,275
Share premium		**574,543**	27,288
Other reserves		**1,178,207**	(4,174)
Retained earnings		**167,739**	146,567
Total equity		**1,926,221**	171,956
Current liabilities			
Trade and other payables	13	**128,788**	129,165
Deferred revenue		**166,319**	117,366
Loans and borrowings		**10,000**	–
Financial liabilities		–	1,929
Current tax liabilities		**12,054**	8,624
		317,161	257,084
Non-current liabilities			
Deferred tax liabilities		**115,412**	60,804
Other liabilities		**2,125**	3,489
Retirement benefit obligations		**10,794**	5,160
		128,331	69,453
Total equity and liabilities		**2,371,713**	498,493

The accompanying notes are an integral part of this Consolidated balance sheet.

Consolidated statement of changes in shareholders’ equity

31 March 2018

					Other reserves						
	Notes	Share capital £000	Share premium £000	Merger reserve £000	Cumulative translation adjustments £000	Capital redemption reserve £000	Reverse acquisition reserve £000	Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2016		2,274	27,288	–	–	–	(29,078)	(484)	(29,562)	205,905	205,905
Profit for the year		–	–	–	–	–	–	–	–	38,404	38,404
Other comprehensive income		–	–	–	25,389	–	–	–	25,389	(106)	25,283
Total comprehensive income		–	–	–	25,389	–	–	–	25,389	38,298	63,687
Issue of share capital		1	–	–	–	–	(1)	–	(1)	–	–
Investment in own shares		–	–	–	–	–	40	(40)	–	–	–
Transactions with Schneider Electric		–	–	–	–	–	–	–	–	(97,636)	(97,636)
Cost of employee benefit trust shares issued to employees		–	–	–	–	–	(296)	296	–	–	–
At 31 March 2017		2,275	27,288	–	25,389	–	(29,335)	(228)	(4,174)	146,567	171,956
Profit for the year		–	–	–	–	–	–	–	-	47,657	47,657
Other comprehensive income		–	–	–	(16,734)	–	–	–	(16,734)	(868)	(17,602)
Total comprehensive income		–	–	–	(16,734)	–	–	–	(16,734)	46,789	30,055
Shares issued to acquire the Schneider Electric software business		3,455	548,955	1,265,634	–	–	–	–	1,265,634	–	1,818,044
Issue and redemption of B shares		–	–	(649,982)	–	101,682	–	–	(548,300)	–	(548,300)
Recognition of reverse acquisition reserve on combination		–	–	–	–	–	481,860	–	481,860	–	481,860
Issue of share capital		2	–	–	–	–	–	–	–	–	2
Transaction costs		–	(1,700)	–	–	–	–	–	–	–	(1,700)
Share-based payments		–	–	–	–	–	–	–	–	1,230	1,230
Investment in own shares		–	–	–	–	–	–	(322)	(322)	–	(322)
Transactions with Schneider Electric		–	–	–	–	–	–	–	–	(26,847)	(26,847)
Cost of employee benefit trust shares issued to employees		–	–	–	–	–	–	243	243	–	243
At 31 March 2018		**5,732**	**574,543**	**615,652**	**8,655**	**101,682**	**452,525**	**(307)**	**1,178,207**	**167,739**	**1,926,221**

The accompanying notes are an integral part of this Consolidated statement of changes in shareholders’ equity.

Consolidated cash flow statement

for the year ended 31 March 2018

	Notes	2018	2017
Cash flows from operating activities			
Profit for the year		**47,657**	38,404
Income tax (credit) / expense	7(a)	**(778)**	13,020
Net finance expense / (revenue)		**3,166**	(1,357)
Other income		**622**	–
Amortisation of intangible assets		**46,300**	42,940
Depreciation of property, plant and equipment		**3,158**	2,416
Impairment of intangible assets		**11,227**	–
Profit on disposal of property, plant and equipment		**(1,801)**	–
Loss on disposal of intangible assets		**3,743**	–
Share-based payments		**1,230**	–
Difference between pension contributions paid and amounts charged to operating profit		**(1,314)**	613
Research & Development expenditure tax credit		**(255)**	–
Capitalisation of Research & Development costs		**(9,951)**	(6,210)
Changes in working capital:			
Inventories		**57**	1,600
Trade and other receivables		**(33,955)**	(3,767)
Trade and other payables		**22,034**	19,780
Changes to fair value of forward foreign exchange contracts		**68**	(1,232)
Cash generated from operating activities before tax		**91,208**	106,207
Income taxes paid		**(28,636)**	(5,686)
Net cash generated from operating activities		**62,572**	100,521
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,924)**	(2,449)
Purchase of intangible assets		**(1,187)**	(4,524)
Acquisition of subsidiaries and business undertakings, net of cash acquired		–	(5,422)
Cash received on acquisition of business		**132,156**	–
Proceeds from disposal of property, plant and equipment		**3,306**	–
Proceeds from disposal of intangible assets		**3,144**	–
Purchase of treasury deposits		**(8)**	–
Interest received		**521**	1,093
Net cash flows from/(used in) investing activities		**133,008**	(11,302)
Cash flows from financing activities			
Interest paid		**(3,542)**	–
Proceeds from borrowings		**10,000**	–
Change in funding with related parties		**(18,125)**	(77,273)
Return of value to shareholders		**(99,982)**	–
Transaction costs on issue of shares		**(1,700)**	–
Net cash flows used in financing activities		**(113,349)**	(77,273)
Net increase in cash and cash equivalents		**82,231**	11,946
Net foreign exchange difference		**987**	(948)
Opening cash and cash equivalents	12	**22,431**	11,433
Closing cash and cash equivalents	12	**105,649**	22,431

The accompanying notes are an integral part of this Consolidated cash flow statement.

1 Basis of preparation

The Group is required to prepare its Consolidated financial statements in accordance with IFRS as adopted by the European Union. For the purposes of this document the term IFRS includes International Accounting Standards.

The preliminary announcement covers the period 1 April 2017 to 31 March 2018 and was approved by the Board on 14 June 2018. It is presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The financial information contained in this preliminary announcement of audited results does not constitute the Group's statutory accounts for the years ended 31 March 2018 or 31 March 2017. The accounts for the year ended 31 March 2017 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 March 2018 have been reported on by the Company's auditors; the report on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The statutory accounts for the year ended 31 March 2018 are expected to be posted to shareholders in due course and will be delivered to the Registrar of Companies after they have been laid before the shareholders in a general meeting on 11 July 2018. Copies will be available from the registered office of the Company, High Cross, Madingley Road, Cambridge CB3 0HB and can be accessed on the AVEVA website, www.aveva.com. The registered number of AVEVA Group plc is 2937296.

The Group presents a non-GAAP performance measure on the face of the Consolidated income statement. The Directors believe that the 'adjusted profit before tax' and 'adjusted diluted and basic earnings per share' measures presented provide a reliable and consistent presentation of the underlying performance of the Group. Adjusted profit is not defined by IFRS and therefore may not be directly comparable with the 'adjusted' profit 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.

2 Accounting policies

The preliminary statement has been prepared on a consistent basis with the accounting policies set out in the last published financial statements for the year ended 31 March 2017 except where noted below. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

In accordance with IFRS 3, these financial statements have been prepared as a reverse acquisition of AVEVA Group by the Schneider Electric industrial software business. Therefore, although the financial information has been 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 the Schneider Electric industrial software business, to which the comparative financial information presented relates. For the year ended 31 March 2018, the consolidated financial information comprise the results of the Schneider Electric industrial software business 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').

The Schneider Electric industrial software business previously prepared standalone combined financial information for the years ended 31 March 2017, 2016 and 2015, which were included in the prospectus dated 5 September 2017. The Schneider Electric industrial software business did not in the past form a legal group. As a result, the combined financial information was prepared by aggregating financial information that was prepared for the purposes of consolidation of the Schneider Electric software business. The financial information included as comparatives within these consolidated financial statements does not constitute statutory accounts, but has been prepared under IFRS and in line with the group accounting policies disclosed.

Schneider Electric industrial software business 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 Group's date of transition to IFRS as endorsed by the EU on 1 April 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 Schneider Electric software business 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 Schneider Electric software business 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 the Schneider Electric industrial software business by Schneider Electric Group related to the operations of the Schneider Electric industrial software business. 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 Group 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 Schneider Electric industrial software business 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 the Schneider Electric Industrial Software Business had been a standalone entity.

From 1 April 2017, certain income statement and balance sheet lines have been reclassified, and the financial statements of the year ended 31 March 2017 have been restated accordingly.

- Previously, the centralised functions of real estate and facilities were allocated by function between cost of sales, Research & Development costs and selling and administrative expenses. In order to align classifications with the heritage AVEVA Group, the presentation has been updated to present the costs of these centralised functions within selling and distribution expenses in full. Comparatives have been restated accordingly, resulting in an increase of £8,607,000 to selling and distribution expenses and a corresponding decrease of £5,164,000 to cost of sales and £3,443,000 to Research & Development costs in the year ended 31 March 2017. There has been no impact on profit from operations.
- Amortisation previously disclosed separately in the income statement has been allocated to the respective function. Amortisation in relation to purchased software rights and developed technology is recognised within Research & Development costs, and amortisation in relation to customer relationships and purchased brands and trademarks within selling and administrative expenses. Comparatives have been restated accordingly, resulting in an increase of £20,204,000 to Research & Development costs and £14,159,000 to selling and distribution expenses. In addition, £8,417,000 of amortisation previously recognised within cost of sales has been reclassified resulting in an increase to Research & Development of £7,301,000 and administrative expenses of £1,116,000.
- Amounts previously disclosed as other expenses related to share-based payments, restructuring and integration. These have been reclassified, resulting in an increase of £3,412,000 to selling and administrative expenses, £1,625,000 to Research & Development costs, and £291,000 to cost of sales.

- Amounts related to income tax payable were previously recognised within trade and other payables. The balance of £15,391,000 has been reclassified to current tax liabilities.
- A balance of £42,145,000 has been reclassified from trade and other payables to deferred revenue.
- The classification of revenue as presented in Note 3 has been revised to present revenue within the categories of support and maintenance, including annual fees; rental and subscriptions; initial fees and perpetual licences; and training and services. Revenue has been reclassified accordingly.
- A prior year restatement has been made resulting in a decrease to both inventories and deferred revenue of £8,115,000. This is as a result of an error identified in the previously reported financial statements.
- Sales of goods and services to related parties in the year ended 31 March 2017 were previously reported as £40,332,000. During the financial year ended 31 March 2018, commercial agreements were signed between the Schneider Electric industrial software business and the Schneider Electric Group to deliver software services relating to comingled contracts and delayed businesses, making this revenue related party in nature. To ensure consistency, sales of goods and services to related parties in the year ended 31 March 2017 has been restated to £59,788,000, to also include £19,456,000 of sales relating to comingled contracts and delayed business.
- Amortisation of capitalised R&D has now been included within normalised adjustments, such that adjusted profit before tax is stated before this amortisation expense (2018 - £7,277,000, 2017 - £8,656,000).

The Directors believe that the revised presentations most appropriately and consistently reflect the nature of the enlarged Group's operations.

3 Revenue

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

	2018 £000	2017 £000
Support and maintenance, including annual fees	**138,561**	115,018
Rental and subscriptions	**75,284**	47,005
Initial fees and perpetual licences	**169,095**	142,060
Training and services	**116,158**	128,749
Total revenue	**499,098**	432,832
Finance revenue	**521**	1,635
	499,619	434,467

Training and services consists of consultancy, implementation services and training fees.

4 Segment information

The combination of the AVEVA Group plc business with the business of Schneider Electric software was completed on 1 March 2018 and the new Executive Leadership Team for the enlarged Group was formed shortly thereafter. The Executive Leadership team has decided how it plans to monitor and appraise the business and this will be on a geographic basis with 3 operating 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 shall be evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information will not be included in the information provided to the Executive Leadership Team.

However, 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 either the year ended 31 March 2018 or the comparative period. 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. Segmental cost data will be reported for future accounting periods.

	Year ended 31 March 2018			
	Asia Pacific	**EMEA**	**Americas**	**Total**
	£000	**£000**	**£000**	**£000**
Revenue				
Support and maintenance, including annual fees	15,378	39,876	83,307	138,561
Rental and subscriptions	19,324	35,243	20,717	75,284
Initial fees and perpetual licences	44,164	57,584	67,347	169,095
Training and services	24,959	34,392	56,807	116,158
	103,825	167,095	228,178	499,098

	Year ended 31 March 2017			
	Asia Pacific	**EMEA**	**Americas**	**Total**
	£000	**£000**	**£000**	**£000**
Revenue				
Support and maintenance, including annual fees	9,817	32,068	73,133	115,018
Rental and subscriptions	12,358	17,974	16,673	47,005
Initial fees and perpetual licences	32,767	55,056	54,237	142,060
Training and services	27,027	31,749	69,973	128,749
	81,969	136,847	214,016	432,832

5 Selling and administration expenses

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

	2018 £000	2017 £000
Selling and distribution expenses	**127,962**	105,125
Administrative expenses	**54,970**	41,063
	182,932	146,188

6 Exceptional items

	2018 £000	2017 £000
Acquisition and integration activities	**5,789**	555
Restructuring costs	**2,866**	3,474
Movement in provision for sales taxes in an overseas location	**17**	–
Impairment and loss on sale of capitalised R&D	**14,970**	–
Other	–	(1,216)
	23,642	2,813

The acquisition and integration fees for the year ended 31 March 2018 relate to fees paid to professional advisers primarily for legal and financial due diligence services related to the combination of AVEVA Group plc and the Schneider Electric industrial software business plus other consultancy costs paid to advisors in relation to the integration.

The restructuring costs related to severance payments within the Schneider Electric industrial software business in a number of global office locations. In addition, a divestment made by the Schneider Electric software business in China resulted in an exceptional write off of £858,000, offset by an exceptional gain of £1,866,000 made by selling the property relating to the same write off.

The impairment of capitalised R&D related to a development project that was ceased, prior to completion, following a divestment of a Schneider Electric industrial software joint venture operation with Schneider Electric. Also included are the previously capitalised development costs related to a project. Further to a commercial review of the project and the financial prospects for the developed technology, it was concluded that the carrying value of the development costs should be fully impaired.

Exceptional items were included in the Consolidated income statement as follows:

	2018 £000	2017 £000
Cost of sales	**421**	292
Research & Development costs	**15,615**	1,626
Selling and distribution expenses	**2,720**	979
Administrative expenses	**5,894**	1,132
Other income	**(1,008)**	–
Finance revenue	–	(1,216)
	23,642	2,813

7 Income tax expense

a) Tax on profit

The major components of income tax expense are as follows:

	2018 £000	2017 £000
Tax charged in Consolidated income statement		
Current tax:		
UK corporation tax	**3,562**	419
Foreign tax	**35,085**	31,063
Adjustments in respect of prior periods	**(1,057)**	-
Total current tax	**37,590**	31,482
Deferred tax:		
Origination and reversal of temporary differences	**(38,368)**	(18,462)
Total income tax (credit)/expense reported in Consolidated income statement	**(778)**	13,020

	2018 £000	2017 £000
Tax relating to items charged directly to Consolidated statement of comprehensive income		
Deferred tax on actuarial remeasurements on retirement benefit obligation	**(1,479)**	-
Tax credit reported in Consolidated statement of comprehensive income	**(1,479)**	-

b) Reconciliation of the total tax charge

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

	2018 £000	2017 £000
Tax on Group profit before tax at standard UK corporation tax rate of 19% (2017 – 20%)	**8,907**	10,285
Effects of:		
– expenses not deductible for tax purposes	**1,709**	(1,877)
– US deferred tax rate benefit	**(21,985)**	-
– patent box	**(893)**	-
– irrecoverable withholding tax	**1,302**	-
– movement on unprovided deferred tax balances	**4,866**	(713)
– differing tax rates	**6,373**	5,325
– adjustments in respect of prior years	**(1,057)**	-
Income tax (credit)/expense reported in Consolidated income statement	**(778)**	13,020

The Group's effective tax rate for the year was -1.7% (2017 – 25.3%). The Group's effective tax rate for the year before exceptional items was 0.9% (2017 – 25.9%). The Group's effective tax rate before exceptional and other normalised adjustments (see note 9) was 31.8% (2017 – 31.9%).

At this balance sheet date, the US government had substantively enacted a federal tax rate reduction from 35% to 21% from 1 January 2018. The effect of this reduction to the US net deferred tax liability is £21,985,000.

8 Dividends paid and proposed on equity shares

No dividends are included in the consolidated statement of changes in shareholders' equity, as no dividends were declared and paid since the date of the reverse acquisition and there were no dividends relating to the Schneider Electric software business. The following dividends were declared, paid and proposed in relation to the legal entity AVEVA Group plc:

	2018 £000	2017 £000
Declared and paid during the year		
No interim 2017/18 dividend paid (2016/17 – interim dividend paid of 13.0 pence per ordinary share)	–	8,316
Final 2016/17 dividend paid of 27.0 pence (2015/16 – 30.0 pence) per ordinary share	**17,268**	19,184
	17,268	27,500
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2017/18 of 27.0 pence (2016/17 – 27.0 pence) per ordinary share	**43,526**	17,271

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 11 July 2018 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 3 August 2018 to shareholders on the register at the close of business on 6 July 2018.

9 Earnings per share

	2018 Pence	2017 Pence
Earnings per share for the year:		
– basic	**46.97**	39.99
– diluted	**46.73**	39.82
Adjusted earnings per share for the year:		
– basic	**78.83**	69.09
– diluted	**78.43**	68.80

	2018 Number	2017 Number
Weighted average number of ordinary shares for basic earnings per share	**101,464,203**	96,034,353
Effect of dilution: employee share options	**514,438**	403,086
Weighted average number of ordinary shares adjusted for the effect of dilution	**101,978,641**	96,437,439

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 £47,657,000 (2017 – £38,404,000). 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 period from 1 March 2018 to 31 March 2018.

Details of the calculation of adjusted earnings per share are set out below:

	2018 £000	2017 £000
Profit after tax for the year	**47,657**	38,404
Intangible amortisation (excluding software)	**45,240**	41,894
Share-based payments	**1,383**	1,300
Loss on fair value of forward foreign exchange contracts	**68**	–
Exceptional items	**23,642**	2,813
Tax effect on exceptional items	**(1,399)**	(1,002)
Tax effect on other normalised adjustments	**(36,611)**	(17,062)
Adjusted profit after tax	**79,980**	66,347

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.

10 Business combinations

On 1 March 2018 AVEVA Group plc acquired the Schneider Electric industrial software business. For accounting purposes, this has been treated as a reverse acquisition under IFRS 3: Business Combinations, being the acquisition of AVEVA Group plc by the Schneider Electric industrial software business. 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 the Schneider Electric industrial software business only.

As at 31 March 2018 the accounting for the business combination had been completed subject to the finalisation of the purchase price allocation, the final allocation of goodwill and finalisation of the completion accounts and working capital statement to be agreed with the Schneider Electric Group. The finalisation of the completion accounts and working capital statement could result in a change in the consideration paid.

A preliminary purchase price allocation has been completed and this resulted in intangible assets with a fair value of £525,981,000 being recognised. Due to the completion of the combination occurring just one month prior to the end of the financial year, the purchase price allocation is provisional and may therefore be subject to change.

The following table shows the preliminary fair values of the identifiable assets acquired and liabilities assumed of AVEVA Group at the acquisition date.

	Carrying value at acquisition	Provisional fair value adjustment	Provisional fair value
	£000	£000	£000
Intangible assets	–	525,981	525,981
Property plant and equipment	6,744	–	6,744
Other receivables	3,206	–	3,206
Retirement benefit surplus	4,277	–	4,277
Trade and other receivables	86,777	–	86,777
Cash and cash equivalents	132,374	–	132,374
Financial liability	(99,981)	–	(99,981)
Financial assets	518	–	518
Trade and other payables	(43,488)	–	(43,488)
Deferred revenue	(42,250)	–	(42,250)
Current tax	10,052	–	10,052
Deferred tax	(381)	(88,580)	(88,961)
Retirement benefit obligations	(3,592)	–	(3,592)
Net assets acquired	**54,256**	**437,401**	**491,657**
Goodwill			1,259,870
Total consideration			1,751,527

The equity consideration of £1,198,144,619 has been calculated by multiplying the 64,037,660 AVEVA Group plc shares deemed to be acquired by Schneider Electric (in exchange for £550,000,000 and the Schneider Electric Software Business) 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. In addition, the consideration also includes a £550,000,000 payment from Schneider Electric and the fair value of the pre-acquisition cost relating to 697,240 outstanding share options acquired on 28 February 2018, amounting to £3,381,997.

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 of 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 6. The attributable costs of the issuance of the shares of £1,700,000 have been charged directly to equity as a reduction in share premium.

The revenue and profit included in the consolidated income statement since 1 March 2018 contributed by AVEVA were £42,700,000 and £15,000,000 respectively. If the acquisition had occurred on 1 April 2017, the consolidated statement of comprehensive income would have presented revenue of £704,600,000 and profit after tax of £66,000,000 (at an effective tax rate of -2%).

11 Trade and other receivables

	2018 £000	2017 £000
Current		
Amounts falling due within one year:		
Trade receivables	**146,939**	64,474
Amounts owed from related parties (note 14)	**43,113**	39,384
Prepayments and other receivables	**40,325**	67,528
	230,377	171,386

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.

12 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**104,530**	22,431
Short-term deposits	**1,119**	–
Net cash and cash equivalents per cash flow	**105,649**	22,431
Treasury deposits	**226**	–
	105,875	22,431

Treasury deposits represent bank deposits with an original maturity of over three months. Treasury deposits held with a fixed rate of interest were £221,000 (2017 – £nil), 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. £1,022,000 (2017 – £nil) 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 £105,875,000 (2017 – £22,431,000).

13 Trade and other payables

	2018 £000	2017 £000
Current		
Trade payables	**22,877**	22,256
Amounts owed to related parties (note 14)	**8,865**	13,768
Social security, employee taxes and sales taxes	**17,371**	18,778
Accruals	**56,509**	26,726
Other payables	**23,166**	47,637
	128,788	129,165

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.

14 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:

	2018 £000	2017 £000
Sales of goods and services	**72,934**	59,788
Purchases of goods and services	**(13,141)**	(11,675)
Interest income	**288**	1,280
Interest expense	**(3,454)**	(138)
Other non-trading transactions	**(7,857)**	(9,973)
Pre-closing management fees	**(10,962)**	(14,377)

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

	2018 £000	2017 £000
Trade receivables	**43,113**	39,384
Trade payables	**(8,865)**	(13,768)
Non-trading receivables	**9,413**	107,156
Non-trading payables	–	(76,775)

Unaudited pro forma combined income statement

	Notes	**2018 £000**	2017 £000
Revenue	3	**704,633**	648,663
Cost of sales		**(178,020)**	(166,231)
Gross profit		**526,613**	482,432
Operating expenses			
Research & Development costs		**(148,916)**	(131,347)
Selling and administrative expenses		**(311,221)**	(256,252)
Total operating expenses		**(460,137)**	(387,599)
Profit from operations		**66,476**	94,833
Other income		**1,008**	1,753
Finance revenue		**1,021**	2,412
Finance expense		**(3,862)**	(674)
Profit before tax		**64,643**	98,324
Income tax credit/(expense)		**1,379**	(21,854)
Profit for the year attributable to equity holders of the parent		**66,022**	76,470

Profit before tax		**64,643**	98,324
Amortisation of intangibles (excluding other software)		**50,501**	47,700
Share-based payments		**3,969**	2,384
Gains/(losses) on fair value of forward foreign exchange contracts		**(646)**	(669)
Exceptional items	4	**44,374**	4,696
Adjusted profit before tax		**162,841**	152,435

Earnings per share for the year:			
– basic	5	**40.96**	47.44
– diluted	5	**40.86**	47.32
Adjusted earnings per share (pence)			
– basic	5	**75.78**	67.74
– diluted	5	**75.59**	67.57

Unaudited pro forma combined cash flow statement

	2018	2017
Cash flows from operating activities		
Profit for the year	**66,022**	76,470
Income tax	**(1,379)**	21,854
Net finance revenue	**2,841**	(1,738)
Other income	**622**	(1,753)
Amortisation of intangible assets	**51,868**	49,100
Impairment of intangible assets	**11,227**	–
Depreciation of property, plant and equipment	**5,483**	4,903
Profit on disposal of property, plant and equipment	**(1,879)**	(27)
Loss on disposal of intangibles	**3,743**	–
Share-based payments	**3,816**	1,084
Difference between pension contributions paid and amounts charged to operating profit	**(2,813)**	(523)
Research & Development expenditure tax credit	**(2,101)**	(1,750)
Capitalisation of Research & Development costs	**(9,951)**	(6,210)
Changes in working capital:		
Inventories	**57**	1,600
Trade and other receivables	**(28,155)**	(1,200)
Trade and other payables	**19,996**	23,488
Changes to fair value of forward foreign exchange contracts	**(646)**	(1,901)
Cash generated from operating activities before tax	**118,751**	163,397
Income taxes paid	**(33,588)**	(15,018)
Net cash generated from operating activities	**85,163**	148,379
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,848)**	(4,868)
Purchase of intangible assets	**(1,879)**	(6,776)
Acquisition of subsidiaries and business undertakings, net of cash acquired	–	(5,422)
Refund of consideration from business combinations	–	1,753
Proceeds from disposal of property, plant and equipment	**3,398**	194
Proceeds from disposal of intangible assets	**3,144**	–
Interest received	**523**	1,870
(Purchase)/maturity of treasury deposits (net)	**45,260**	(2,170)
Net cash flows (used in)/from investing activities	**43,598**	(15,419)
Cash flows from financing activities		
Interest paid	**(3,133)**	(58)
Proceeds from borrowings	**10,000**	–
Change in funding with related parties	**(18,125)**	(77,313)
Proceeds from the issue of shares	**2**	1
Investment in own shares	**(323)**	–
Return of value to shareholders	**(99,982)**	–
Issue costs	**(1,700)**	–
Dividends paid	**(17,268)**	(27,500)
Net cash flows used in financing activities	**(130,529)**	(104,870)
Net increase in cash and cash equivalents	**(1,768)**	28,090
Net foreign exchange difference	**(476)**	3,759
Opening cash and cash equivalents	**107,893**	76,044
Closing cash and cash equivalents	**105,649**	107,893

1. Basis of preparation – pro forma

The pro forma financial information of the AVEVA enlarged group which follows is unaudited and does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006.

The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical situation. It therefore does not represent the enlarged Group's actual results, and does not purport to represent what the combined results would have been.

The information is presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

2. Adjustments and assumptions – pro forma

The unaudited pro forma combined income statements for the years ended 31 March 2017 and 31 March 2018 have been prepared on the following basis:

- The financial information is the combination of the consolidated financial statements of AVEVA Group plc and the Schneider Electric industrial software business for the years to 31 March 2017 and 31 March 2018.
- No pro forma adjustments have been made to reflect synergies or cost savings that may be expected to occur as a result of the acquisition, nor have any adjustments been made to reflect the stand alone costs expected.
- There has been no trading between the two groups for either of the years presented.

3. Segment information – pro forma

	Year ended 31 March 2018			
	Asia Pacific	**EMEA**	**Americas**	**Total**
	£000	**£000**	**£000**	**£000**
Revenue				
Support and maintenance	47,782	67,870	91,135	206,787
Rental and subscriptions	32,567	93,273	31,869	157,709
Initial fees and perpetual licences	68,434	65,686	71,335	205,455
Training and services	29,434	44,657	60,591	134,682
Regional revenue total	178,217	271,486	254,930	704,633

	Year ended 31 March 2017			
	Asia Pacific	**EMEA**	**Americas**	**Total**
	£000	**£000**	**£000**	**£000**
Revenue				
Support and maintenance	42,813	62,521	81,529	186,863
Rental and subscriptions	32,051	75,881	33,261	141,193
Initial fees and perpetual licences	51,455	63,656	59,163	174,274
Training and services	31,940	41,468	72,925	146,333
Regional revenue total	158,259	243,526	246,878	648,663

4. Exceptional items – pro forma

	2018 £000	2017 £000
Acquisition and integration activities	**29,530**	555
Restructuring costs	**2,866**	7,626
Indemnified receivable claim for previous business combination.	**-**	(1,753)
Movement in provision for sales taxes in an overseas location	**(2,992)**	(516)
Other	**-**	(1,216)
Impairment and loss on sale of capitalised R&D	**14,970**	-
	44,374	4,696

The acquisition and integration activities charge of £29.5 million (2017 - £0.6 million) related to fees paid to professional advisors primarily for legal and financial due diligence services in connection with the combination plus other consultancy costs paid to advisors in relation to the integration. Of this, £24,954,000 was incurred by AVEVA Group and £4,576,000 by the Schneider Electric software business.

The restructuring costs related to severance payments within the Schneider Electric software business in a number of global office locations, prior to the Combination. In addition, a divestment made by the Schneider Electric software business in China resulted in an exceptional write off of £858,000, offset by an exceptional gain of £1,866,000 made by selling the property relating to the same write off.

The movement in the sales tax provision related to the partial release of the provision following a reassessment of the liability.

The impairment of capitalised R&D 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. Further to a commercial review of the project and the financial prospects for the developed technology, it was concluded that the carrying value of the development costs should be fully impaired.

Exceptional items were included in the Consolidated income statement as follows:

	2018 £000	2017 £000
Cost of sales	**422**	-
Research & Development costs	**15,633**	492
Selling and distribution expenses	**2,248**	2,190
Administrative expenses	**27,079**	3,767
Other income	**(1,008)**	(1,753)
	44,374	4,696

5. Earnings per share – pro forma

	2018 Pence	2017 Pence
Earnings per share for the year:		
– basic	**40.96**	47.44
– diluted	**40.86**	47.32
Adjusted earnings per share for the year:		
– basic	**75.78**	67.74
– diluted	**75.59**	67.57

	2018 Number	2017 Number
Weighted average number of ordinary shares for basic earnings per share	**161,192,557**	**161,192,557**
Effect of dilution: employee share options	**403,086**	**403,086**
Weighted average number of ordinary shares adjusted for the effect of dilution	**161,595,643**	**161,595,643**

The calculations of basic and diluted earnings per share are based on the pro forma net profit attributable to equity holders of the parent for the year of £66,022,000 (2017 – £76,470,000). Basic earnings per share amounts are calculated by dividing the pro forma net profit attributable to equity holders of the parent by the number of ordinary shares outstanding at 31 March 2018, adjusted for the weighted average of investment in own shares. Diluted earnings per share amounts are calculated by dividing the pro forma net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding 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 as at 31 March 2018.

Details of the calculation of adjusted earnings per share are set out below:

	2018 £000	2017 £000
Profit after tax for the year	**66,022**	76,470
Intangible amortisation (excluding software)	**50,501**	47,700
Share-based payments	**3,969**	2,384
(Gain)/loss on fair value of forward foreign exchange contracts	**(646)**	(669)
Exceptional items	**44,374**	4,696
Tax effect on exceptional items	**(4,019)**	(2,992)
Tax effect on other normalised adjustments	**(38,044)**	(18,405)
Adjusted profit after tax	**122,157**	109,184

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.

Directors

Philip Aiken
Chairman

Jennifer Allerton
Independent Non-Executive Director

Christopher Humphrey
Independent Non-Executive Director

Ron Mobed
Independent Non-Executive Director

Emmanuel Babeau
Non-Executive Director

Peter Herweck
Non-Executive Director

Craig Hayman
CEO

James Kidd
Deputy CEO & CFO

14. Responsibility statement pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)

Each Director of the Company (whose names and functions appear above) confirms that (solely for the purpose of DTR 4) to the best of his/her knowledge:

- the financial information 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 result of the Company and of the Group taken as a whole; and
- the Chairman's statement, Chief Executive's strategic review and Finance review include a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

James Kidd	Craig Hayman
Deputy CEO & CFO	*CEO*

14 June 2018