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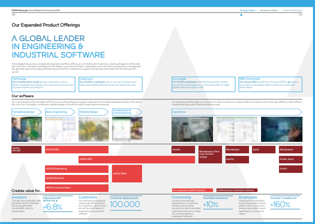
GLOBAL LEADER IN ENGINEERING & INDUSTRIAL SOFTWARE

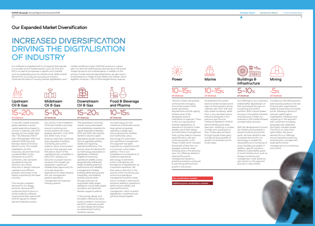
AVEVA Group plc Annual Report and Accounts 2018

AVEVA IS A GLOBAL LEADER IN ENGINEERING & INDUSTRIAL SOFTWARE FOR PROCESS AND HYBRID INDUSTRIES

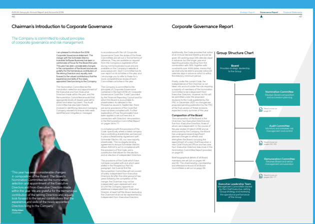
We give customers the power to create, visualise and manage their assets digitally, which significantly lowers their total cost of ownership throughout the asset life cycle.



Our Expanded Product Offerings
see pages 8–9



Our Expanded Market Diversification Review
see pages 10–11



Governance Report
see pages 43–81

Strategic Report

Governance Report

Financial Statements

"The last 12 months have been transformational for AVEVA. The combined Group is optimally placed to deliver value to our customers over the whole life cycle of their assets, from design through to operations. I am pleased with the results that we have announced, which are a credit to the AVEVA team in what has been a very busy year. I'm excited about the opportunities ahead of us and will be focused on driving profitable growth."

Craig Hayman
Chief Executive Officer

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

Highlights

COMBINATION WITH SCHNEIDER ELECTRIC INDUSTRIAL SOFTWARE BUSINESS

On 1 March 2018, AVEVA Group plc combined with the Schneider Electric Industrial Software Business (SES) to create a global leader in industrial software for process and hybrid industries.

Number of employees	Number of customers	Number of office locations	Countries where we employ AVEVA staff
>4,400	>16,000	80	40
Pre-merger: 1,700	Pre-merger: >4,000	Pre-merger: 50	Pre-merger: 30
Annual R&D investment	Partner network	Number of R&D staff	Customer deployments
£100M	>4,000	>1,600	>100,000
Pre-merger: £30m	Pre-merger: <100	Pre-merger: 705	Around the world
Revenue	Adjusted profit before tax	Profit before tax	Adjusted diluted EPS
£704.6M▲	£162.8M▲	£64.6M▲	75.6P▲
Pre-merger: £248.2m	Pre-merger: £67.8m	Pre-merger: £32.8m	2017 – 67.6p

▲ We are supplementing our Reported results this year with pro forma results that management believe best represent the effect of the combination, as they show the full year effect of the combination. For more information, please see overleaf.

The combination is transformational for AVEVA and supports all of our strategic objectives. It also advances our vision for the widespread adoption of constantly evolving Digital Assets by the capital-intensive industries that we serve. By adding new capabilities to AVEVA's engineering, design and 3D visualisation technologies, the combination will enable the Group to offer customers Digital Twins of their physical assets throughout their whole life cycle.

Financial Highlights

AVEVA GROUP PRODUCES STRONG RESULTS

In this Annual Report, the statutory ("reported") results for AVEVA Group plc are prepared on a reverse acquisition basis and reflect 12 months of results for the heritage Schneider Electric Software business and one month of results for the heritage AVEVA business, with none of the heritage AVEVA business results being included in the comparative period.

Accordingly, to get a better understanding of the trading performance of the combined business, 'pro forma' results are also shown for the enlarged Group, which include full-year results for both parts of the new business combined. The pro forma basis is used throughout the Annual Report, and where used, is indicated with the following symbol: ▲

Summary results

Year ended 31 March 2018

	Heritage AVEVA	Heritage SES	Reported	Pro forma (enlarged Group) ▲
Revenue	£248.2m 2017 – £215.8m +15.0%	£456.4m 2017 – £432.8m +5.4%	£499.1m 2017 – £432.8m +15.3%	£704.6m 2017 – £648.7m +8.6%
Profit before tax	£32.8m 2017 – £46.9m -30.0%	£31.8m 2017 – £51.4m -38.1%	£46.9m 2017 – £51.4m -8.8%	£64.6m 2017 – £98.3m -34.3%
Adjusted profit before tax[1]	£67.8m 2017 – £55.0m +23.3%	£95.0m 2017 – £97.4m -2.5%	£117.2m 2017 – £97.4m +20.3%	£162.8m 2017 – £152.4m +6.8%

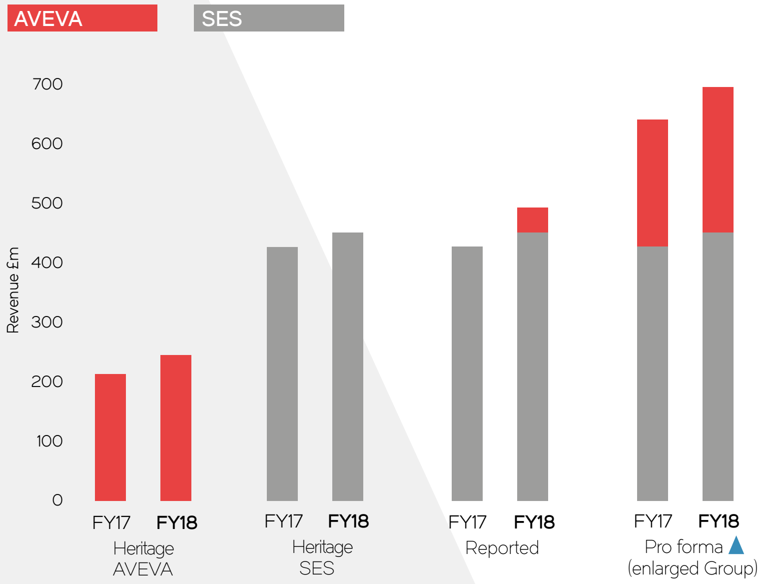
1 Adjusted profit before tax is calculated before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items.

Explanation of reported, pro forma and heritage results

Summary of the different numbers

Following the merger of AVEVA and SES, there are several different sets of results that have been disclosed and reported on. The graph below indicatively shows the revenue of the heritage AVEVA business, the heritage SES business, the reported results that we are obliged to present, as well as what the performance of the enlarged Group would have been for the current year and the comparative period, as if the combination had occurred on 1 April 2016.

Statutory and pro forma numbers



What is a reverse acquisition?

AVEVA Group plc is the legal acquirer of SES as it will exercise control over the enlarged Group.

Schneider Electric Group, the former shareholders of the acquired entity (SES), now own the majority of the shares in the enlarged AVEVA Group.

This means that for accounting purposes, the acquired company (SES) is treated as the acquirer, and so the accounting treatment is the reverse of the legal position.

Heritage AVEVA and heritage SES

The heritage AVEVA results are almost entirely lost under reverse acquisition accounting. For transparency, a summary income statement of heritage AVEVA is included in a table and discussed within the Finance Review.

Whilst the SES results are closely aligned with the reported results, these also include heritage AVEVA's results for the month of March, the largest month of the trading year. A summary of the key income statement results for SES are also given and explained in the Finance Review.

These two sets of figures can be found on pages 25 to 27.

Reported

As stated above, the result of the reverse acquisition accounting is that from the date of completion (1 March 2018) the results of both entities are combined, but everything prior to this date, including comparatives, contain numbers only from SES.

Although these numbers are what is required under the accounting reporting standards and therefore what make up the financial statements, they are less helpful in terms of understanding the performance of either the enlarged Group or of the individual parts of the business.

Therefore, more emphasis and focus is placed on the pro forma results in the Strategic Report, which will provide a much clearer picture of the performance of the enlarged Group.

Pro forma (enlarged Group)

The enlarged Group pro forma shows what the results in both years would have been had the business combination occurred at the start of the comparative period (1 April 2016).

This therefore shows 12 months of trading of heritage AVEVA, plus 12 months of trading of SES, for both years shown. This allows for a more meaningful analysis of the 2018 performance of the enlarged Group.

An abbreviated set of accounts, comprising the income statement and associated notes, have been included as a pro forma on pages 141 to 144.

Chairman's statement

DELIVERING ON OUR STRATEGY

The year to 31 March 2018 was transformational for AVEVA, and we were delighted to appoint Craig Hayman as AVEVA's new CEO in February 2018.

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.

"We delivered a significantly improved trading performance during the year."

Philip Aiken
Chairman

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.

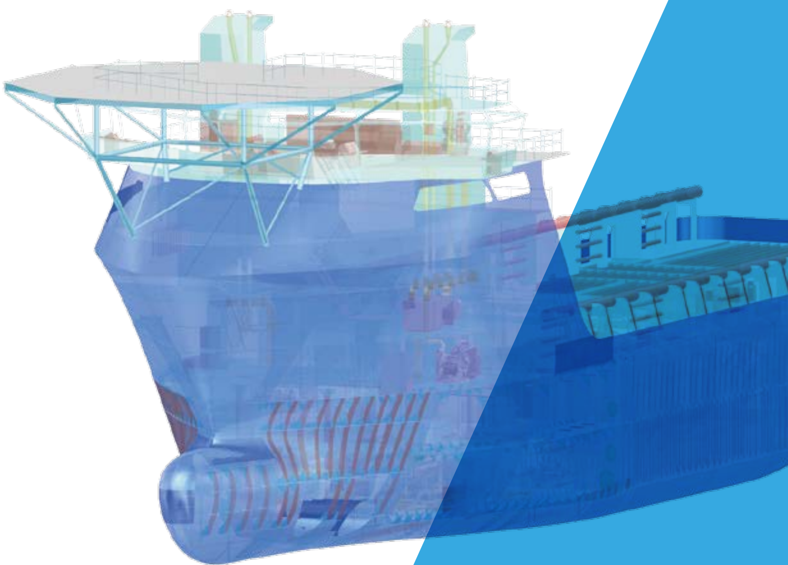
Also, earlier in the year, having reached his nine year tenure, Philip Dayer stepped down from the Board at the AGM in July 2017.

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



Our Expanded Global Footprint

CONNECTING WITH OUR CUSTOMERS GLOBALLY

AVEVA operates in over 40 countries, enabling us to support customers locally across all of the world's major economies.

We have a balanced global presence, with sales offices in every major economy in the world and a global partner distribution network comprising some 4,000 systems integrators. The enlarged Group has a significantly stronger position in the key North American market than the heritage AVEVA, which has a larger concentration of business in Europe.

The enlarged Group now has approximately 4,400 employees, including approximately 1,000 in Research & Development.

North America
Number of employees

105

1,213

South America
Number of employees

34

219

Number of customers worldwide

>16,000

Number of worldwide office locations

>80

Countries where we employ staff

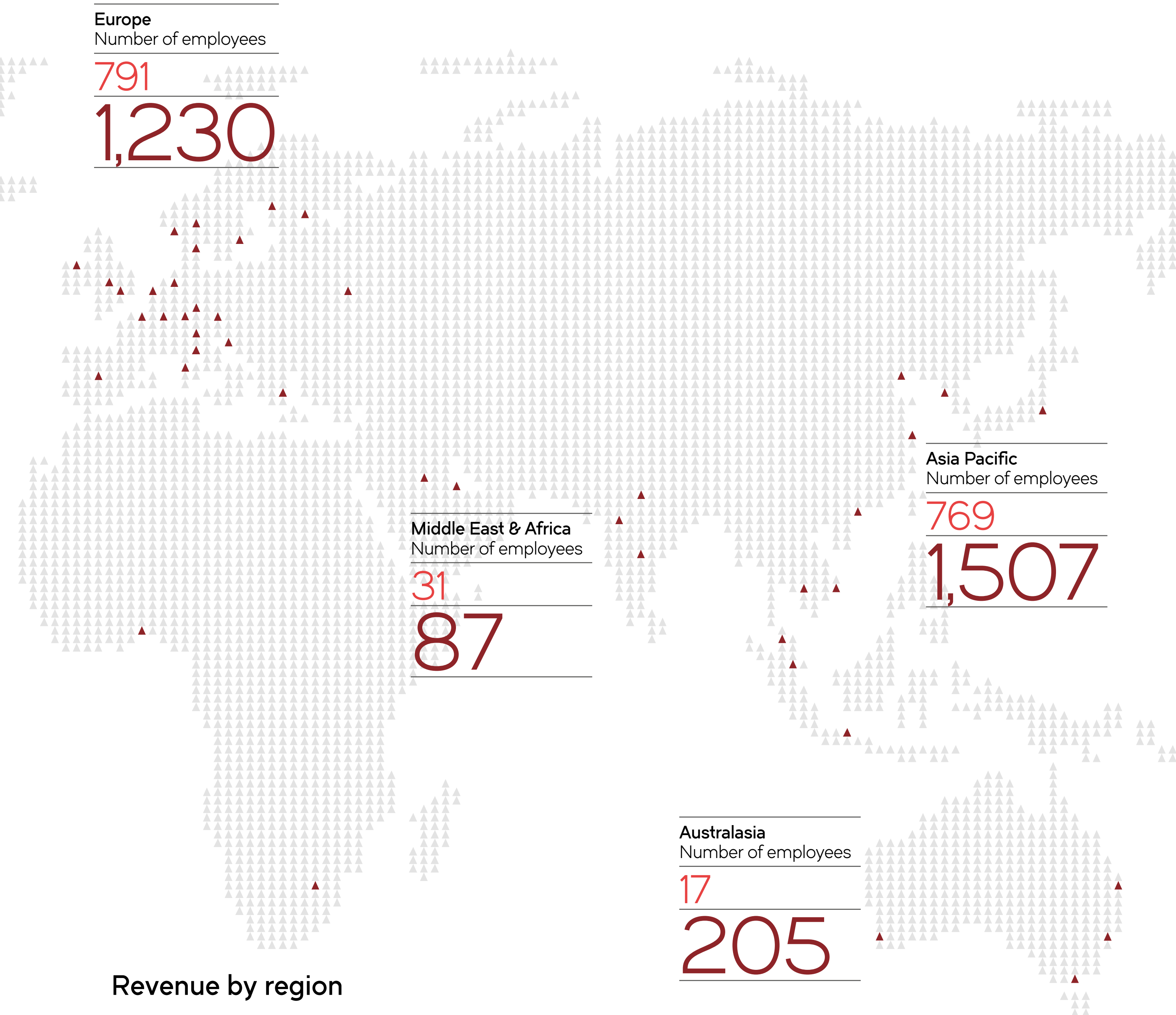
>40

Map key

Post-combination office locations

Pre-combination

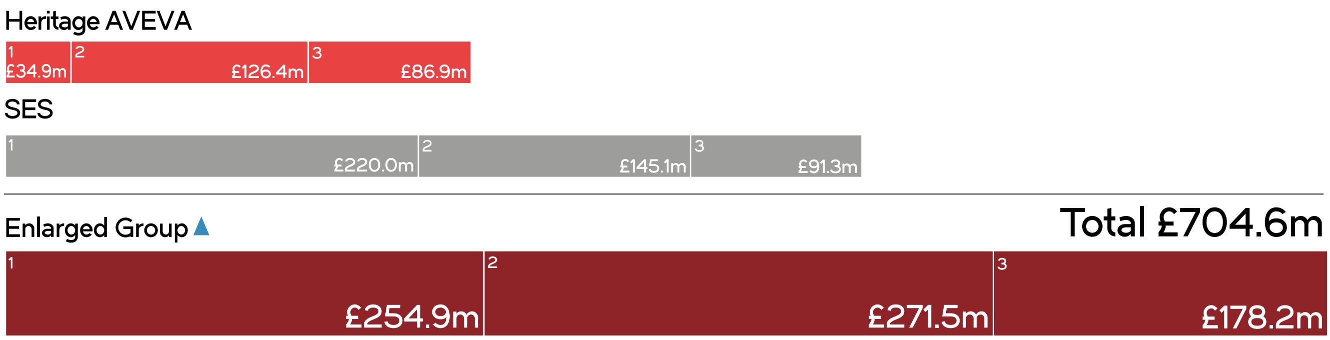
Post-combination



Revenue by region

Graph key

1. Americas | 2. EMEA | 3. APAC



Our Expanded Product Offerings

A GLOBAL LEADER IN ENGINEERING & INDUSTRIAL SOFTWARE

The enlarged Group has a comprehensive product portfolio offering an unmatched set of solutions, covering all aspects of the asset life cycle, from conceptual modelling and 3D design, to process simulation, optimisation and manufacturing operations management. We generate revenue by selling software licences and from maintenance, support and services associated with the software that we sell.

Technology
Our broad product range serves customers in over a dozen industries and markets, from submarines and oil rigs, to power stations and airports.

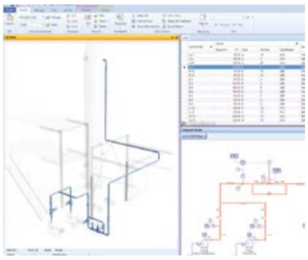
Customers
Our 16,000+ customers rely on our service teams and highly specialised software all over the world every day.

Our software

Our core strengths within heritage AVEVA lie in providing software to support customers in the capital expenditure phase of the asset life cycle, from conception, schematics, detailed design and build through to asset decommissioning.

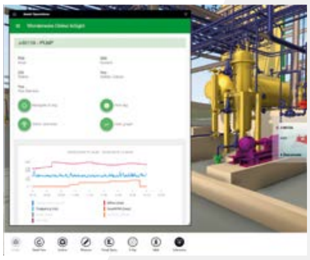
Conceptual design

Basic engineering



Detailed design

Construction & commissioning



SimSci ePLMS

AVEVA E3D

AVEVA NET

AVEVA Engineering

AVEVA ERM

AVEVA Electrical

AVEVA Instrumentation

Creates value for...

Investors

Through the combination with Schneider Electric Software, the Group generated considerable value for shareholders.

Adjusted profit before tax ▲

+6.8%

Customers

Our software and solutions create huge efficiencies for our customers, which is why we are the global leader in engineering and industrial software.

Customer deployments

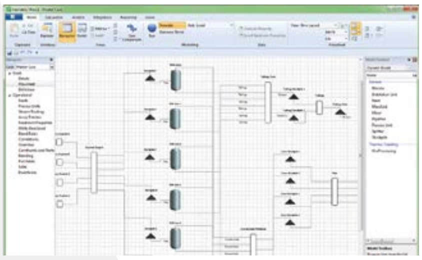
100,000

Our people
Our 4,400 employees and extensive partner network around the world support our customers with our highly skilled sales and support staff.

R&D investments
Our annual R&D investment of around £100m ▲ means our products are always ready to serve our customers' latest needs.

Our enlarged portfolio helps our customers to reduce downtime, increase safety and improve returns through efficiency optimisations, machine learning and by lowering operating costs.

Operations



Avantis	Wonderware Citect, Clear SCADA OASyS	Wonderware	Spiral	Wonderware
		Avantis		Ampla, Aquis
				SimSci

Pre-combination AVEVA solutions

Additional post-combination solutions

Community

Local communities are important to our workforce, and this year we made donations as well as provided matched funding to a number of successful personal employee challenges.

Charitable donations

+10%

Employees

Following the combination, and recognising the need to create a new, inclusive and diverse organisation, we are redefining our culture and values.

Increase in headcount

+160%

Our Expanded Market Diversification

INCREASED DIVERSIFICATION DRIVING THE DIGITALISATION OF INDUSTRY

Our software is supplied both to companies that operate in a number of end market sectors, such as OOs and EPCs, as well as companies in specific end markets, such as shipbuilding and city infrastructure. While overall demand for our products is growing as industry continues the trend of moving towards digitalisation, end market conditions impact AVEVA's revenue in a given year. For the end market sectors that we serve, the broad market dynamics are outlined below. In addition to the primary market verticals described below, we also have a small presence in Paper & Pulp, Water and Utilities, which together comprise < 10% of the enlarged Group revenue.

Upstream Oil & Gas

15–20%
of revenue

In line with market forecasts, global upstream industry capital expenditure began to recover in calendar year 2017, growing at a low single-digit rate. This followed a fall of over 40% between 2014 and calendar 2016 (Sources: Barclays, Bank of America Merrill Lynch). This market stabilisation and the improving oil price trend had a positive effect on the workloads of our EPC customers, who had been squeezed during the downturn by a sharp reduction in design-intensive upstream and offshore projects, which were most heavily impacted by the lower oil prices.

This recovery assisted demand for our design products, because EPC customers tend to favour a rental model for software, meaning that their spend with AVEVA adjusts to market demand relatively quickly.

Midstream Oil & Gas

5–10%
of revenue

Our activity in the midstream Oil & Gas market is primarily around monitoring and control systems for major pipeline operators. Over 2015 and 2016, many of our existing customers undertook large upgrades of existing monitoring and control systems, which drove project volume in this segment over that period. Much of this upgrade activity completed in early 2017, resulting in a reduction in project volume. However, this market now represents a significant installed base opportunity for us to sell advanced applications for asset integrity and risk management, pipeline operations management and operator training systems.

Downstream Oil & Gas

15–20%
of revenue

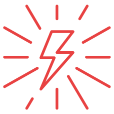
The downstream Oil & Gas market, having rationalised and established a baseline for capital expenditure between 2014 and 2016, also recently started to resume capital expenditure growth, primarily around upgrading existing assets and improving operational efficiency. The primary driver for demand for our technology was based on digitalisation initiatives, targeted at improving operational visibility across geographically distributed assets, enabling predictive performance and reliability management of assets, enabling better planning and scheduling, and enabling workforce productivity through tools such as augmented reality based assistance, virtual reality based simulation and advanced decision support systems.

In the process design and simulation offering we saw a similar increase in momentum with EPC customers as with our plant design technology, as capital project activity started to resume.

Food & Beverage and Pharma

10–15%
of revenue

Our technology for this market has traditionally served large global companies operating multiple high-volume production facilities and traditionally using technology for automation and operations management. This segment has been impacted by a significant shift in consumer consumption patterns. This in turn translated to re-evaluations of traditional operational technology investments, further motivated by the emergence of digitalisation as a business imperative. We have seen a reduction in the volume of the monitoring and control and operations management portfolio areas and an increase in demand for solutions related to operational performance visibility and asset performance management, which is where digitalisation investments are primarily being targeted.



Power

10–15%
of revenue

Trends in Power are positive as the world's emerging economies invest in their power generation requirements and the ageing infrastructure of the developed world is maintained or replaced. There is also an ongoing trend towards digitalisation as operators in the sector make greater use of both design and information management tools, as they seek to improve asset efficiency. We saw continued growth in the Power market which included the benefit of fees from an enlarged customer base following wins in the previous year. Our offerings related to asset performance management based on predictive analytics continued to see strong demand and growth in this sector.

Marine

10–15%
of revenue

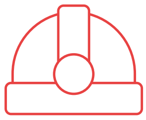
As expected, the cyclical Marine market showed some signs of improvement during calendar year 2017, with new ship orders increasing, albeit from a very low base versus historical standards in the previous year (Source: Clarksons Research). AVEVA demonstrated good sales execution, achieving a number of order wins, particularly in Asia. These were achieved through market share gains and also finding pockets of growth, for example around cruise ships.

Buildings & Infrastructure

5–10%
of revenue

Our offerings to our customers enable better digitalisation of their businesses through our monitoring and control portfolio. With a broad-based recovery in the global industrial manufacturing market, our business in this market showed corresponding recovery.

With the development of smart city infrastructure projects in several locations around the world, we have started to see increased demand for our technology to enable the visualisation and monitoring of smart facilities and assets. In addition, specific solutions related to sustainability goals of smart infrastructure, such as energy monitoring and management, have started to gain traction in this segment and also in data centres.



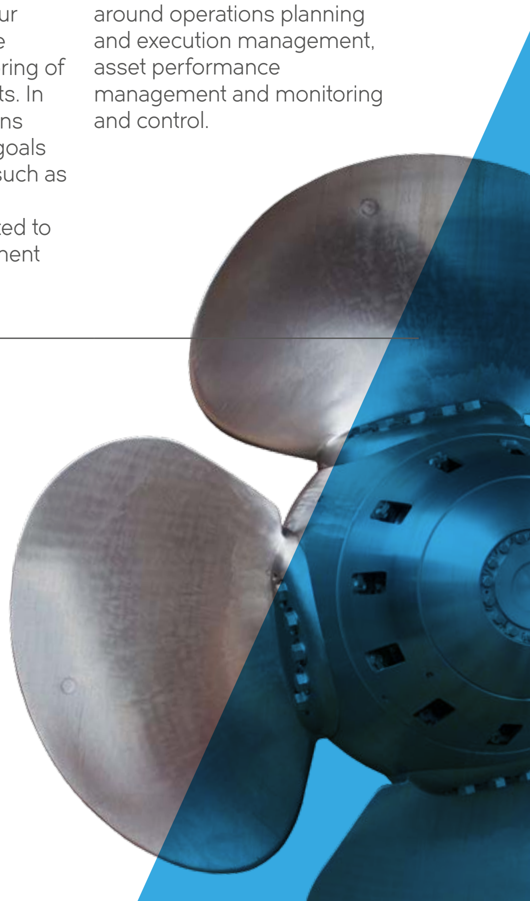
Mining

<5%
of revenue

Conditions in the Mining sector were broadly positive in the last financial year, supported by stable to improving commodity prices, following a period of reduced capital spend. Digitalisation initiatives have ramped up in this segment, with customers managing geographically dispersed and highly complex assets. The focus on value chain optimisation has driven demand for our offerings around operations planning and execution management, asset performance management and monitoring and control.

Pre-combination markets

Additional post-combination markets



Chief Executive Officer's Review

A COMBINATION BRINGING TRANSFORMATIONAL CHANGE

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.

Summary

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 £499.1 million (2017 – £432.8 million) and adjusted profit before tax was up 20.3% to £117.2 million (2017 – £97.4 million). 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 £162.8 million (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 £550 million cash payment to AVEVA shareholders in exchange for a 60% shareholding in the combined Group.

"AVEVA had a successful year as it was transformed through the combination with SES, improving its operational execution and delivering financial growth."

Craig Hayman
Chief Executive Officer

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.

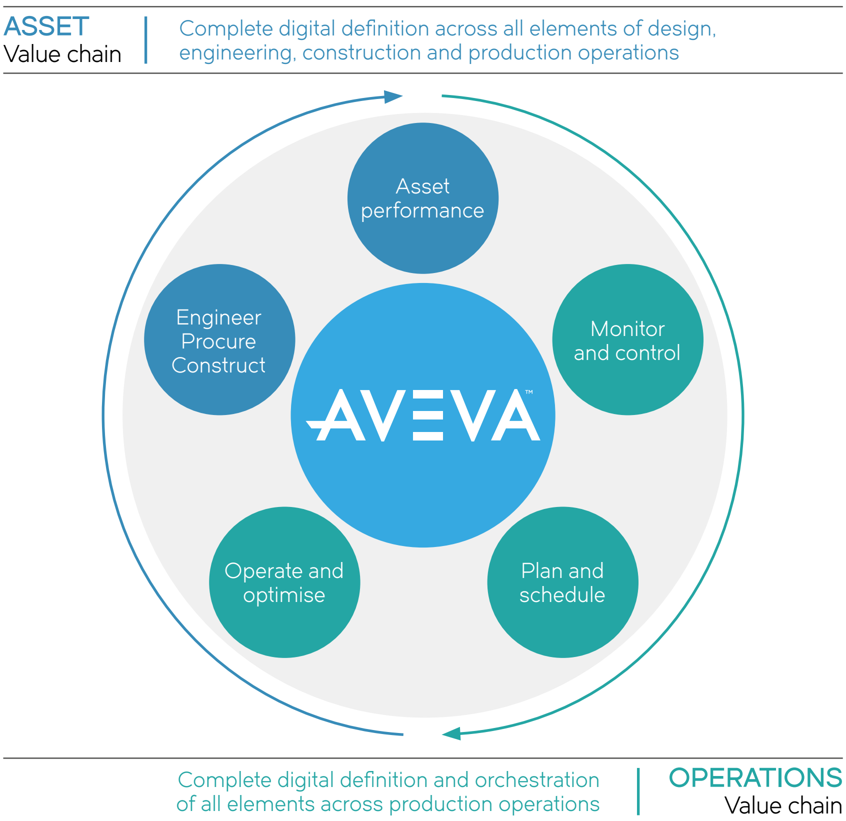
The AVEVA software portfolio now offers customers an entire end-to-end solution, covering the whole asset life cycle from the engineering, procurement and construction phase through to managing and controlling operations and optimising performance and maintenance. This is a continuous process as existing plants are constantly optimised, upgraded and modified to drive improved performance.

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.

£650m
Returned to shareholders

Representing
£10.15
per share



Chief Executive Officer's Review continued

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 circa 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 businesses 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.

Pro forma revenue ▲

£704.6m

+8.6%

Heritage AVEVA revenue

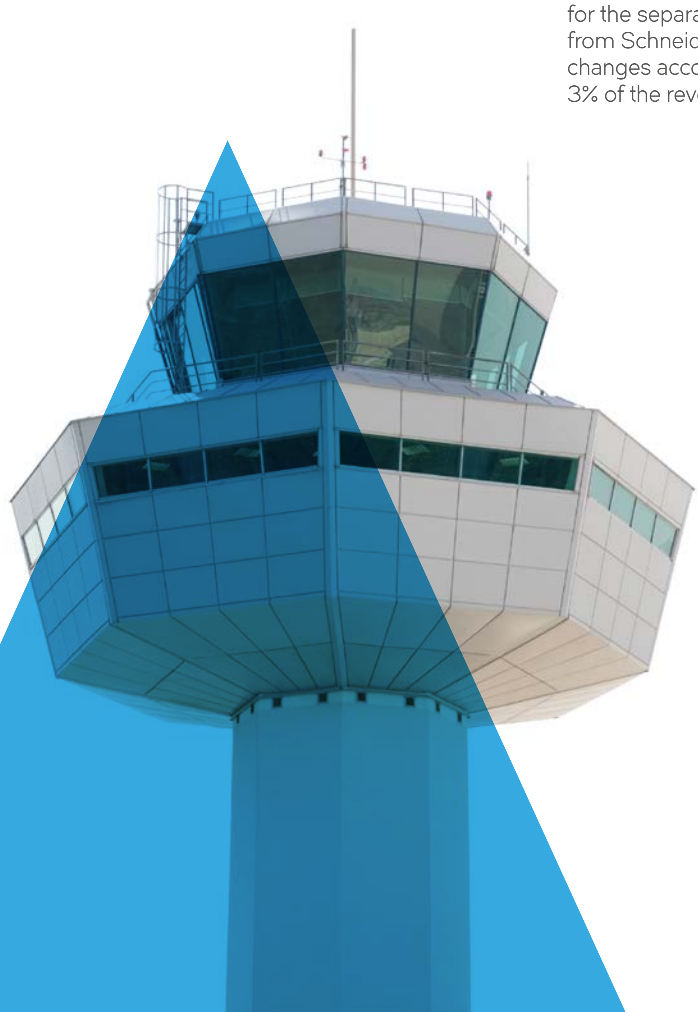
£248.2m

+15.0%

Heritage SES revenue

£456.4m

+5.4%



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.

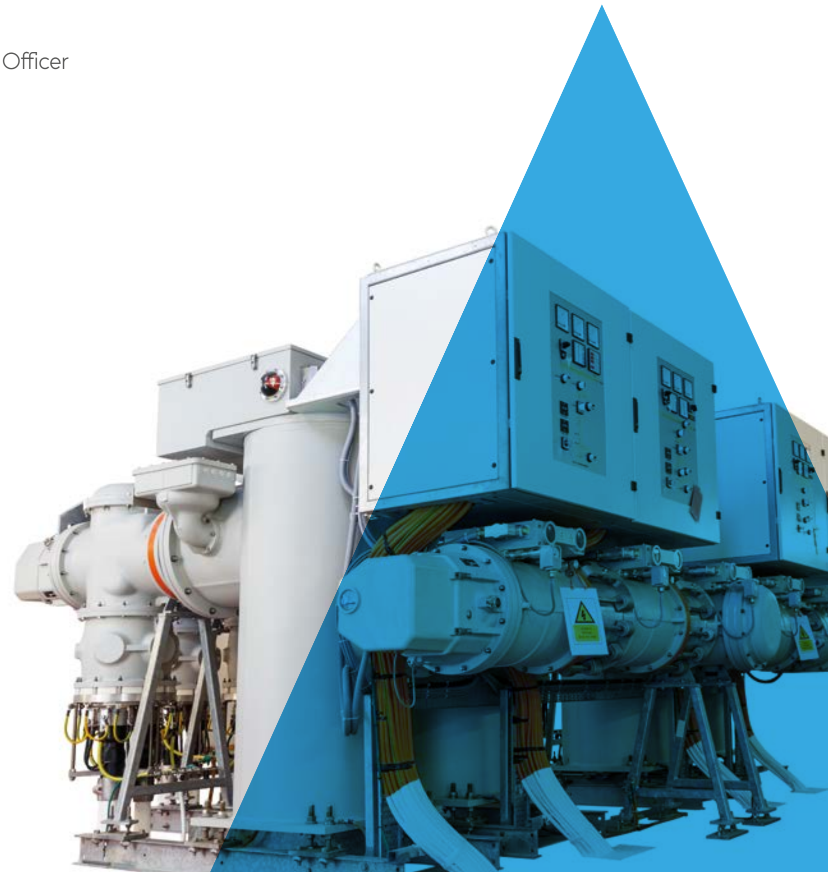
Revenue synergies are expected to be achieved through cross selling between the combined businesses; the leveraging of Schneider Electric's multiple go-to-market channels; the implementation of sales effectiveness and best practice initiatives; greater pricing discipline with an increase in subscription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



Chief Executive Officer's

Q&A

Craig Hayman joined AVEVA in February 2018, and is an experienced software professional with over 30 years' experience in the industry. We are delighted that he has joined the Company and we've asked for his initial thoughts on the business and his priorities for this year.

Prior to joining PTC, Craig was president of eBay's enterprise business, where he led the transformation of its retail-optimised omni-channel commerce business prior to its sale. He also served more than 15 years in senior leadership positions at IBM, including as worldwide general manager of the SaaS portfolio.

Craig shares what inspired him to join AVEVA and his vision for the enlarged Group.

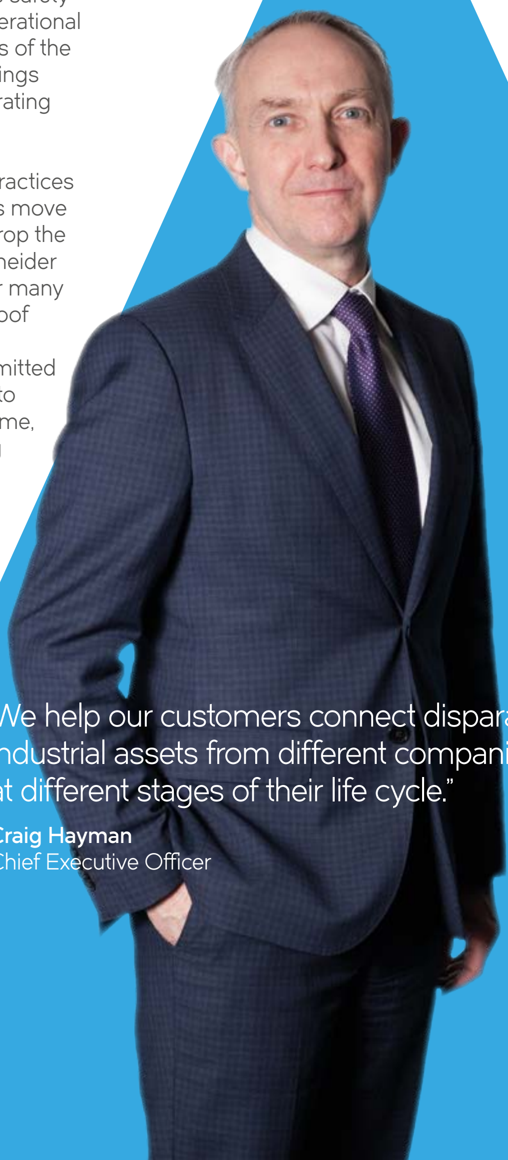
Q

What attracted you to AVEVA?

A

The industrial sector is being transformed by software designed to increase safety and efficiency while reducing operational and capital expense. Digital Twins of the physical world, the internet-of-things and machine learning are accelerating that change.

It's an exciting time where best practices have emerged to help customers move more quickly. Against this backdrop the combination of AVEVA and Schneider Electric Software brings together many years of innovation, customer proof points and two great teams. The formation of one company committed to take all that we've learned out to the world is exciting. Exciting for me, exciting for the team and exciting for our customers.



"We help our customers connect disparate industrial assets from different companies at different stages of their life cycle."

Craig Hayman
Chief Executive Officer

Q
How do AVEVA's solutions help customers?

A
We connect disparate industrial assets from different companies at different stages of their life cycle. We use information and insights about those assets to accelerate a company's digital agenda - from digital asset management to design engineering to process simulation, optimisation and manufacturing operations management. These solutions help increase safety, reduce downtime and improve returns on capital by reducing both capital expenditure and operating costs. AVEVA provides a comprehensive product portfolio offering an unrivalled set of solutions for the industrial world.

Q
What are your top priorities for your first few months in office?

A
My focus has been ensuring we remain on track with the integration of the two businesses while spending time with customers and employees around the world to listen and learn. I've established new leadership teams to drive the business including the Executive Leadership Team (ELT) and the Strategy Leadership Team (SLT) which work hand-in-hand with the business units and the geographical sales teams. The talent from both companies comes together through these teams.

Together with the wider team, I have also been working on the longer-term strategy of the Company and I look forward to updating you on our progress at AVEVA's capital markets day in September 2018.

Q
With the combination and the change in leadership, should one expect a change in the culture of the business?

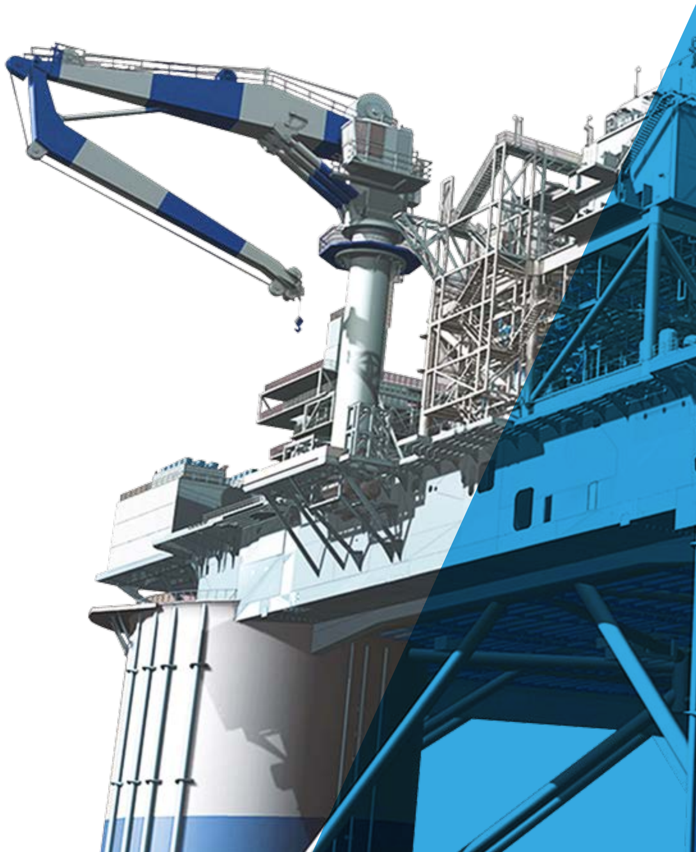
A
Culture is an important topic and one that has my attention. We are capturing stories from our employees around the world on how they experience aspects of the combined Company. Within these stories, I believe are the raw elements of the core values of the new Company. Customer focus and innovation are a recurring theme. The culture of the Company will be new but it will be based on the values and behaviours that are already core to who we are. You can read more about this on page 36 of this Annual Report.

Q
What can employees do to help drive long-term growth?

A
What has struck me as I have travelled to our offices around the world is how passionate and proud everyone is of our history, while being so focused on our future and our customers' future. I remind my colleagues that a company succeeds by serving its employees, its customers and its shareholders and we will do this together.

Q
Can you tell us a bit about yourself and what you enjoy doing outside work?

A
I'm married with two daughters who are now enjoying life at university while my wife and I are enjoying life in London. This is my first time back living in London since I was a student at the University of London and it has been great reconnecting with old friends. I'm an occasional but enthusiastic snowboarder and look forward to a few European ski trips.



Strategic Framework

AVEVA has seen excellent progress against key strategic objectives in the year, and the combination with SES brings a step change in the business, delivering digitalisation solutions across the asset life cycle.

For over 50 years, we've enabled some of the world's largest industries to work more safely, efficiently and sustainably. Following the successful completion of the combination with the Schneider Electric industrial software business (SES), our global reach, end-to-end software capabilities and the diversity of industries we serve have all been enhanced, reinforcing our position as the global leader in engineering and industrial software, driving digital transformation across the entire asset and operational life cycle of capital-intensive industries.

Detailed below are our five strategic priorities during the 2017/18 financial year, outlining AVEVA's recent progress as well as how the combination is a good fit for each.

Strategic priority	Progress made pre-combination
① MT3D (More than 3D) AVEVA's core business has historically been in the 3D arena for both Plant and Marine with our best-in-class design tools, which together have typically accounted for approximately 75% of revenue. The MT3D initiative aims to grow sales through focusing on our other excellent complementary tools used in the engineering and design process, such as AVEVA Instrumentation, as well as information management applications such as AVEVA NET.	We have steadily seen the proportion of MT3D sales grow over the last three years and this now represents 29% of revenue for heritage AVEVA with particularly strong growth in the year from Schematics, Engineering, Enterprise Resource Management (ERM) and ProCon. This has come from leveraging our installed base as well as from sales to new customers.
② Owner Operators (OOs) OOs are some of the largest multi-national companies in the world, ultimately responsible for owning and operating industrial assets. AVEVA's historical strength has been with the Engineering, Procurement & Construction (EPC) customers who are contracted by the OOs. As OOs seek to take control of their engineering data as part of the journey of digitalisation, the opportunity with the OOs is two-fold. Firstly, OOs have the ability to mandate the use of our products throughout their supply chain, and secondly, OOs themselves are demanding engineering and management tools for brownfield projects and to maintain their engineering data in operations.	We have steadily seen the proportion of OO sales grow over the last three years, accounting for 16% of standalone AVEVA revenue for FY18. We won several new customer logos in the year, representing strong progress in this area.
③ Growth Markets A key market for AVEVA is defined as one that is experiencing high economic growth, or one with strategic significance due to its potential for increasing market share. These regions are China, India, the Middle East and North America.	The heritage AVEVA business has in recent years generated almost half of its revenue from Europe, with an underweight presence in some high-growth emerging economies, and low market share in the North American market. Specific focus on North America in FY18 saw us grow revenue by a record 30% in the heritage AVEVA business.
④ Broadening Market Exposure AVEVA's heritage market is Oil & Gas, particularly upstream and offshore. However, our technology is well suited to a wide range of industries, offering exciting growth opportunities.	Oil & Gas has typically represented 40-45% of the heritage AVEVA revenue in the last few years with the majority focused on upstream capital projects. This proportion has been falling each year as we focus our efforts on diversifying into other end markets such as Power, Mining, Chemicals and other process industries.
⑤ SaaS and the Cloud We intend to unify all of our applications onto a common Cloud platform to enhance ease of customer adoption and address a wider customer base.	Over the last two years, AVEVA has started on its Cloud journey, first releasing AVEVA Experience™, a Cloud-based trial version of AVEVA E3D™ for prospective customers, and subsequently our own SaaS platform, AVEVA Connect™, through which an increasing number of our products are becoming available for commercial use. Customer take-up for SaaS is still in its infancy but we are seeing increasing demand for Cloud-hosted offerings, particularly from North American companies. With ERM and ProCon on AVEVA Connect delivered to a number of customers we are looking forward to seeing a positive effect on Cloud demand from both existing and new customers.

Our strategy for long-term growth centres around five strategic priorities, and the combination with SES is a key strategic fit for AVEVA, impacting positively on all of these priorities, which are discussed in more detail below.

The current focus for the Board, management and employees is to ensure the success of the integration, capitalising on the positive revenue synergies that will result from combining product portfolios and sales teams around the world, providing greater access to particular high-value and high-growth markets, and capturing cost-saving opportunities. A new strategy is being formulated for the enlarged Group and is planned to be finalised ahead of the capital markets day in September 2018.

Effect of the combination	Heritage AVEVA → enlarged Group 12-month pro forma
AVEVA's product portfolio has historically been focused on creating and managing the engineering data in the capital expenditure (build) phase of the asset life cycle. The combination with SES is very complementary, bringing a world leader with a broad software portfolio used to simulate, manage and control the operations phase of the asset life cycle. By combining the behavioural information from this phase with the structural information and asset visualisation capabilities from the heritage AVEVA business, we are now able to offer customers an integrated, end-to-end product portfolio and true Digital Twin through the whole asset life cycle, with substantial cross-selling opportunities.	3D design tools as a proportion of revenue: 71% → 25%
Most of the revenue from SES comes from OOs, given their focus on the operational phase of the asset life cycle. This will benefit AVEVA in providing access to these customers and the ability to offer a unique, unrivalled combined offering, helping OOs realise the vision of the Digital Twin. The combination also provides us the ability to cross-sell the engineering and design tools and to secure more service offerings. OO revenue for the enlarged Group now accounts for 63%, compared to 16% of heritage AVEVA revenue last year. For more detail on the asset life cycle, see pages 8 to 9.	OOs as a proportion of revenue: 16% → 63%
The combination means we now have a large North American presence with 1,213 employees and many key US customer relationships which brings a significant opportunity for growing our revenue base and cross-selling. In addition, our presence in China, India and the Middle East is also expanded through the combination allowing us the opportunity to grow our revenue in these markets.	Americas revenue: 14% → 36%
Whilst Oil & Gas also represented some 40% of the heritage SES revenue, this primarily related to downstream and midstream end markets, thus diversifying the enlarged Group away from upstream (extraction). Furthermore, SES operates in many industries where AVEVA has had little or no market presence, such as Pharmaceutical, Food & Beverage and Infrastructure. For more details on our markets, see pages 10 to 11.	Upstream Oil & Gas revenue: 40% → 15%
The heritage SES business had been following a similar Cloud journey to AVEVA. The combination offers the opportunity and brings the ability to scale our SaaS and Cloud offerings faster in a more cost-effective manner, allowing us to develop integrated solutions from both portfolios.	Number of cloud-based customers: 60 → 100

Technology Review

AN UNMATCHED PORTFOLIO FOLLOWING THE COMBINATION

In 2017, AVEVA celebrated 50 years of research and innovation together with customers and partners at the AVEVA World Summit in Cambridge, UK, where it all started.

For the last five decades, AVEVA has enabled customers to create a digital representation of the physical world with engineering information. With a continuous commitment to 3D, our portfolio of products has expanded to enable customers to improve efficiency across the asset's complete lifecycle, from conceptual design and build into operations, and through to decommissioning.

AVEVA's philosophy of having a digital representation of every physical item on the asset, has become ever more relevant to its customers on their digitalisation journeys. The data-centric approach has enabled AVEVA to become a strategic partner on the customer's Industry 4.0 initiatives and Digital Transformation programmes.

In today's digitised world, our customers are increasing the use of connected assets and operational awareness so that even more data can be gathered and processed, with analytics and machine learning applied, to achieve increased efficiency and productivity through smarter maintenance and operational decisions, all whilst protecting the safety of personnel and the environment in new and expanded ways. Our broader software portfolio as a result of the recent merger with SES makes AVEVA unmatched in this full asset and operations life cycles and well poised for another 50 years of innovation and high customer value.

This life cycle starts with a new way of designing and constructing assets. In 2016, AVEVA started a complete redesign of its AVEVA Electrical and AVEVA Instrumentation products that is seeing great take-up from our customers today. A major driver was to enable a new level of user experience as well as improved collaboration and connectivity with flagship products like AVEVA Everything3D (AVEVA E3D), AVEVA Marine and AVEVA Engineering. This expands the reach of AVEVA's data-centric Dabacon platform, improving the design and construction processes of smart assets.

With the addition of advanced process design and simulation capabilities through the aforementioned combination, AVEVA is uniquely situated to provide a seamless Unified Engineering experience for its customers. This will take the Digital Twin concept to an expanded level of useful application by enabling our customers to gain better and immediate insight on how a physical design change affects the continuous manufacturing outcome.

Also expanded through our ongoing development is the asset visualisation capability within AVEVA Engage and AVEVA NET, which underpins the digitalisation trend. The capability to combine engineering information with as-built laser scans, managed and visualised through AVEVA products, supports our customers' strategies for remote and unmanned operation. This becomes even more powerful and valuable for our customers when it is combined with the market-leading Monitoring and Control software and Asset Performance software from SES

"AVEVA's 50 years of pioneering experience in Engineering Information software helps us to be optimally placed to help our customers accelerate their journeys towards digitalisation."

Andrew McCloskey
Head of R&D

and the associated asset and operational information provided within. This will soon be fully integrated to enable asset owners and operators to seamlessly combine design data from the EPC (Engineering, Procurement and Construction) phase together with maintenance and real-time operations information – all in pursuit of the full life cycle Digital Twin and the enormous benefits unmanned operations will bring to customers in terms of safety, uptime and reduced cost. The Statoil example at the bottom of the page is an excellent case study.

The new AVEVA is also further diversified in the industries we serve. While we continue to serve the Oil & Gas and Chemicals industry in a leadership role, our products are very adaptable and industry agnostic, allowing us to additionally and significantly serve a number of other markets, as discussed on pages 10 and 11. This combines well with our efforts to expand our role in the Marine sphere, which we have steadily grown for almost 15 years for AVEVA. In 2007 we brought our ship design solution, AVEVA Marine, to the same Integrated Engineering and Design (IE&D) platform as our plant design products. In addition to increasing productivity, it provided our customers with more flexibility and productivity in creating new asset types like Floating Production, Storage and Offloading (FPSO) Units. In recent years, our Enterprise Resource Management suite (AVEVA ERM) has taken a similar journey. AVEVA ERM has enjoyed a strong track record in the Marine market, with continual investment in the product suite in fiscal year 2018.

Both SES and heritage AVEVA significantly advanced their respective Cloud offerings and overall SaaS capability in fiscal year 2018. We are active in combining these respective efforts to advance even faster to ensure our new Cloud offerings of AVEVA E3D, AVEVA ERM, AVEVA LFM, AVEVA NET, AVEVA ProCon and AVEVA ISM are on the same robust, scalable and secure platform as the existing SES Cloud offerings of Operator Training, Online Information and Analytics, Manufacturing Execution Systems, Monitoring and Control Visualization, Predictive Maintenance, InStudio and more. Our customers will see amazing continued value in this area as we further our investment and leverage the unique strengths and intellectual property that each half of the enlarged AVEVA brings to Cloud development.

In addition to Cloud, we continue to make strong investment and deliver enhanced value for our customers in Augmented and Virtual Reality (AR/VR) and Artificial Intelligence (AI). In AR/VR, both SES and heritage AVEVA developed complementary intellectual property applied towards Plant Design and Operator Training that when combined, will directly provide additional high customer value to the operations space. In AI, we are investigating means to leverage the capabilities delivered by SES in predictive, performance, prescriptive and prognostic AI to determine the best means of providing customer value to our Unified Engineering efforts, as well as further developing these capabilities throughout the customer value chain we serve.

The merger with SES marks a new era for AVEVA and a new era for Global R&D within AVEVA. AVEVA now has over 1,600 of the brightest engineers and computer scientists within its global development centres. We are taking a federated model approach to ensure we move quickly to emerging customer needs whilst relying on common and rigorous application of Lean-Agile based methodologies to ensure we reach high productivity with a continuous customer focus, built-in quality and security, and a delightful user experience. This will enable us to build upon the many successes delivered in fiscal year 2018 in a powerful manner. AVEVA customers and its shareholders will see amazing outcomes from these efforts.

£100m

The combined AVEVA and Schneider Electric Software generates annual R&D investments of around £100 million, and a partner network with more than 5,700 certified developers

1,000,000

Over the last year heritage AVEVA invested more than one million engineering hours in R&D

Strategy in Action case study

Statoil ASA is a Norwegian multinational Oil & Gas company headquartered in Stavanger, Norway. It is a fully integrated petroleum company with operations in 36 countries.

Statoil is investing over NOK 1 billion (£100 million) between now and 2020 on digitising their assets. They are intending to operate 40 offshore assets and installations from onshore, generating estimated savings of around NOK 15 billion (£1.5 billion) in savings over the next five years.

They have chosen to maintain a digital representation of all their assets in 3D, using AVEVA E3D. This enables them to provide project and operations teams with an accurate digital representation of their assets, through the use of AVEVA Engage for Asset Visualisation and decision support.

Finance Review

A STRONG PERFORMANCE FROM THE ENLARGED GROUP

The combination with Schneider Electric Software creates a strong platform from which we can grow

Statutory results for the year ended 31 March 2018

The statutory results are summarised below:

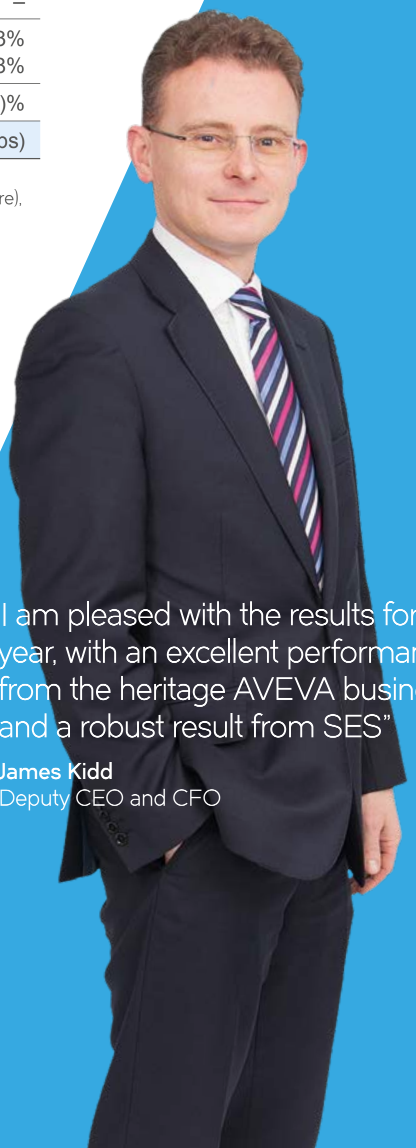
£m	Year ended 31 March 2018	2017	Reported change
Revenue	**499.1**	432.8	15.3%
Cost of sales	**(150.8)**	(137.1)	10.0%
Gross profit	**348.3**	295.7	17.8%
Operating expenses*	**(228.9)**	(199.7)	14.6%
Adjusted EBIT	**119.4**	96.0	24.4%
Net interest and other income	**(2.2)**	1.4	–
Adjusted PBT	**117.2**	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.

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.

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).



"I am pleased with the results for the year, with an excellent performance from the heritage AVEVA business and a robust result from SES"

James Kidd
Deputy CEO and CFO

Pro forma revenue

£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%		

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).

15.3%
Statutory revenue increase

8.6%
Pro forma revenue increase

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 35% 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 above.

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.

Finance Review continued

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.

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. 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.

Pro forma results

£m	Year ended 31 March 2018	2017	Reported change
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.

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

Heritage AVEVA results

£m	Year ended 31 March 2018	2017	Reported change
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

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

Heritage AVEVA revenue

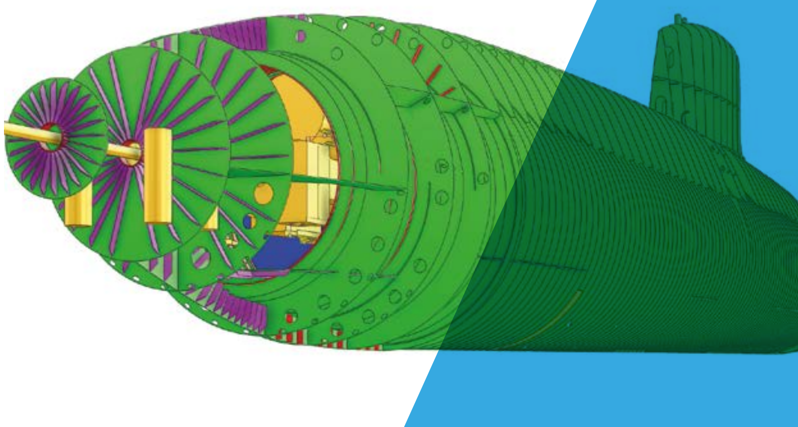
£m	Asia Pacific	EMEA	Americas	Total	Reported change	Constant currency change
Support and maintenance	35.3	30.7	8.5	74.5	3.8%	2.1%
Rental and subscriptions	18.9	74.3	16.5	109.7	16.5%	14.9%
Initial fees and perpetuals	27.5	9.2	5.4	42.1	30.7%	29.9%
Training and services	5.2	12.2	4.5	21.9	24.4%	22.5%
Total	**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.

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.



Finance Review continued

Heritage AVEVA operating expenses

£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%

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 above.

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.

Heritage SES results

£m	Year ended 31 March 2018	2017	Reported change
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%
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 EBIT margin	**20.8%**	22.5%	(170bps)

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

Heritage SES revenue

£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 subscription 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.

Asia Pacific revenue ▲

£178.2m

+12.6%

EMEA revenue ▲

£271.5m

+11.5%

Americas revenue ▲

£254.9m

+3.2%

Finance Review continued

Statutory adjusted diluted EPS

78.4p

+14.0%

Pro forma adjusted diluted EPS ▲

75.6p

+11.8%

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 increased selling and distribution and administrative costs as noted below.

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

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.

SES operating expenses

£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%

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.

Finance Review continued

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 11.8%.

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 £1,982.4 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 and CFO

Principal Risks, Viability and Going Concern

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.

Risk management process

The Board retains ultimate responsibility for the Group's risk management and, as part of this, regularly reviews the Group's Risk Register and makes an assessment of the adequacy of the mitigating controls identified by management. To aid this process, a Risk Committee, chaired by the Deputy CFO and Company Secretary and comprising senior management from each function of the business, met twice during the year to March 2018. The Risk Committee reports jointly to the Board and the Executive Leadership Team.

The Risk Committee has responsibility for considering risk appetite, risk identification, risk quantification/qualification and the determination of mitigating internal controls. The Risk Register was compiled after considering three main risk characteristics – likelihood, size of impact and timeframe for when the risk may impact the Group. Likelihood was assessed on a net risk basis (i.e. after the operation of mitigating activities) as the Risk Committee considered this gave a more robust view of the risks currently faced by AVEVA.

The updated Group Risk Register was ultimately reviewed and approved by the Board and in the context of the assessment of viability the Board considered which risks, and combination of risks, would threaten the viability of the Company.

Given the combination of the heritage AVEVA business with the heritage Schneider Electric Software business on 1 March 2018, the Committee, with oversight from the Board, will be reviewing and refreshing its enterprise risk management processes throughout the remainder of 2018 and 2019 to ensure that the enlarged Group will be effective in managing risk within the new organisation, that the new Executive Leadership Team is fully engaged with risk and that the Board's risk management expectations are fully met. A Head of Internal Audit and Risk was recruited in April 2018 and it will be part of their responsibilities to lead this process with the sponsorship of the Executive Leadership Team and the Board.

The principal risks faced by the Group are set out on pages 32 to 34, and include indicators of the financial impact and likelihood, whether the risk has increased or decreased in significance since the last review, and which risks were included in the viability statement workings. Additionally, each risk is linked back to the relevant part of the Group's strategy, which can be found on pages 18 to 19.

Viability statement

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

In line with the Group's strategic planning cycle, the Directors have assessed the Group's prospects and viability over a three-year period. The Directors determine three years to be an appropriate time horizon, aligned to both the period covered by the Group's business planning cycle, as well as the length over which the long-term incentive plan performance is measured. Whilst the Directors have no reason to believe that the Group would not be viable over a longer period, a shorter timeframe provides greater certainty and reliability over the forecasts and stress-testing used to assess the Group's viability.

The Directors considered the principal risks in plausible but severe scenarios and assessed the potential impact of a reduction in the Group's revenue caused by a combination of a period of sustained low economic growth in key end markets, increasing competition, and operational disruption in the first year of the combination, together with large integration costs, supplemented by cost increases resulting from key employees leaving the Group, resulting in large consultancy costs for the next two years. The results of this stress testing showed that despite combining a cumulative drop in gross revenue of nearly £500m with incrementally increasing operating costs by £55m over the first two years, (followed by a drop in costs in year 3 resulting from cost saving initiatives implemented in the third year) the Group is still projected to generate profits in each year. The Group has cash reserves of £105.6 million and access to a large revolving credit facility and consequently the Directors did not consider this combination of scenarios to present a threat to the Group's liquidity.

The Directors have identified a number of factors which support their assessment:

- the Group operates in a number of diverse industries, in locations all around the world;
- the Group has strong governance and a robust control framework; and
- there is considerable headroom available to us in our cash balances and revolving credit facility.

Based on this assessment, the Directors have considered the Group's current position and principal risks, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2021.

In making this statement, the Directors have also made the following assumptions:

- oil prices will stay relatively flat for the next three years before recovering;
- the integration activities relating to the combination will not materially distract the combined sales force; and
- our internal controls in mitigation of a significant proportion of the risks on the register continue to operate effectively.

Going concern statement

The Group has significant financial resources, is profitable, has high levels of recurring revenue and has a strong position in the markets it serves. At 31 March 2018, following a £100.0 million return of cash to shareholders, the Group had cash and treasury deposit balances of £105.6 million (2017 – £130.9 million) and short-term debt of £10.0 million (2017 – nil). Therefore, after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal Risks

Strategies

1. MT3D (More than 3D)
2. Owner Operators (OOs)
3. Growth Markets
4. Broadening Market Exposure
5. SaaS and the Cloud

Risk level

- Low
- Medium
- High

Risk change from 2017

- No change
- Risk decreased
- Risk increased
- New
- V Risk included in Viability Statement workings

Integration risks

Risk	Likelihood	Impact	Change	Mitigation	Strategy
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.	Medium	High	New	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.	1, 2, 3, 4, V

Strategic and market risks

Risk	Likelihood	Impact	Change	Mitigation	Strategy
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 offshore projects, towards simpler onshore 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.	High	Medium	Risk decreased	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.	1, 2, 4, V
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. 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.	Medium	High	Risk 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.	1, 2, 5, V

Strategic and market risks continued

Risk	Likelihood	Impact	Change	Mitigation	Strategy
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.	2 5

Operational risks

Risk	Likelihood	Impact	Change	Mitigation	Strategy
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.	1 2 3 4 5 V
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.	1 5
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.	1 5

Principal Risks continued

Strategies

1. MT3D (More than 3D)
2. Owner Operators (OOs)
3. Growth Markets
4. Broadening Market Exposure
5. SaaS and the Cloud

Risk level

- Low
- Medium
- High

Risk change from 2017

- No change
- Risk decreased
- Risk increased
- New
- V Risk included in Viability Statement workings

Operational risks continued

Risk	Likelihood	Impact	Change	Mitigation	Strategy
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.	Medium	Medium	Risk increased	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.	3
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.	Medium	High	New	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.	3
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.	Low	High	New	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.	1, 5

Key Performance Indicators

We aim to deliver good sustainable growth, balanced by our need to continue to invest in innovation, sales and marketing in order to achieve this. The goal is to deliver profitable growth as the business expands, whilst maintaining a healthy balance sheet. We have set out a range of the financial key performance indicators (KPIs) that help to present a meaningful picture of how AVEVA is performing. Taken overall, we believe that this range of KPIs – which offers insights into our revenue, investment, profitability, and cash generation – illustrates the high levels of recurring revenue, strong margins and ability to convert profits to cash effectively that are features of our business. The results presented are on a pro forma basis (see page 2 for details).

Revenue (£m)
Growth in Group revenue

£704.6m

+8.6%

Recurring revenue (£m)
Provides visibility

£364.6m

+11.1%
Strong performance

Adjusted profit before tax (£m)
We adjust to exclude non-operating items

£162.8m

+6.8%
Due to a strong performance from heritage AVEVA

Operating cash flow (£m)
AVEVA remains highly cash generative

£85.2m

-42.6%

Employee numbers
We aim to deliver profitable growth

4,400

(2017 – 1,707)
A stable workforce

Adjusted profit before tax margin (%)
We aim to deliver profitable growth

23.1%

(2017 – 23.5%)
Remains highly profitable

R&D expenses (£m)
Investment in innovation

£99.1m

+1.6%

Adjusted diluted EPS (p)
We adjust to exclude certain non-cash and exceptional items

75.6p

+11.8%
Higher profit in year

Adjusted effective tax rate (%)
Higher than the UK rate of 19% due to overseas operations

25.0%

(2017 – 28.4%)

Corporate Social Responsibility

GROWING THE NEW AVEVA TOGETHER

AVEVA, as a global company, understands the impact that we can have on our stakeholders, on our communities and on our environment.

Preparing for growth

This past year, through the combination of AVEVA and the Schneider Electric industrial software business (SES), we have merged together two outstanding software companies, to create a new global leader in engineering and industrial software.

Through this combination we have grown substantially, bringing our employee numbers to over 4,400, spread across over 80 locations in more than 40 countries. Our people are critical to our business success, and we have worked hard to engage and communicate essential information to all our stakeholders around the future growth of our business.

Throughout the integration planning of the combination of the companies, we worked together to develop communications that welcomed, explained to, and supported all employees as they joined the new combined AVEVA, helping everyone understand what would happen and when.

This of course continues as we operate as one organisation – through a combined change management strategy we will continue to develop and support our employees so they understand clearly our business strategy, their role and how they contribute to our success.

Engaging with our employees through effective communication

The way our employees communicate outside of work has changed over recent years at a great pace with the development of social media, and we recognise that some traditional methods of communications are now no longer relevant. We are reflecting this change in the way employees receive information when they come into the workplace. This is critically important through periods of change, so we have developed our strategy to make sure that we provide quick and easy access to tools that engage our employees.

We have moved our intranet to a Cloud-based tool, providing access when on the move or working away from the office. The functionality is based on social media tools, providing the option for employees to comment, like, blog and collaborate with each other, wherever they are located.

"We are looking to create a culture where our great people can do their best work."

Mark Cooper
Chief Human Resources Officer

"I'm super excited to be part of this new family. Looking forward to working with new colleagues on exciting stuff to make this world a better place."

Laxmikanth Anuga
Senior Software Developer

"A big welcome to all our new colleagues, very excited and looking forward to taking the Power of One to a new level. Together we are strong indeed!"

David Toh
Marketing Director, Asia Pacific

"Welcome to AVEVA, let's create brilliancy together!"

Min Du
Specialist, Legal & Commercial

As the tool is Cloud-based, employees joining AVEVA as part of the combination were able to access the intranet on their first day, with many sending welcome messages to each other.

40%
of our graduate intake were female

48%
of recruits to manager roles were female

27%
of technical new starters were female

Through the intranet and the well-established network of Global Communications Ambassadors across AVEVA, the communications team continues to encourage articles where employees can share stories of where they have supported each other, raised funds or supported their local community, as well as to recognise successes.

The new tool is proving to be a more collaborative environment in which to communicate, as well as enhancing employee engagement, providing more opportunity for two-way dialogue, particularly with the Executive Leadership Team.

Feedback is something we ask for regularly, with the use of the pulse survey tool and through other mechanisms. We asked for our employees' views on the plans for the combination leading up to the close of the transaction, using the feedback to provide relevant updates. We have continued to ask for feedback, either through the online tool or our ambassadors, so we can take the appropriate action and provide regular integration updates. We also ask our ambassadors to provide comments and suggestions from within the regions on the topics people want to hear more about.

Developing AVEVA's 'new' culture

AVEVA has undergone a transformational change in the past 12 months, combining two globally recognised and successful organisations to create one inclusive and diverse organisation.

As part of the overall project to integrate the two businesses, the culture of our new organisation is an important element to develop. Culture is the knowledge, mindset and behaviours of our employees that uniquely define the 'new' AVEVA. We are working across the organisation, bringing teams together to help us answer the question of what we want our culture, our values and our customer and employee experiences to be.

Through the sharing of stories of what is great about each organisation and by collating ideas and thoughts, we will develop a culture that our people will want to both own and believe in, so we can better serve our customers and shareholders to reflect the way we work. The work has begun and we will be engaging employees in the outcomes and how they can get involved over the coming months.

Supporting women in our industry

As an engineering and technology organisation, we understand the challenges faced in hiring women into technical roles across our industry. To address this, we launched AVEVA's Women in Science and Engineering (WISE) programme during the year.

WISE is a UK campaign for gender balance in science, technology and engineering. Our involvement with WISE will support us with best practice and the opportunity to learn from other Science, Technology, Engineering and Maths (STEM) organisations facing similar challenges.

As a global organisation we are looking to apply the approach across all our regions, and we have a vision to raise the number of women in technical roles from the existing level of 20% to 30% by 2020.

Corporate Social Responsibility continued

Spotlight: International Women's Day

AVEVA celebrated International Women's Day on 8 March 2018 by holding events across the globe, taking the opportunity to hold joint events between heritage AVEVA and SES just a week following the completion of the transaction.

In Cambridge we held unconscious bias training sessions, as we recognise the importance of empowering individuals to understand their behaviours and the impact it has on our ability to create an open, fair and inclusive workplace culture for all.

Senior Software Engineer Katie Hannaford, who joined AVEVA as a graduate back in 2013, spoke openly about being the only female in one of her school technology classes, and ignoring doubters to pursue a career she is passionate about.

AVEVA's gender equality strategy is global. In India, our colleagues took part in a week of activities in early March. Jennifer Allerton, one of our Non-Executive Directors, joined colleagues in the Hyderabad office to discuss her career and the journey it took her on. Our Indian team have their own WISE plans and will host a women-only Hackathon this year and a software bootcamp to encourage women back into the workplace, and have held unconscious bias training for the wider office.

"It was great to see the spotlight on gender equality and learn of AVEVA's initiatives in this regard. A well-organised event and a good opportunity to mingle with employees."

Stefan Haller
VP Platform Development, Cambridge UK

"What an inspiring event! Beginning with Jennifer Allerton's inspiring words right up to the launch of the WISE India Chapter, the whole event was fantastic and informative.

The event made it evident that AVEVA is certainly a place for women pursuing excellence."

Humayun Khan Pathan
Senior Software Engineer, India

"International Women's Day and WISE lunch was a fantastic day to have interactions and understand two cultures on first day at new AVEVA, wonderfully organised, showcasing the true Diversity & Inclusion spirits and commitments."

Basant Tripathi
HR Business Partner, India

In recognition of our commitment and changes we have made on the journey so far, the WISE Campaign named us Employer of the Year in 2017.

We have made progress in our commitment to WISE and with the continued support of our Board of Directors and Executive Leadership Team, we will continue to drive the changes required.

This year we published our Gender Pay Gap Report, covering employees in the UK. The full report is available on our website at http://www.aveva.com/en/Investors/Corporate_Governance/Corporate_Responsibility/

On average, women were paid 26% less than men. AVEVA, like many other engineering-led organisations, have more men within the organisation, with a disproportionate representation in senior roles. In the UK, particularly in our Research & Development function, we have a high concentration of engineering roles. Our WISE initiative will help us to redress the balance, along with our continued investment in both graduate and apprenticeship programmes.

Whilst we recognise it will take time to deliver our vision, we are making changes now, to see a positive impact later. Our global graduate and apprenticeship schemes continue to grow, covering both technical and business-based disciplines. Many of our candidates go on to enjoy successful careers with AVEVA. This is something we look forward to expanding over the coming years.

Advancing our talent at AVEVA

During the year we invested more into our Talent Acquisition team as we continue to seek the highest calibre employees to join our team. Our Learning and Development team continues to offer employees tailored programmes and a range of opportunities for both career progression and personal development, as well as for rolling out mandatory refresher training on areas such as IT security.

Other areas where we mandate e-learning, alongside updates to corporate policies, include Anti-Bribery and Corruption, Whistleblowing, Corporate Gifts & Hospitality and Export Compliance.

With the introduction of the new GDPR guidelines in May, we conducted local training and communicated via our internal channels, to support our employees and managers in understanding their responsibilities and actions required.

Science, Technology, Engineering and Mathematics (STEM) ambassadors

Linked to our vision to develop our recruitment of talent, AVEVA has a number of STEM ambassadors across the organisation who dedicate time to speak with and mentor school and university students about the benefits of a STEM career choice.

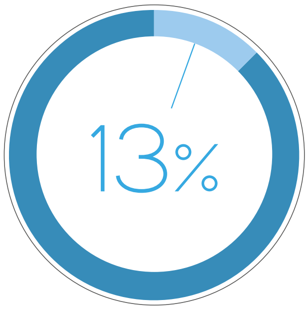
AVEVA continues to build strong relationships with local schools. As well as its sponsorship of the Engineering and Maths courses through the provision of AVEVA employees' time and support at Villiers Park Educational Trust, based in Cambridge, AVEVA has also helped students at the Netherthorpe School in Chesterfield, UK, to develop a STEM project as part of the Go4SET initiative. It aims to encourage young students aged 12-14 to get involved with STEM-related activities and demonstrate how they can be applied in a real-world setting. We work with an organisation called 'Form the Future', whose mission is to empower young people in their career choices and prepare them for the future, and to enable businesses to safeguard and build their talent pipeline. Through Form the Future we work with 11-18 year olds, to give them essential skills for their future careers and inspire their interest in STEM.

Relationships like this are a great example of our outreach agenda supporting our WISE strategy. We want to encourage more students, especially females, to take up STEM subjects at GCSE level.

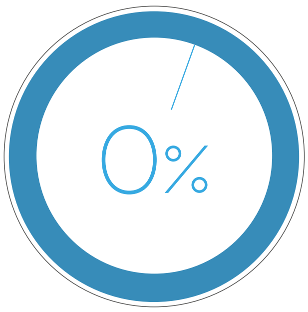
Gender mix

● Male ● Female

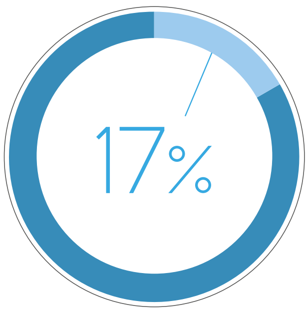
Directors



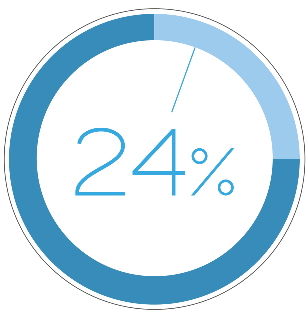
Executive Leadership Team



Strategic Leadership Team



Employees



Corporate Social Responsibility continued

Academic initiatives

AVEVA has continued to work with local vocational training centres, universities and further education establishments to donate software and training for the use on engineering and Computer-Aided Design (CAD) degree courses. It benefits students, employers, and the global engineering economy in developing engineering skills, understanding engineering concepts and industry-ready knowledge, which can be applied directly to capital-intensive industries. During the year we donated or subsidised software to educational establishments in Vietnam, Indonesia, India and South Korea.

Colleagues in India visited the Sridevi Women's Engineering College in Hyderabad, where our volunteers mentored the MBA students on skills such as CV writing, group discussions, and personal interviews.

AVEVA presented its first University award in 2018, when Technical University (TU) Dortmund and West Virginia University received funding for research programmes tied to engineering design and simulation. Winners were selected from 20 submissions, and funds will be used for research that provides proof of concepts, demonstrations of feasibility and related activities. Selection criteria were based on a number of factors, including how the Research & Development grant might drive future innovation across industrial operations, how it could be completed through the use of existing resources, and how the output could be incorporated into future software offerings.

Supporting our local communities through charitable giving and volunteering

Corporate Social Responsibility is a great way for us to engage with our local communities and understand their needs better. It's also a way for our employees to express their interests, by supporting charitable causes closer to their hearts.

Throughout the year, AVEVA continued to build close relationships with local communities by both volunteering and fundraising, and has donated nearly £50,000 to charities and good causes. Recipients include the British Red Cross, Arthur Rankin Hospice, Guide Dogs for the Blind, and the Alzheimer's Society. News of Hurricane Harvey that affected the Texas area back in August 2017 was very close to our hearts. AVEVA's Houston office was closed for a period of time, and some employees were displaced from their homes. AVEVA donated $15,000 to a local charity, the JJ Watt Foundation, to support the provision of help on the ground during what was a devastating time for the community. Employees in Houston volunteered at the local foodbank, providing people with much-needed provisions.

AVEVA also supports employees who take on personal challenges to raise money for charities of their choice by matching the funding raised. Charities that benefited during the year included Sarcoma UK, Macmillan Cancer Support and East Anglia Children's Hospice.

Across the globe, AVEVA employees continued to give time and help fundraise for their local communities. In India, AVEVA employees were involved in clothes drives, donating items to underprivileged families; they also gave numerous blood donations in conjunction with local blood banks to support medical emergencies and care for sufferers of the disease Thalassemia. Colleagues in Japan helped to raise money for vaccines, improvements to health facilities and manpower training in Asia and Africa.

Our policies – supporting our people

As a global organisation, we recognise that our business has the responsibility to respect and to contribute positively to human rights. We are committed to improving our practices for a number of mandated and monitored policies and training. Policies are there to ensure that the Company understands its role in making sure we are a compliant organisation, and are committed to acting ethically and with integrity in all business matters. These are reviewed on an annual basis and cover Anti-Bribery and Corruption, Respect for Human Rights, Social matters, Employees, and Environmental matters.

In the last 12 months, following the most recent policy reviews, AVEVA has updated and improved its employee policies in a range of areas, including paid parental leave, and in recognition of the gender imbalance driven by the recent gender pay gap requirements outlined above, on setting aspirational targets for the number of women both invited to interview as well as employed by the Group, particularly in senior management roles. AVEVA has an equal opportunities policy, covering everyone working in or for the Company. The policy is designed to tackle all forms of discrimination and celebrate diversity in the workplace. AVEVA is committed to improving its practices to combat slavery and human trafficking and to ensuring that there is no modern slavery in any part of its supply chain. AVEVA has a very clear stance on Anti-Bribery and Corruption. We have a robust policy in place and, as a global business, have defined what constitutes a breach of the policy. We mandate the completion of e-Learning modules for Anti-Bribery and Corruption for all employees, to ensure that everybody is aware of both AVEVA's and their own obligations.

Transparency and disclosure are fundamental to our relationships with customers, partners and suppliers. We maintain open, honest and fair discussions with each of our stakeholders to reinforce our reputation as a trusted and ethical organisation.

Carbon Emissions

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

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

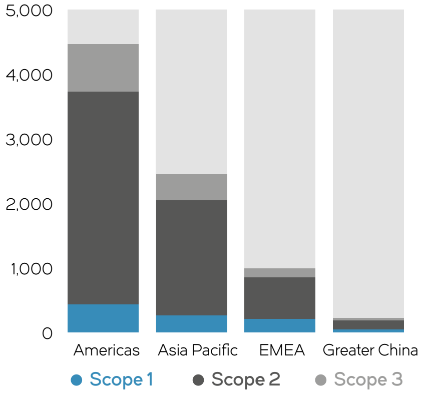
We have aimed for the greenhouse gas (GHG) emissions to be captured for all of our UK and overseas offices between April 2017 and March 2018, but unfortunately it has not been possible to collect carbon emission information from all of our heritage SES offices, so instead we have estimated emissions data based on headcount information of heritage AVEVA and SES, using data from our heritage AVEVA offices. The data presented is consistent with the Reported numbers (i.e. on a reverse acquisition basis). Due to the complexities of collecting carbon emission data from the SES business, the comparative data presented is for heritage AVEVA only. We have put processes in place to be able to capture this information for the SES entities for FY19 onwards.

The 2017 financial year serves as the baseline for our targets. For our carbon intensity ratio we have measured our carbon usage as it relates to our business performance, citing tonnes of CO_2e/£ million of revenue. In 2018 this intensity ratio reduced to 13.65 tonnes CO_2e/£ million (2017 – 15.14).

Tonnes of CO_2e

Emissions from:	2018	2017
Scope 1 – Combustion of fuel and operation of facilities	938	1,046
Scope 2 – Electricity, heat, steam and cooling purchased for own use	5,876	2,223
Scope 3 – Transmission and distribution losses	1,323	501
	8,137	3,769
Intensity measurement (Scopes 1 and 2) – Tonnes CO_2e/£m revenue	13.65	15.14

Tonnes of CO_2e by region

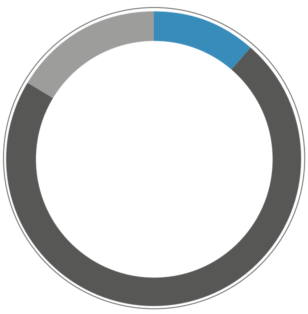


Scope 1
Combustion of fuel and operation of facilities

Scope 2
Electricity, heat, steam and cooling purchased for own use

Scope 3
Transmission and distribution losses

Tonnes of CO_2e equivalent



- Scope 1 938
- Scope 2 5,876
- Scope 3 1,323

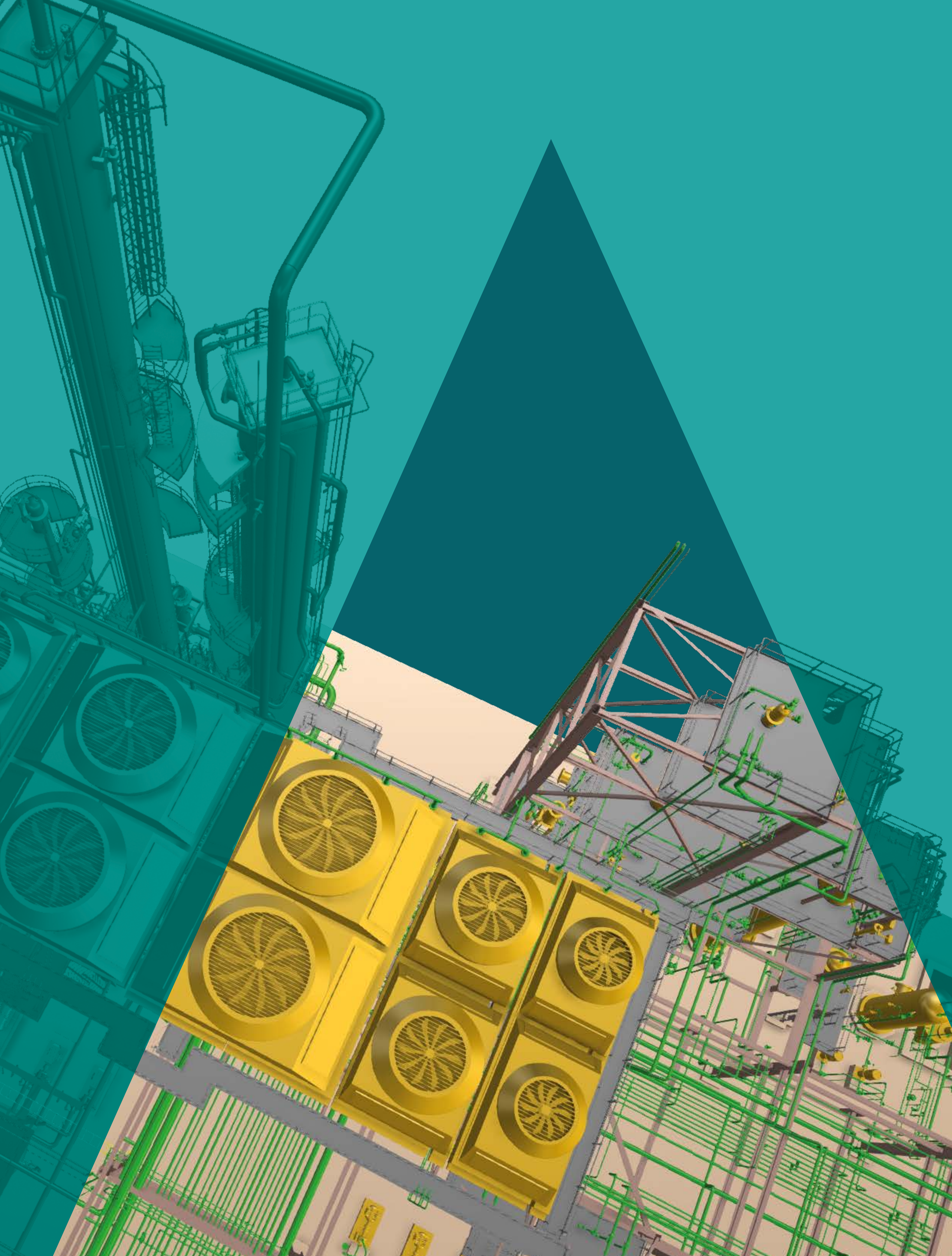
This Strategic Report has been approved by the Board of Directors and is signed on its behalf by:

Philip Aiken
Chairman
14 June 2018

Governance Report

STRENGTH IN OUR LEADERSHIP TEAM

Governance Report



Board of Directors

The Board has seen significant changes in the past 12 months, with a number of new members bringing a different mix of experiences, ensuring the Board continues to operate effectively and provides strong leadership.

Philip Aiken
Chairman

Nationality: Australian

Time on Board: 6 years 1 month (appointed 1 May 2012)

Committees:
Nomination Committee (Chair)

Phil has over 45 years of experience in industry and commerce having been, from 1997 to 2006, President of BHP Petroleum and then Group President Energy of BHP Billiton, and prior to that he held senior positions with BTR plc (1995 to 1997) and BOC Group (1970 to 1995). Other roles have included Non-Executive Director of National Grid plc, Chairman of Robert Walters plc, Senior Independent Director of Kazakymys plc, Senior Independent Director of Essar Energy plc, Senior Adviser for Macquarie Capital Europe, Chairman of the 2004 World Energy Congress and serving on the Boards of the Governor of Guangdong International Council, World Energy Council and Monash Mt Eliza Business School.

He is the Non-Executive Chairman of Balfour Beatty plc and Non-Executive Director of Newcrest Mining Limited.

Craig Hayman
Chief Executive Officer

Nationality: British

Time on Board: 4 months (appointed 19 February 2018)

Committees:
None

Craig joined AVEVA in February 2018 as Chief Executive Officer. Previously he was Chief Operating Officer at PTC Inc, where he had responsibility for engineering, marketing and sales. He also served as President of the Solutions Group. At PTC, he returned the digital engineering business to growth, revitalised the partner network, and successfully introduced a new generation of Industry 4.0 connected manufacturing applications.

Prior to joining PTC, he was president of eBay's enterprise business and served more than 15 years in senior leadership positions at IBM. He holds a BSc. in Computer Science and Electronics from the University of London.

James Kidd
Deputy CEO and CFO

Nationality: British

Time on Board: 7 years 5 months (appointed 1 January 2011)

Committees:
None

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

Christopher Humphrey
Senior Independent Non-Executive Director

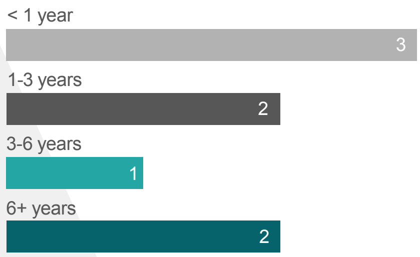
Nationality: British

Time on Board: 1 year 11 months (appointed 1 July 2016)

Committees:
Audit Committee (Chair), Nomination Committee

Christopher is a qualified accountant and has over 25 years' experience managing engineering and technology companies. He was formerly Group Chief Executive Officer of Anite plc, from 2008 until 2015, joining Anite in 2003 as Group Finance Director. Previously he was Group Finance Director at Critchley Group plc and held senior positions in finance at Conoco and Eurotherm International plc. He has a BA, MBA and is a Fellow of CIMA. Christopher has held Non-Executive Director roles since 2011 and is currently Senior Independent Director and Chairman of the Audit Committee of Vitec Group plc, Non-Executive Chairman of Eckoh plc and a Non-Executive Director of SDL plc.

Tenure of the Board



Gender of the Board

Sector experience of the Board

Power	25%
Construction	25%
Engineering	50%
Oil & Gas	25%
Software	50%
Technology	50%
Construction	38%

Emmanuel Babeau
Non-Executive Director and Vice Chairman

Nationality: French

Time on Board: 3 months (appointed 1 March 2018)

Committees: Remuneration Committee

Emmanuel has been Schneider Electric's Deputy Chief Executive Officer, in charge of Finance & Legal Affairs, since 2013, after joining Schneider Electric in 2009 as Executive Vice President Finance and as a Member of the Management Board.

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

Emmanuel graduated from École Supérieure de Commerce de Paris (ESCP) in 1989 and holds a degree in finance and accounting (DESCF). His other Non-Executive Director appointments include Sodexo S.A. and Sanofi.

Ron Mobed
Independent Non-Executive Director

Nationality: British

Time on Board: 1 year 3 months (appointed 1 March 2017)

Committees: Audit Committee, Remuneration Committee

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

He is a Fellow of the Institute of Directors and of the Energy Institute. He holds a Bachelor's degree in Engineering from Trinity College, University of Cambridge and a Master's degree in Petroleum Engineering from Imperial College, University of London. Ron was previously a Non-Executive Director of Argus Media from 2009 until 2011 and currently holds no other Non-Executive Director appointments.

Jennifer Allerton
Independent Non-Executive Director

Nationality: British

Time on Board: 4 years 11 months (appointed 9 July 2013)

Committees: Remuneration Committee (Chair), Audit Committee

Jennifer has over 40 years' experience in technology working in multinational companies in the UK, the US, Brazil, Asia and Switzerland. She was latterly a member of the Pharma Executive Committee and Chief Information Officer of F. Hoffmann-La Roche, with responsibility for IT strategy and operations for the Pharma division and all Group IT operations. Prior to that, she served as Technology Director at Barclaycard with responsibility for Fraud Operations and IT and held senior positions in IT at Unilever and BOC.

Other Board roles have included Non-Executive Director of Oxford Instruments plc and Paysafe Group plc. She is Non-Executive Director of Iron Mountain Inc. and Sandvik AB and serves on the Advisory Board of the University of Bath Management School. She has degrees in Mathematics, Geosciences and Physics and speaks several languages.

Peter Herweck
Non-Executive Director

Nationality: German

Time on Board: 3 months (appointed 1 March 2018)

Committees: Nomination Committee

Peter has been employed by Schneider Electric since late 2016 and is a member of their Executive Committee. As Executive Vice President he heads the Industry Business for the company.

Peter began his career at Mitsubishi Electric as a software development engineer in Japan before joining Siemens in 1993, where he held a variety of positions in Germany and the US. In 2004, Peter served as a member of the Managing Board at Siemens Ltd in China and later North-East Asia. In 2011 he was appointed Head of Corporate Strategy and Corporate Vice President. In 2014, he became Chief Executive Officer of the Process Industries & Drives division.

Peter studied automation technology at Saarland University of Applied Sciences, Germany, and received a Master's degree in electrical engineering from Université de Metz, France. He holds an MBA and completed the Advanced Management Program at Harvard Business School.

Chairman's Introduction to Corporate Governance

The Company is committed to robust principles of corporate governance and risk management.

I am pleased to introduce the 2018 Corporate Governance statement. The merger with the Schneider Electric Industrial Software Business has been a central area of focus for the Board this year. This year has seen considerable changes in the composition of the Board and we are grateful for the tremendous contribution of the retiring Directors and, equally, look forward to the valued contributions that the experience and skills of the newly appointed Directors bring to the Company.

The Nomination Committee led the nomination, selection and appointment of the Executive and Non-Executive Directors made within the year, and the Remuneration Committee ensured that appropriate levels of reward were set to attract and retain top talent. The Audit Committee has also been heavily involved in identifying risks and managing Company advisers to ensure risks were identified and mitigated or managed.

In accordance with the UK Corporate Governance Code, the duties of the three Committees are set out in formal terms of reference. They are available on request from the Company's registered office during normal business hours and are available on the Company's website at www.aveva.com. Each Committee has its own report on its activities in the year, and I encourage you to refer to these for a more comprehensive review of each Committee's activities in the year.

The Company is committed to the principles of Corporate Governance contained in the April 2016 UK Corporate Governance Code (the "Code") provided by the Financial Reporting Council and for which the Board is accountable to shareholders. As detailed in the Prospectus issued in September, there are some provisions of the Code that have not been complied with. Further explanation of how the principles have been applied is set out here and, in connection with Directors' remuneration, in the Remuneration Committee Report on pages 56 to 77.

In compliance with the provisions of the Code, specifically where a listed company has a controlling shareholder, we have put in place a Relationship Agreement with Schneider Electric SE, our new majority shareholder. This is a legally binding agreement to ensure Schneider Electric allows AVEVA to act in compliance with the provisions of the Code, and a constitution that allows for the election and re-election of independent Directors.

The provisions of the Code which have not been complied with and which were stated in the Prospectus, Part XII, paragraph 3.6.3 are (a) that the Remuneration Committee will not consist of solely independent Non-Executive Directors; (b) after the initial period of two years following the completion of the merger, the Chairman may not be independent upon replacement; and (c) until the Company appoints an additional independent Non-Executive Director, at least half the Board (excluding the Chairman) shall not be represented by independent Non-Executive Directors.

"This year has seen considerable changes in composition of the Board. The Board's Nomination Committee led the nomination, selection and appointment of the Executive Directors and Non-Executive Directors made within the year. We are grateful for the tremendous contribution of the retiring Directors and, equally, look forward to the valued contributions that the experience and skills of the newly appointed Directors bring to the Company."

Philip Aiken
Chairman

Corporate Governance Report

Additionally, the Code provides that notice of an Annual General Meeting should be given 20 working days (28 calendar days) in advance, but the longer year end reporting process resulting from the combination with SES, together with constraints over AGM dates, means that we shall only be able to provide notice 23 calendar days in advance, which is within the statutory minimum period.

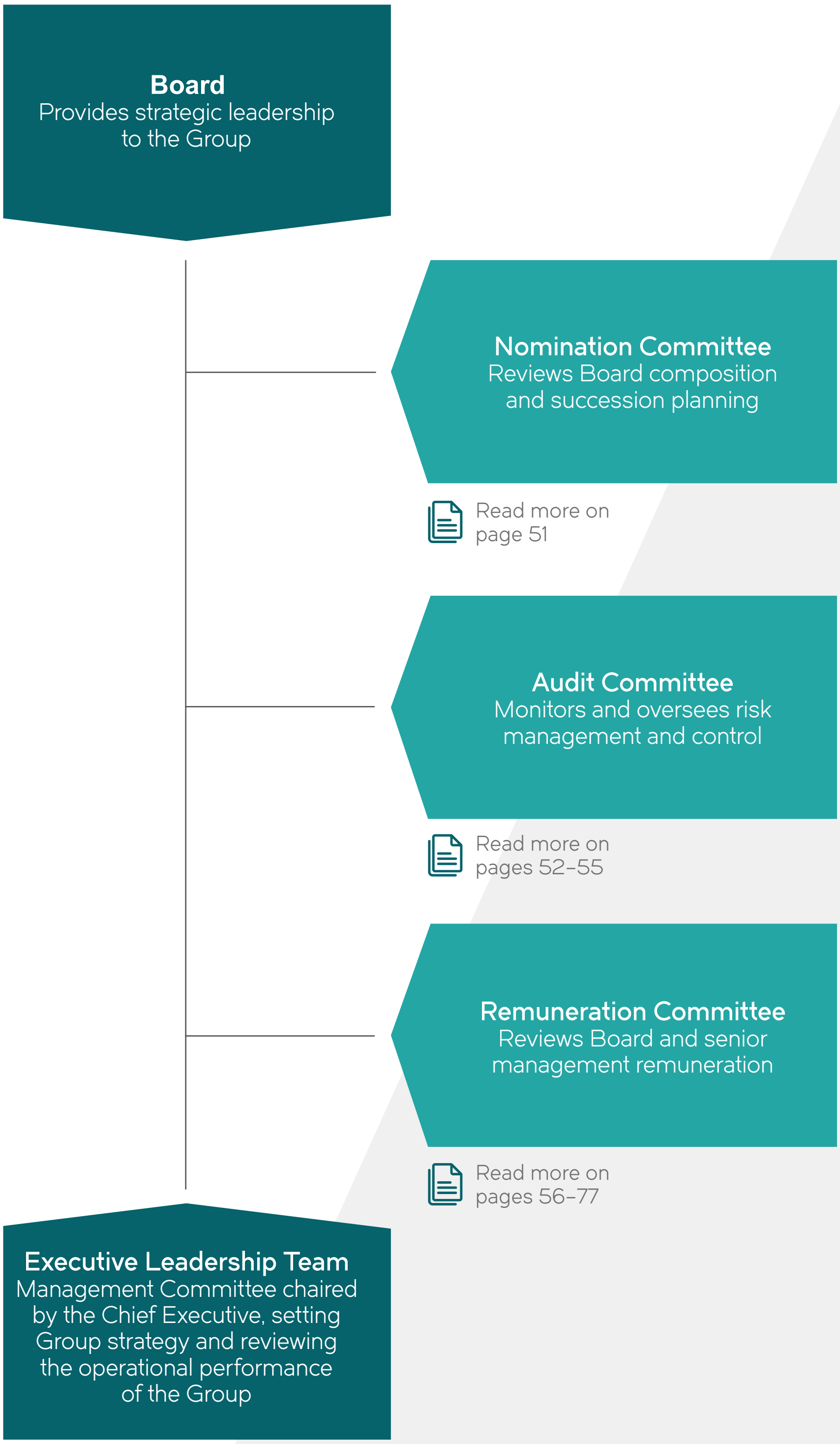
Finally, under the current Code, the independence of the Chairman is not taken into account under the rule requiring a majority of members of the Nomination Committee to be independent Non-Executive Directors. However, as this will be permitted under the proposed revisions to the Code published by the FRC in December 2017, no changes are proposed pending publication by the FRC of the final version of these revisions, expected in early summer of this year.

Composition of the Board

The composition of the Board is the Chairman, two Executive Directors and five Non-Executive Directors, three of whom are independent. In the course of the year ended 31 March 2018 and as announced by the Company, the Board has undergone several significant, planned changes to refresh and strengthen the Board, including the appointment of a new Chief Executive, a new Chief Financial Officer and two new Non-Executive Directors (see more in the Nomination Committee Report provided on page 51).

Brief biographical details of all Board members are set out on pages 44 and 45. The chairmanship, membership and attendance record of all Board Committees is set out on page 48.

Group Structure Chart



Corporate Governance Report continued

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Meetings attended:				
Philip Aiken	7/7	–	–	(Chair) 3/3
Craig Hayman (appointed 19 February 2018)	1/1	–	–	–
James Kidd	7/7	–	–	–
David Ward (resigned 19 February 2018)	6/6	–	–	–
Jennifer Allerton	7/7	5/5	(Chair) 6/6	2/2
Chris Humphrey	7/7	(Chair) 5/5	5/5	3/3
Ron Mobed	7/7	5/5	6/6	2/2
Phil Dayer (resigned 7 July 2017)	2/2	1/1	1/1	–
Emmanuel Babeau (appointed 1 March 2018)	1/1	–	1/1	–
Peter Herweck (appointed 1 March 2018)	1/1	–	–	1/1

Operation of the Board

The Chairman, supported by the Company Secretary, ensures that the Board functions effectively and has established Board processes designed to maximise its performance and effectiveness. Key aspects of these processes are:

- Senior management are frequently invited to attend AVEVA Group Board meetings, ensuring the Board is well informed on technical and market factors driving the Group's performance, as well as on financial outcomes.
- The Board had seven scheduled meetings during the year. These meetings, together with any Committee meetings, are generally held at the Group's Head Office in Cambridge or in our London office and are approximately one day in duration.
- Each scheduled Board meeting has an over-arching theme. These include an annual technology review, business plan/strategy day, succession planning, annual budget, presentations from Executive management, and interim and final results. The Board aims that Directors visit an AVEVA office or business event outside of the UK at least once per year. During the year the Chairman and other Non-Executive Directors visited offices in Hyderabad, Houston and California. Further, three of the Non-Executive Directors also attended the AVEVA World Summit in October 2017, which this year took place in Cambridge, meeting with staff and customers throughout the event. The Executive Directors visit non-UK AVEVA offices on a regular basis.
- In addition, the Board holds a full-day strategy meeting every year at which Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- This year the Board also held a number of additional unscheduled meetings throughout the due diligence phase of the combination, to offer support, guidance and appropriate challenge to management.
- The Board delegates the day-to-day responsibility for managing the Group to the Executive Directors.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors, usually seven days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each member of the Executive team is distributed to the Board on a monthly basis.
- Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.
- The Chairman ensures that the Directors take independent professional advice where they judge it necessary to discharge their responsibilities as Directors at the Group's expense. All members of the Board have access to the advice of the Company Secretary.
- Non-Executive Directors and Executive Directors are encouraged annually to undertake training in furtherance of their specific roles and general duties as a Director.

Matters reserved for the Board

The Board is responsible to shareholders for the proper management of the Group. There is a formal schedule of matters specifically reserved for the Board's decision and this was updated following completion of the combination with the software business of Schneider Electric. The schedule covers key areas of the Group's affairs, which include:

- overall responsibility for the strategy of the Group;
- corporate governance;
- review of trading performance and forecasts;
- risk management;
- Board membership;
- communications with shareholders;
- approval of major transactions, including mergers and acquisitions; and
- approval of the financial statements and annual operating and capital expenditure budgets.

Independence of Non-Executive Directors and segregation of duties

The Board has considered the independence of the Non-Executive Directors and believes that, with the exception of the two newly appointed Non-Executive Directors, all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement. Their biographies on pages 44 and 45 demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

The roles of the Chairman and the Chief Executive are distinct and the division of responsibility between these roles has been clearly established, set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board and ensuring that it meets its obligations and responsibilities. The Chief Executive is responsible to the Board for the day-to-day management of the business, leadership of the Executive team and execution of the Group's strategic and operating plans. The Chairman and Chief Executive meet regularly to discuss any issues pertaining to the Company's performance, reputation and organisation.

Performance evaluation

The Board undertakes a formal and rigorous review of its performance and that of its Committees and Directors each financial year. In December 2017, an extensive review was externally facilitated by The Effective Board LLP, the independent board performance consultants, who also facilitated an extensive review in 2014. The review was carried out following one-on-one interviews with each Director, the General Counsel and the Deputy CFO and Company Secretary, following which an extensive report covering the operation of the Board as well as each Committee was prepared. One advantage of using the same consultants as in 2014 was that a comparison of matters was possible and progress against previous objectives could be tracked. The exercise also resulted in individual feedback for each Director as to areas of strength amongst the Board collective as well as comments where effectiveness might be improved. The final report was presented by The Effective Board LLP to the January 2018 Board meeting.

Overall, the review concluded that the Board and its Committees had demonstrated a high degree of effectiveness.

The review highlighted that many of the recommendations of the 2014 report had been implemented prior to this latest review and this demonstrated strong signs of effectiveness. In particular, it was recognised that the Board's response to the strategic changes required, as the profitability of the Company had declined since 2014, had been successful. The Board had also pursued a transformational deal with Schneider Electric which has the potential to meet the strategic objectives of the Company.

It was recommended that the Board review strategic objectives to redefine success for the new organisation following the appointment of the new CEO and completion of the integration plan. An induction programme for the Board in relation to the new SES business was also recommended to be undertaken.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure and by its very nature can only provide reasonable and not absolute assurance against material misstatement or loss. The principal risks and uncertainties the Group faces are set out on pages 32 to 34. There were no significant control failures during the year.

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the effectiveness of the Group's internal controls, which have been in place from the start of the year to the date of approval of this report, and believes that it is in accordance with the September 2014 Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The key elements of the system of internal controls currently include:

- each member of the Executive team has responsibility for specific aspects of the Group's operations. They meet on a regular basis and are responsible for the operational strategy, reviewing operating results, identification and mitigation of risks and communication and application of the Group's policies and procedures. Where appropriate, matters are reported to the Board;
- regular reports to the Board from the Executive team on key developments, financial performance and operational issues in the business;
- operational and financial controls and procedures which include authorisation limits for expenditure, sales contracts and capital expenditure, signing authorities, IT application controls, organisation structure, Group policies, segregation of duties and reviews by management;
- an annual budget process which is reviewed, monitored and approved by the Board;
- regular meetings between the Executive team, regional sales teams and key functional managers to discuss actual performance against forecast, budget and prior years. The operating results are reported on a monthly basis to the Board and compared to the budget and the latest forecast as appropriate;
- targeted internal audit reviews which focus on confirming the operation of controls in key process areas; and
- maintenance of insurance cover to insure all major risk areas of the Group based on the scale of the risk and availability of the cover in the external market.

The Board's monitoring covers all material controls, including financial, non-financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board periodically carries out visits to the Group's subsidiaries and receives presentations from local management on their operations.

Corporate Governance Report continued

The Board also twice annually undertakes a specific risk assessment which involves reviewing the Group's risk matrix that is owned and maintained by the Group's Risk Committee, with representatives involved from the Executive team and senior managers. These assessments consider all significant aspects of internal control necessary for the Company to successfully carry out the key business strategies of the Group, together with more generic inherent risks of the Group's operations. The Audit Committee assists the Board in discharging its review responsibilities.

Indemnities to Directors

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

Policy on appointment and reappointment

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation and also following their appointment. In addition, as in the prior year and in accordance with the UK Corporate Governance Code, all of the Board members are offering themselves for re-election at the Annual General Meeting (unless retiring).

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

Dialogue with institutional shareholders

Communication with shareholders is given high priority by the Board. The CEO, Deputy CEO and CFO and Head of Investor Relations have meetings with representatives of institutional shareholders and hold analyst briefings at least twice a year, following the announcement of the interim and full-year results, but also at other times during the year as necessary. Senior managers from Product Development, Business Strategy and Finance also attended analyst and shareholder meetings during the year to assist in providing more detail as to the business strategy and key areas of focus.

All of these meetings seek to build a mutual understanding of objectives with major shareholders by discussing long-term strategy and obtaining feedback.

The Board also receives formal feedback from analysts and institutional shareholders through the Company's financial PR adviser and financial advisers. The Board is appraised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views. In addition, when necessary, the Group consults with shareholders in respect of proposals for the remuneration of Executive Directors. The Senior Independent Non-Executive Director, Chris Humphrey, is available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or Deputy CEO and CFO has failed to resolve or if such contact would be inappropriate. The Chairman, Senior Independent and Non-Executive Directors are available for dialogue with shareholders at any time and attend (together with the other members of the Board) the Annual General Meeting, but are not routinely involved in investor relations or shareholder communications. Corporate information is also available on the Company's website, www.aveva.com.

Constructive use of the Annual General Meeting

The Board seeks to use the Annual General Meeting to communicate with investors and all shareholders are encouraged to participate. The Chairmen of the Audit, Remuneration and Nomination Committees will be available at the Annual General Meeting to answer any questions.

Philip Aiken
Chairman
14 June 2018

Nomination Committee Report

Membership and attendance

Chair	
Philip Aiken	3/3
Committee members	
Christopher Humphrey	3/3
Peter Herweck[1]	1/1
Jennifer Allerton[2]	2/2
Ron Mobed[2]	2/2

[1] Appointed 1 March 2018
[2] Resigned 1 March 2018

For the majority of the financial year, until the completion of the combination with SES, the Nomination Committee comprised a majority of independent Non-Executive Directors, chaired by Philip Aiken. Following completion of the combination, the Nomination Committee comprised three Non-Executive Directors, one of which was a Schneider Electric appointee, Peter Herweck, and the Committee was still chaired by Philip Aiken.

The Committee has responsibility for Board and Committee composition, particularly in relation to the diversity of background, skills and experience. The Committee oversees the nomination, selection and appointment of Non-Executive and Executive Directors and monitors succession planning for the Board and senior management roles. Effective succession planning is vital for the long-term success of the Company. There have been considerable changes to the composition of the Board during the financial year and the Committee has taken a lead role in the process for the appointment of both Executive and Non-Executive Directors and senior management. A key requirement of the succession planning and Board evaluation has been to ensure a balance of skills, experience, independence and knowledge that is appropriate to manage future growth and the strategic plans of the Company.

In 2017/18, the Committee met three times and the main areas that it concentrated on were the changes described here.

Details of Board changes

As a result of the combination and the Company now having significantly increased scale and greater complexity, Board changes were considered important for the furtherance of the Company's strategic success.

The Committee appointed from outside the Company a new Chief Executive and two Non-Executive Directors in the year, bringing to AVEVA a greater breadth of complementary skills, experience and knowledge that will enable future growth and fulfilment of the strategic plans of the Company.

On 19 February, Craig Hayman was appointed CEO of the enlarged AVEVA Group, with James Kidd appointed Deputy CEO and CFO. David Ward, who previously held the position of CFO, resigned as an Executive Director and member of the Board, taking on the role of Deputy CFO and Company Secretary.

In relation to Craig's appointment, the Company consulted with a number of search firms, and retained the services of Spencer Stuart, an independent executive search and leadership consulting firm, to provide suitable candidates for consideration by the Nomination Committee. Shortlisted candidates were interviewed by the Chairman and the other Non-Executive and Executive Directors.

It was agreed as part of the combination that Schneider Electric, as the majority shareholder, would appoint two Non-Executive Directors to the Board. Emmanuel Babeau holds the role of Vice Chairman of the Board in addition to being a Non-Executive Director, and is also employed by Schneider Electric as Deputy Chief Executive and CFO. Peter Herweck is employed by Schneider Electric as an Executive Vice President. Both appointments will add significant management and industrial experience to the existing AVEVA Board.

On appointment, all Directors are asked to confirm that they have sufficient time to devote to the role, which is confirmed together with details of their duties in the letter of appointment. All Directors undergo an induction as soon as practical following their appointment. As part of the induction process, Directors are provided with background information on the Group and attend the Group's headquarters in Cambridge for meetings and presentations from senior management. In addition, where appropriate, meetings are also arranged with the Group's advisers.

The two new Non-Executive Directors are appointed by Schneider Electric and are therefore not independent; consequently, and in order for the Board of the enlarged Group to comprise a majority of independent Non-Executive Directors (including the Chairman), one additional independent Non-Executive Director is expected to be appointed. Recruitment for this position is underway, and the resulting Board will total nine members, comprising the Chairman, two Executive Directors, two Non-Executive Directors and four independent Non-Executive Directors.

Diversity policy

The Board considers that diversity, including diversity of gender, is very important when reviewing the composition of the Board and possible new appointments. That said, whilst the Board notes the 2016 Hampton/Alexander report on FTSE women leaders, it has not set targets on gender balance. The Board considers that the most important consideration is to appoint people based on merit, skills and relevant experience with a view to enhancing the balance and effectiveness of the Board.

Audit Committee Report

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

Membership and attendance

Chair	
Christopher Humphrey	5/5
Committee members	
Jennifer Allerton	5/5
Ron Mobed	5/5
Attending by invitation	
Chairman	
CEO	
Deputy CEO and CFO	
Deputy CFO and Company Secretary	
Group General Counsel	
Head of Internal Audit & Risk	
Other senior members of the Group Finance team	
External audit partner	

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

The Committee's primary responsibilities are as follows:

- to undertake regular scrutiny of the Group's financial performance;
- ensuring the financial integrity of the Group is effective;
- ensuring the Group has the appropriate risk management processes and internal controls; and
- ensuring that the internal and external audit processes are robust.

Committee membership and skills

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

Christopher Humphrey
Audit Committee Chairman
14 June 2018

Spotlight

Areas of Focus

In addition to its prescribed duties, the Audit Committee undertook several additional projects during the year.

Project	Activity in the year
Combination with SES	The Committee played a very important part in, and spent considerable time throughout the due diligence phase of, the combination, specifically around assessing risks, reviewing working capital forecasts and understanding the financial reporting complexities of combining the businesses.
GDPR	The new EU General Data Protection Regulations (GDPR) represent a significant overhaul to existing data protection regulations and requirements, and the financial and reputational consequences of non-compliance could have a very serious impact on the Group. Accordingly, the Committee has been working closely with the Legal, HR and IT teams within the Group, overseeing a risk-based approach to the assessment of the use and processing of personal data, and the key business functions and systems impacted. As a result of these efforts, key remedial actions, policies and training are presently being finalised to ensure Group-wide GDPR compliance. Management will be held accountable for any remedial actions required to ensure effective GDPR compliance. GDPR compliance was, and remains, a particular area of focus in the meetings of the Committee held towards the end of the financial year, with the effective date of the regulations being 25 May 2018.
Audit of the enlarged Group	The Audit Committee has worked closely with the external auditors in agreeing the scope and level of assurance to be provided on the Schneider Electric Software business, given the complexities involved. In addition, the Committee made the decision to instruct our auditors to perform a full scope audit over the heritage AVEVA business.

The Board also considers that the other members of the Committee have a broad range of appropriate skills and strong experiences covering financial, commercial and operational matters. Brief biographical details for all the members of the Committee are included on pages 44 and 45.

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we have considered, including compliance with the Code and associated Guidance on Audit Committees. I confirm that, save for the areas of non-compliance outlined on page 46, we have fully complied with the requirements of the Code as issued in April 2016 and which applies to financial years beginning on or after 17 June 2016.

The Committee usually meets four times a year; an extra formal meeting was held this year for the purposes of considering the combination with the Schneider Electric software business and the associated financial and risk matters. Additionally, the Committee spent a considerable amount of time in regular unscheduled meetings throughout the due diligence phase of the combination.

Audit Committee terms of reference

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

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

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 31. The principal risks the Group faces are set out on pages 32 to 34. At least on an annual basis, the Audit Committee considers the Group risk register and related management controls. Throughout the process, the Board or the Audit Committee:

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

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

- A risk assessment performed by operational management and the Board to identify key areas for assurance.
- Peer and Head Office reviews of key risk areas of financial internal control. During the year, a subsidiary company control visit was undertaken in Norway.

Audit Committee Report continued

Audit Committee objectives

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

Objectives	Activity in the year	Progress
Complete induction of new Committee member	Ron Mobed joined the Board and Audit Committee in March 2017. It is important that Ron is suitably briefed on all matters concerning the business of the Audit Committee. As part of the main Board induction, Ron attended the Cambridge office for two days in April 2017 for meetings with key management. As part of this visit, Ron met with the CFO and was introduced to AVEVA's revenue recognition policy. An additional Audit Committee meeting was held as a result of the combination, and was attended by Ron.	
IFRS 15 (revenue recognition) conversion	The new revenue recognition standard will be fully implemented for the 2018/19 financial year, and a large amount of material has been prepared to determine, and have audited, the opening position as at 1 April 2017 as well as the quantitative impact on the 2017/18 financial year. The accounting policy change to revenue recognition is the biggest accounting policy change seen in many years, and the magnitude of this task is not to be underestimated. The Corporate Finance team have been working on this project for over 18 months, with one member of the team having worked full time on this project for nine months. The Audit Committee continually reviews progress of this project and has offered regular guidance and advice throughout this period. Good progress has been made in determining the impact upon the pre-merger AVEVA. Given the timing of completion of the combination with Schneider Electric Software, the project of conversion to IFRS 15 for this component began late but a thorough impact assessment is substantially complete, with the audit of this underway.	
Product Development reporting	At the start of the year, the Board and Audit Committee requested improvements in the reporting of progress and risk of key Product Development projects, to include metrics, profitability and progress against the roadmap. Improvements in reporting were implemented during the year, which covered key development projects as well as more general project governance metrics. The project for further enhancements was put on hold and will now form part of the integration project following completion of the combination with the Schneider Electric Software business as processes and systems are harmonised.	
Completion of Minimum Controls Framework	In 2016/17, the Committee undertook a review of the Group's position on internal audit. An outline proposal was considered in November 2016 to create an internal audit programme, and the level of assurance that such a programme would provide. The proposal was approved by the Committee and incorporated the establishment of a Minimum Controls Framework, against which internal audit testing would be focused. The drafting of the Minimum Controls Framework was completed, with input from the Group's internal audit co-source partner, PwC, in September 2017.	
Continued development of AVEVA's internal audit function	At the start of the year, the Audit Committee agreed an internal audit plan for the year which included three subsidiary audits as well as a specialist review of cyber security and IT penetration testing. The plan was successfully delivered using a mix of resources from the Corporate Finance team as well as our internal audit co-source partner, PwC. The Committee selected Deloitte to undertake the IT security review, as they had undertaken a similar review in 2015. Following completion of the combination, which has led to the Group having significantly greater scale and complexity, the Audit Committee endorsed management's plans to recruit a dedicated, experienced Head of Audit and Risk. This new role was filled in April 2018, enabling a greater and broader scope of internal audit in future periods.	

- The use of qualified third parties to undertake specialist reviews in more technical areas. During 2017/18, PwC performed an internal audit of our Moscow and Houston offices.
- An annual assessment by the Audit Committee of the whole system of internal financial and operational controls.

There is a formal whistle-blowing policy which has been communicated to employees. This policy provides information on the process to follow in the event that any employee feels it is appropriate to make a disclosure. The Audit Committee is satisfied that the process is effective and reviews key issues which are reported.

Key estimates and judgments

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

Internal audit

As outlined in the previous year, the Company has established an internal audit function which is co-resourced using Company employees as well as third party specialists. This was further strengthened by an experienced hire of a Head of Audit & Risk in April 2018. As a Committee, we believe this resourcing model will provide the most effective approach, with some audit reviews requiring internal Company knowledge and for other audit review areas specialist input from an independent third party will be optimal. The Company has initially chosen PwC for its internal audit partner, although this appointment is not contractual or for any fixed term.

The Group's operations are geographically widely spread, which means that in some instances where assurance over the operation of internal control is considered valuable, there is a clear advantage in such reviews of controls being undertaken by teams with specific local regulatory knowledge and without any local language barrier. Further, the Committee believes that such instances favour the provision of assurance from external sources, which is considered to be both more efficient and effective. This will be reviewed on a case-by-case basis, with PwC performing these visits as necessary.

External audit

Ernst & Young (EY) have been our auditor since 2003 and following a successful audit tender process in the previous year shall remain our auditor until no later than 2023, at which point a change shall have to be made. During the year, we complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

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

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

The Committee also advises the Board on the auditor's remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the external auditor. Tighter legislation on non-audit services provided by the external auditor came into force last year, and we successfully transitioned all non-audit services away from EY before the year started. However, we required use of EY's services for elements of the accountants' report in relation to the combination. The Committee considered that the independence and objectivity of the EY audit would not be impaired by this work. The audit fees paid to EY for the statutory audit were £1,723k, and were £1,236k for non-audit work. The Committee continues to keep under review the cost effectiveness and quality of the audit service.

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

Audit planning and main audit issues

At the November 2017 meeting of the Committee, the auditor presented their audit plan for 2017/18. This included a summary of the proposed audit scopes for the year for each of the Group's subsidiaries and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group, together with the auditor's proposed audit approach to these significant risk areas. The main area of audit focus for the year is the significant judgement surrounding revenue recognition.

Committee objectives for 2018/19

In March 2018, the Committee considered the objectives for the year ahead and it was agreed the following would be prioritised:

- Understanding and assessing financial risks resulting from the integration of heritage AVEVA and Schneider Electric software
- Induction of a fourth independent Non-Executive Director to the Board and Audit Committee
- A complete review of the enterprise risk management process for the enlarged Group
- Development of AVEVA's new internal audit function
- Continued focus on improvements to R&D reporting

Christopher Humphrey
Audit Committee Chairman
14 June 2018

Remuneration Committee Report

This year has been one of unprecedented change for AVEVA, during which we have more than doubled our size. We will be seeking shareholder approval to amend our policy to bring it into line with other companies of a similar size and complexity.

Table of contents

"I am pleased to introduce the Directors' Remuneration Report at the end of a very successful and busy year at AVEVA in the run-up to and following the completion of the merger with Schneider Electric Software on 1 March. It is the start of a transformational period for AVEVA."

Jennifer Allerton
Remuneration Committee Chair

Annual statement

Dear Fellow Shareholder

I am pleased to present my first Directors' Remuneration Report as Chair, following my appointment last July at the 2017 AGM. I took over from my predecessor Philip Dayer, whom I would like to thank for his work over many years.

As a summary, this Report contains the following sections:

- This Annual Statement
- A new "at a glance" section
- The amended Policy (Part A)
- The Annual Report on Remuneration (Part B)

Introduction

The Group has performed well overall, despite the inevitable distractions to management of performing the due diligence on and completing the combination in the year. The Directors' Remuneration in the year was tied to the performance of the heritage AVEVA business, which saw excellent performance against our key metrics.

Despite receiving considerable support for AVEVA's 2017 Remuneration Policy during an extensive shareholder consultation exercise, we received a significant number of votes against it at the AGM last July. We had already decided ahead of the AGM to withdraw Resolution 19 which proposed amendments to the rules of the well-established "AVEVA Group Senior Employee Restricted Share Plan 2015" to allow awards to be granted to Executive Directors of the Company. Having analysed the feedback from shareholders and proxy voting agencies, we believe that the primary concern around the Remuneration Policy related to the single issue of granting Restricted Share Plan (RSP) awards to Executive Directors. Whilst we will watch market developments around the use of these plans, we accept the experience from the 2017 AGM and will not re-submit proposals for the award of Restricted Shares to the 2018 AGM.

With the combination of AVEVA and the Schneider Electric industrial software business, we have reviewed the Remuneration Policy that was approved by shareholders last year, to ensure that it continues to be appropriate for the enlarged business. The Remuneration Committee determined that, for the most part, the current policy remains suitable for the Company over its next stage of development. In addition to the removal of the RSP from the Policy, we propose increasing the maximum salary cap from £600,000 to £900,000, in order to have the flexibility to award pay rises, if appropriate, over the life of the policy. Whilst this figure is a cap and does not reflect any form of aspiration, the CEO role has dramatically increased in scope following the completion of the transaction. The transformed AVEVA Group has many more product offerings across a wider range of markets, a larger global footprint and increased revenues. We also face a significant challenge over the next two years combining and integrating the two businesses. The sections on Pensions, Benefits, Annual Incentive and Long-Term Incentive Plans remain unchanged, save for any amendments made to remove reference to the RSP. We have again consulted extensively with shareholders about these adjustments and are confident that they are in their best interests.

As a result, we are proposing a new binding shareholder vote on this revised Policy, to be voted on at the 2018 AGM, and it is designed to be effective for a further three years. As per last year's Remuneration Report, the Policy comprises Part A of this Report. The Implementation Report comprises Part B and contains full details of how the Policy was implemented in 2017/18, together with an outline of our intentions for 2018/19.

Board changes during the year

As announced, Craig Hayman has joined AVEVA from PTC Inc. where he was most recently Chief Operating Officer. He was based in the US and will now relocate to the UK. Craig's remuneration package has been structured to comply with AVEVA's shareholder-approved remuneration policy and comprises a base salary of £700,000, a maximum bonus opportunity of 125% of salary, an annual performance-related LTIP award over shares worth up to a maximum of 250% of salary, a pension equal to 10% of salary, and standard benefits including a car allowance and relocation benefits.

In order to secure Craig's services the Company had to commit to compensate him by way of a "buy-out" for the loss of significant outstanding equity awards on leaving PTC, which had a maximum potential value of over £9 million. Craig, upon his appointment, received by way of "buy-out", a one-off grant of nil-cost options over AVEVA shares worth, at grant, £5.5 million, subject to a vesting schedule and other conditions. In structuring these buy-out awards, AVEVA has followed the best practice principles of offering a total potential buy-out of less value on grant than the current expected value of the awards lost, ensuring that those elements subject to pre-vesting performance conditions remain subject to conditions which are intended to be no less challenging and that no element of the buy-out is realised early. In addition, the awards will be subject to an additional requirement that Craig will normally be required to pay back any amounts vesting (net of tax) should he resign within 2.5 years of joining (or be dismissed for gross misconduct or under one of the summary termination provisions in his service agreement within 3 years of joining). For more details, see page 74.

Following Craig's appointment to the Board of AVEVA on 19 February, James Kidd moved to become Deputy CEO and CFO, while David Ward became Deputy CFO and Company Secretary and stepped down from the Board. James and David will continue to play vital roles in the enlarged Group, and as explained in the September 2017 circular, subject to and conditional upon a shareholder vote both will receive a one-off performance and retention award, with an initial value of £1,500,000 and £850,000 respectively. The awards will be paid in cash, subject to a requirement that 50% of the net cash received is invested in AVEVA shares. The awards are subject to continued employment and a performance underpin, with half of the award value also subject to meeting challenging and stretching business and integration related targets. This half of the performance award can vary from 75% to 125% of the initial award value.

Finally, the Board has proposed that the Company seeks to increase the cap on total Non-Executive Director fees under the Company's Articles of Association at the AGM from the current level of £550,000 to £700,000, recognising the enlarged Board.

Other Committee activities during the year

The Committee undertook a number of other activities during and relating to 2017/18, including:

- Agreement of the packages for Craig, James and David following their respective changes in role
- Setting the 2017/18 bonus targets and determining the ultimate bonus outturn (see page 71)
- Granting the 2017 LTIP awards, and
- Determining the vesting of the 2015 LTIP awards (see page 73)

In conclusion

I hope you find the contents of this Report clear and are supportive of the approaches and amendments proposed.

As we have made changes to the Policy, we are publishing it in full, as per last year. The Implementation Report contains full details of how the Policy was implemented in 2017/18, together with an outline of our intentions for 2018/19.

Finally, immediately prior to the Policy, overleaf, you will find a double spread, clearly outlining the 2017/18 remuneration arrangements.

Jennifer Allerton
Remuneration Committee Chair

Remuneration at a Glance

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

Directors' Remuneration policy

	Key elements	Applies to	2017/18	2018/19
Fixed pay	Salary (annual base)	Craig Hayman	£700k (from Feb 2018)	£700k
		James Kidd	£450k	£500k
		David Ward	£300k	n/a
	Pension allowance	All EDs	10% of salary	
	Benefits	All EDs	Car allowance, fuel allowance and £600 of flexible benefits	

		Applies to	Paid in June 2017	Paid in June 2018
Annual Bonus	**Performance period**	All EDs	**2016/17**	**2017/18**
	Maximum opportunity	All EDs	125% of salary	125% of salary
	Opportunity applied	All EDs	125% of salary	125% of salary
	KPIs	All EDs	Discretionary Remuneration Committee assessment against individual strategic performance objectives	Discretionary Remuneration Committee assessment against individual strategic performance objectives
	Payable	Craig Hayman	n/a	£48k (48% of maximum)[2]
		James Kidd	£63k (11% of maximum)	£563k (100% of maximum)
		David Ward	£31k (11% of maximum)[1]	£332k (100% of maximum)[3]

		Applies to	2017 award	2018 award
Long term incentives	**Performance period**	All EDs	1 April 2017 – 31 March 2020	1 April 2018 – 31 March 2021
	Maximum opportunity	Craig Hayman	250% of salary	250% of salary
		James Kidd	250% of salary	250% of salary
		David Ward	250% of salary	n/a
	Opportunity applied	Craig Hayman	250% of salary[2]	250% of salary
		James Kidd	150% of salary	175% of salary
		David Ward	150% of salary	–
	Time horizon	All EDs	3 year performance period, followed by a 2 year holding period.	
	Criteria	All EDs	EPS growth 50% Relative TSR performance 25% Strategic objectives 25%	EPS growth 50% Relative TSR performance 25% Strategic objectives 25%

		Applies to	Current requirement	Position at 31 March 2018
Ownership	**Share ownership guidelines**	Craig Hayman	200% of salary	0% of salary
		James Kidd	200% of salary	86% of salary

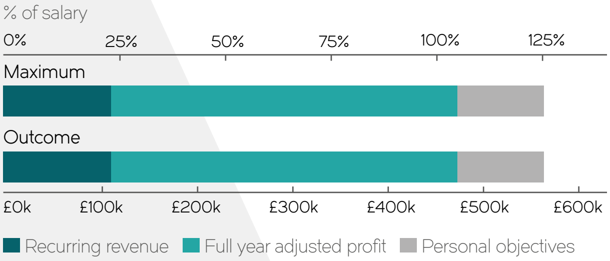
		2016/17	2018/19
CEO ratios	**CEO pay compared to median employee pay**	33:1	55:1

1 Outcome applied to pro rated salary from 8 July 2016 for David Ward
2 Outcome applied to pro rated salary from 19 February 2018 for Craig Hayman
3 Outcome applied to pro rated salary until 19 February 2018 for David Ward

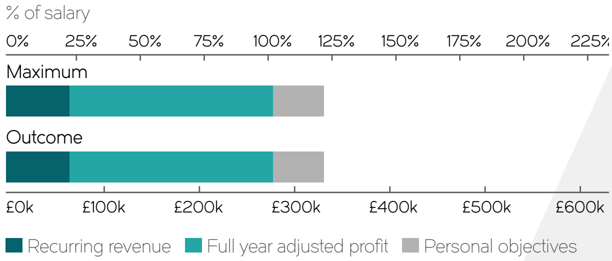
The charts below for the annual incentive scheme set out the performance achieved compared to the maximum opportunity for each of the components of the scheme, for each of the Executive Directors who served during the year. The maximum and outcome for Craig and David have been pro rated to reflect their appointment and retirement dates from the Board respectively.

Annual incentive scheme

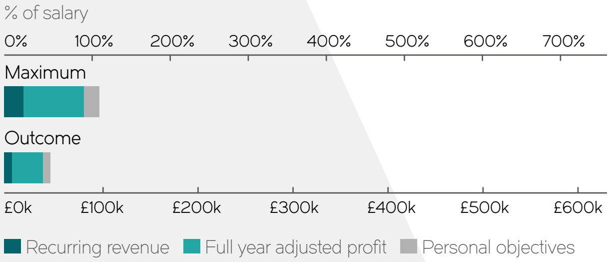
James Kidd



David Ward



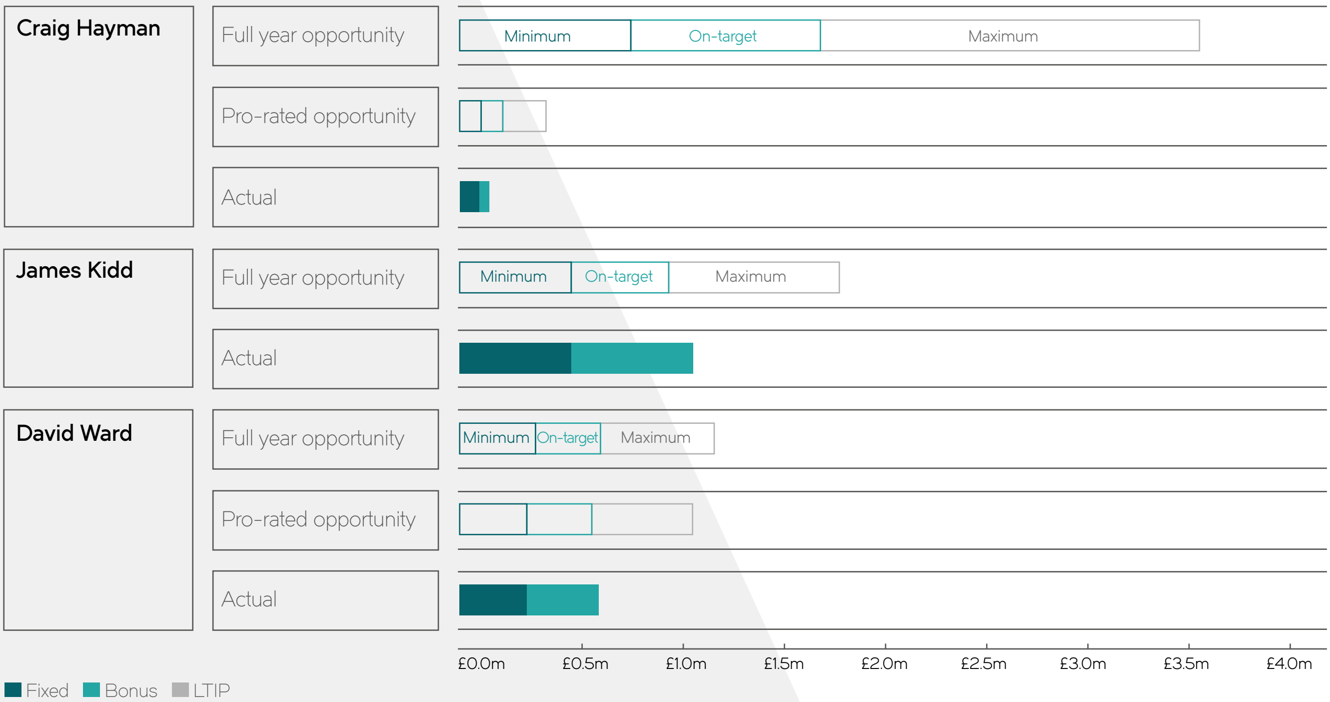
Craig Hayman



Long-term incentive scheme

Nil payout for any Executive Director.

Maximum total remuneration opportunity compared to actual remuneration received for the year ending March 2018



Remuneration Committee Report continued

Part A: the Directors' Remuneration Policy

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

The table below summarises the Committee's future policy on the remuneration of Executive Directors which, if approved by shareholders at the forthcoming Annual General Meeting on 11 July 2018, will replace the existing policy for which shareholder approval was obtained at the 2017 Annual General Meeting, and will become binding immediately thereafter. The material differences between the existing and proposed new policy (which has also been designed with due account taken of the UK Corporate Governance Code) are explained in the statement by the Committee Chair and also in the table below. It is currently intended that the policy will remain valid until the 2021 Annual General Meeting.

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

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

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			

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

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

Remuneration Committee Report continued

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

Policy table footnotes

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

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

Stating maximum amounts for the Remuneration Policy

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

Travel and hospitality

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

Committee discretion

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

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

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

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

Remuneration arrangements throughout the Group

Throughout the Group, remuneration is determined based on substantially the same principles: that remuneration arrangements should be appropriate for the role without paying more than is necessary and that pay should be structured to incentivise individuals to deliver the objectives of their role. AVEVA employs over 4,400 employees in over 80 locations with roles ranging from administrators to technical specialists and sales staff. The structure and level of reward therefore differs from role to role depending on skills, experience, level of seniority and market practice for the role. AVEVA's sales employees participate in commission plans that are designed to encourage the growth objectives of the Group. More senior employees have annual bonus plans, with the Executive Leadership Team receiving a portion of bonus in shares which is deferred for up to three years. Senior employees within the company participate in the LTIP and a Restricted Share Plan.

Selection of performance measures

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

Remuneration Committee Report continued

Remuneration Policy for new hires

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

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

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

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

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

Name	Date of Contract	Date of Appointment	Continuous Service Date
Current Executive Directors			
Craig Hayman	19 February 2018	19 February 2018	19 February 2018
James Kidd	17 February 2017	1 January 2017	5 January 2004
Non-current Executive Directors			
David Ward	19 July 2016	8 July 2016	17 January 2011

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

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

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

Remuneration Committee Report continued

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

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

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

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

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

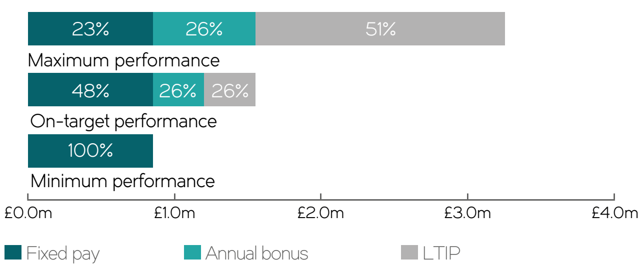
Remuneration outcomes in different performance scenarios
The remuneration package at AVEVA is structured so that the package rewards performance over both the short and long term to ensure that reward is aligned with shareholder value creation.

The table and charts below show hypothetical values of the remuneration package for Executive Directors under three assumed performance scenarios. Note that these values do not include Craig's buy-out awards nor James's Performance and Retention Award, both of which are one-off in nature.

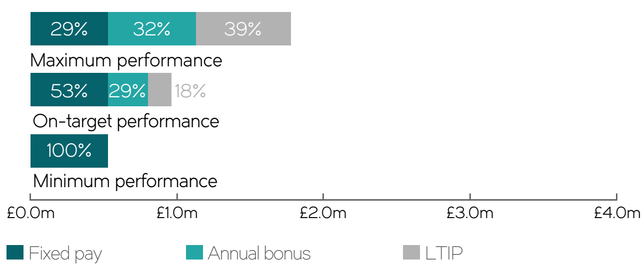
		Awards as a % of salary	
		CEO	Deputy CEO and CFO
Maximum performance	Annual bonus scheme (full pay-out)	125%	125%
	Long-term incentive plan (LTIP) (maximum vesting)	250%	175%
	Total	**375%**	**300%**
On-target performance	Annual bonus scheme (50% pay-out)	62.5%	62.5%
	Long-term incentive plan (25% vesting)	62.5%	44.8%
	Total	**125%**	**107.3%**
Minimum performance	Annual bonus scheme (nil pay-out)	0%	0%
	Long-term incentive plan (nil vesting)	0%	0%
	Total	**0%**	**0%**

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

Craig Hayman



James Kidd



Remuneration Policy for Non-Executive Directors

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

The Board has proposed that the Company seeks to increase the cap on total Non-Executive Director fees under the Company's Articles of Association at the AGM from the current level of £550,000 to £700,000, recognising the enlarged Board. The Non-Executive Directors have appointment letters, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services are at the direction of the shareholders.

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

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

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

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

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

Remuneration Committee Report continued

Part B: the Implementation report

The Remuneration Committee
The Remuneration Committee is appointed by the Board. The current members are Jennifer Allerton (Chair), Ron Mobed and Emmanuel Babeau, with Christopher Humphrey stepping down from the Committee from 1 March 2018. All the Committee members except for Emmanuel are regarded by the Board as independent Non-Executive Directors. Jennifer has been a member of the Remuneration Committee since 2013 and succeeded Philip Dayer as Chair on 7 July 2017. Committee meetings are also regularly attended by the CEO, Deputy CEO and CFO, and Chief Human Resources Officer (CHRO) at the invitation of the Chair, to provide company insight and advice to help the Committee consider appropriate remuneration. No Committee member or invited attendee is present during the discussion of their own remuneration.

The role of the Committee is set out in its terms of reference which are available on the company's website at www.aveva.com. The Committee's primary responsibility is to determine the remuneration package of both the Company's Executive Directors and its senior management within broad policies agreed with the Board.

Membership and attendance

Chair	
Jennifer Allerton	6/6
Committee members	
Ron Mobed	6/6
Philip Dayer[1]	1/1
Christopher Humphrey[2]	5/5
Emmanuel Babeau[3]	1/1
Attending by invitation	
CEO	
Deputy CEO and CFO	
CHRO	

1 Resigned 7 July 2017
2 Resigned 1 March 2018
3 Appointed 1 March 2018

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

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

Advice and auditors
FIT Remuneration Consultants are the appointed advisors to the Committee. They provide independent advice on comparator information and general remuneration. Fees are charged on a time spent basis and the fees paid during the year to FIT Remuneration Consultants in relation to the advice provided to the Committee were £107,312 (2017 – £61,019). FIT provide no other services to the Company and so the Committee are content that their advice is objective and independent.

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

Shareholder voting and engagement
The table below shows the results of the most recent votes on the Policy (July 2017) and Implementation Report (July 2017).

	Votes for	Votes withheld	Percentage	Votes against	Percentage
Directors remuneration policy – AGM 2017	26,846,776	1,667,546	56.45%	20,715,431	43.55%
Directors remuneration report – AGM 2017	35,968,139	734,773	74.17%	12,526,840	25.83%

Implementation of policy for the year ended March 2018 and for the forthcoming year ended March 2019

Base salary

Craig Hayman joined AVEVA as CEO on 19 February 2018 with a salary of £700,000. Ordinarily salaries are reviewed annually with increases effective from 1 April each year, but Craig's salary will not be reviewed until April 2019.

Whilst James Kidd is no longer CEO, in recognition of the fact that his new role is significantly more complex following the completion of the combination, the Committee determined that he should remain on his existing salary for the remainder of 2017/18. From 1 April 2018, James Kidd's salary has been £500,000.

David Ward ceased to be an Executive Director and so his remuneration arrangements after 19 February 2018 fall outside of the scope of this report.

Base salary with effect from	Craig Hayman	Increase	James Kidd	Increase
1 April 2017	£700,000		£450,000	
1 April 2018	£700,000	0%	£500,000	11%

Benefits

In 2017/18, Executive Directors were provided with a car and fuel allowance totalling £19,200, and a £600 annual allowance towards a range of flexible benefits. There is no proposed change to either the benefits structure or quantum for 2018/19. Craig will receive reimbursement for relocation expenses up to a maximum of £70,000.

Pension

Craig Hayman, James Kidd and David Ward are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). James Kidd receives a cash in lieu allowance in line with the detail in the policy table. The Company pension contributions will remain at 10% of salary.

Annual Incentive Scheme

For 2017/18, the maximum opportunity for Executive Directors under the annual incentive was 125% of base salary, requiring a stretch level of performance for full payout. Craig received a pro-rated bonus payment for 2017/18, and will be eligible for a full year's bonus payment for 2018/19, subject to the restrictions and conditions outlined in the policy table.

The performance targets were based on
(1) Group adjusted profit before tax (PBT) targets, with a maximum weighting of 80% of salary,
(2) Recurring revenue, with a maximum weighting of 25% of salary, and
(3) Key performance objectives, with a maximum of 20% of salary available. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 10% should the Group adjusted PBT target not be met.

The performance targets for 2018/19 are based on
(1) Group adjusted PBT targets, with a weighting of 50% of salary,
(2) Total Group revenue, with a weighting of 50% of salary, and
(3) Key performance objectives, with a weighting of 25% of salary. As before, this element will be capped at a maximum achievement of half the available amount should the Group adjusted PBT target not be met.

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

40% of any award made under the Annual Incentive Scheme, irrespective of the amount, is payable in deferred shares as per the policy, and is subject to a three-year vesting period, but with no further performance conditions. There is no proposed change to either the annual incentive scheme structure or quantum for 2018/19.

Remuneration Committee Report continued

Long-Term Incentive Plan

The structure of the LTIPs issued in 2017 and intended to be issued in 2018 are as summarised below:

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

The Committee will maintain the previous approach of a mix of TSR, EPS and strategic measures for the 2018 awards with the same weighting on each element as for the 2017 grants. The TSR element will maintain the same median to upper quartile scale although comparison will be made against a bespoke group of 23 international software companies rather than a sub-set of the FTSE 250. The TSR comparator group for the 2017 LTIP will not change from what was set and disclosed in the previous year's Remuneration Report.

The strategic objectives will be a sliding scale of revenue growth targets, and link directly to the Company's strategic objectives, which can be found on pages 18 and 19. 25% of this element will vest at threshold level of performance, with full vesting at maximum achievement. The sole criterion is total revenue growth. Due to commercial sensitivity, the Committee does not believe it to be in shareholders' interests to prospectively disclose details of the revenue growth targets. However, they will be objectively measurable and significant outperformance will be required to deliver full vesting, and the targets will be disclosed retrospectively following vesting, with vesting only occurring if the Committee is satisfied that the Company's underlying financial performance warrants such payment. The strategic objectives disclosed in last year's Remuneration Report were for Owner Operator revenue growth and More than 3D revenue growth. Following the combination, the Committee has determined that these two strategic measures are no longer relevant, and the achievement made in year 1 of the three year performance period should be ignored. For the 2017 LTIPs already issued, the replacement strategic measure shall be measured over a two-year period, being years 2 and 3 of the three-year performance period.

The Committee is considering the appropriate EPS scale for this grant in light of the creation of the enlarged group (but confirms that the 2018 award will not be subject to a lower scale than that applying for the 2017 grants). The Committee will confirm the EPS range in next year's report together with an indication of the strategic measures (with the actual targets being disclosed at vesting consistent with current practice).

Single total figure of remuneration for Executive Directors (audited)

The following table sets out the single figure of total remuneration for Executive Directors for the 2017/18 and 2016/17 financial years.

	Salary[1] £'000	Benefits £'000	Annual bonus £'000	LTIPs £'000	Pension £'000	Total £'000
Craig Hayman 2017/18 (from 19 February 2018)	**80**	**2**	**48**	**–**	**7**	**137**
Craig Hayman 2016/17	–	–	–	–	–	–
James Kidd 2017/18	**450**	**20**	**562**	**–**	**39**	**1,071**
James Kidd 2016/17	351	20	63	–	30	464
David Ward 2017/18 (until 19 February 2018)	**266**	**18**	**332**	**–**	**27**	**643**
David Ward 2016/17	168	15	31	–	17	231

1 Calculated as 1.37 months of £700,000 for Craig, and 10.63 months of £300,000 for David. Similar calculations apply for benefits, annual bonus and pension figures.

Elements of single figure of remuneration for the year ended March 2018

The amounts of base salary, benefits and pension are as described on the previous two pages.

Annual incentive

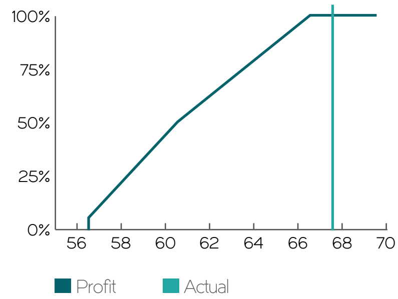
This reflects the total annual incentive paid and payable in July 2018 based on performance in the year ended 31 March 2018. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

Whilst the financial targets were met in full in the year, the Committee determined that as Craig only joined the Board in February, he would be awarded only target levels of achievement, instead of the maximum amounts payable.

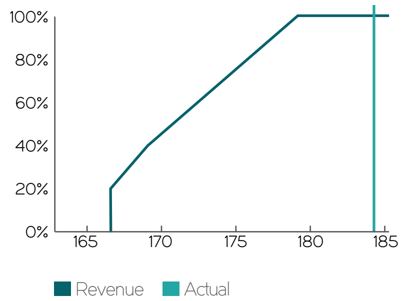
Metric	Thresholds (Min), Budget (Mid) and Targets (Max)	Actual	% of Max achieved	Craig Hayman Max	Craig Hayman Actual	James Kidd Max	James Kidd Actual	David Ward Max	David Ward Actual
Group (heritage AVEVA) adjusted PBT	Min: £57.48m, pays out 6.25%	£67.81m	100%	80%	40%	80%	80%	80%	80%
	Mid: £60.50m, pays out 50%								
	Max: £66.55m, pays out 100%								
Recurring revenue (heritage AVEVA)	Min: £166.0m, pays out 20%	£184.2m	100%	25%	10%	25%	25%	25%	25%
	Mid: £168.4m, pays out 40%								
	Max: £176.9m, pays out 100%								
Strategic objectives	see below	see below	100%	20%	10%	20%	20%	20%	20%
Totals as a percentage of salary				125%	60%	125%	125%	125%	125%
Bonus receivable					£47,923[1]		£562,500		£332,188[2]
Granted in cash (60%)					£28,754		£337,500		£199,313
Granted in shares (40%)					£19,169		£225,000		£132,875

1 Pro rated to 1.37 months for Craig Hayman
2 Pro rated to 10.63 months for David Ward

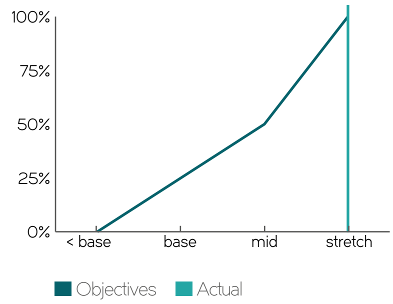
Group adjusted PBT



Recurring revenue



Strategic objectives



The Executive Directors were given individual strategic objectives worth 20% of salary. For James and David, these all related to completion of the Schneider Electric Software transaction, specifically that all work had been completed so that the transaction could be announced by September 2017, that all relevant competition filings and EGM had occurred by December 2017 and that the deal completed by May 2018. All objectives were met and the deal completed on 1 March 2018. The Committee therefore consider that the targets have been met in full. Craig achieved two of his three objectives in the six weeks from date of joining, specifically that he completed a review of the organisational structure, and announced a new operating cadence and Executive Leadership Team to manage the business efficiently and consistently by 31 March 2018. Delivering a new corporate strategy was not achieved.

Long-Term Incentive Plan

This includes the LTIP awards granted under the Long-Term Incentive Plan in 2015 that were capable of vesting based on performance in the three-year period ended 31 March 2018.

These awards were subject to the delivery of EPS growth. 0% of awards vest for diluted adjusted EPS growth of less than 12% p.a., with 100% of awards vesting for diluted adjusted EPS growth of 20% p.a. Average diluted EPS growth for the three-year performance period did not reach the minimum 12% p.a. growth needed and therefore 0% of the LTIP awards shall vest.

Remuneration Committee Report continued

Other information in relation to 2017/18

Scheme interests awarded in the year (audited)

The following tables set out details of the LTIP 2014 and deferred share awards made to the Executive Directors during 2017/18:

Executive Director	Date of grant	Basis of Award	Face Value of Awards[1]	Performance Period
Craig Hayman	6 March 2018	250% of base salary, pro-rated for service	£300,000[2]	1 April 2017–31 March 2020
James Kidd	8 September 2017	150% of base salary	£675,000	
David Ward	8 September 2017	150% of base salary	£450,000	

1 To determine the number of shares over which these awards were made, a share price was used of 1,851p for Craig's March 2018 grant, and 2,240p for James and David's September 2017 grant, being the average share price for the three days prior to the award.
2 Craig's award was rounded up to 2 complete months, and the result (£291,667) rounded up to £300,000.

Deferred Share Awards

Executive Director	Date of grant	Basis of Award	Face Value of Awards[3]	Performance Period
James Kidd	3 July 2017	Deferred element of 2016/17 annual incentive	£24,557	No performance period. Awards vest in equal tranches on the date of announcement in June 2018, May 2019 and May 2020
David Ward	3 July 2017		£13,034	

3 This is calculated as the number of deferred shares issued in the year, multiplied by the closing share price the day before the preliminary announcement last year (22 May 2017) of 2,043p.

Performance and Retention Awards (PRAs)

A one-off performance and retention award has been put in place for both James Kidd and David Ward subject to, and conditional upon, shareholder approval at the 2018 AGM. The gross initial grant values are £1,500,000 and £850,000 respectively. The awards are divided into two equal parts: (i) the retention award is subject to continued employment within the AVEVA Group, as well as the satisfaction of a performance underpin; and (ii) the performance award is subject to the same conditions as the retention award and in addition, further subject to satisfaction of stretching and challenging business and integration-related targets and objectives. Subject to the extent to which these performance targets and objectives are satisfied, the portion of the performance award that shall vest will be between 75% and 125% of the initial value. Note that the performance award is also subject to a performance underpin, and the Remuneration Committee may in its absolute discretion reduce the amount payable if they determine that, in its opinion, the amounts payable do not reflect the underlying performance of the Group or the individual during the relevant vesting period.

One third of the total award will vest and become payable from the first anniversary of the date of completion (i.e. 1 March 2019) and the remaining two thirds shall vest and become payable from the second anniversary (i.e. 1 March 2020), subject to continued employment and performance conditions as described above.

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

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

Shareholding guidelines and interests in shares (audited)

Executive Directors are required to build up a shareholding from vested Long-term Incentive awards. Shares are valued for these purposes at the year-end price, which was 1,911p at 31 March 2018.

	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary)		Shares owned outright at end of year	
			2017/18	2016/17	2017/18	2016/17
Craig Hayman	200%	No	–	–	–	–
James Kidd	200%	On-target	86%	85%	20,367	17,468
David Ward	0%	n/a	13%	5%	2,081	555

Outstanding scheme interests (audited)

	As at 1 April 2017	Normal grants during the year	Return of value and dividend equivalent	Exercised during the year[1]	Lapsed/ forfeited during the year	As at 31 March 2018	Exercise price (p)	Gain on exercise of share options
Craig Hayman								
LTIP	–	16,204	–	–	–	16,204	3.556	n/a
Deferred shares	–	–	–	–	–	–	n/a	n/a
James Kidd								
LTIP	66,441	27,596	31,346	–	(16,550)	108,833	3.556	n/a
Deferred shares	1,327	772	667	(899)	–	1,867	nil	22,232[1]
David Ward								
LTIP	23,294	18,398	18,573	–	(3,584)	56,681	3.556	n/a
RSP[2]	4,205	–	1,566	(1,401)	–	4,370	3.556	33,442[3]
Deferred shares	125	412	226	(125)	–	638	nil	3,091[1]

1 Market value at exercise date was 2,473p
2 David Ward was granted Restricted Share Plan (RSP) awards in 2015 when he was part of the senior management team, prior to his Executive Director appointment
3 Market value at exercise date was 2,387p

Summary of LTIP targets for all LTIPs in issue

Existing AVEVA LTIPs

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

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

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

Date of award	Options granted to Executive Directors	Period of performance measurement	Diluted adjusted EPS[1] growth threshold	Diluted adjusted EPS[1] growth midpoint	Diluted adjusted EPS[1] growth maximum	Diluted adjusted EPS[1] growth achieved	Achievement
21 July 2014	49,429	2014/15 – 2016/17	12%	16%	20%	-9.1%	Target not met, award did not vest
21 July 2015	61,615	2015/16 – 2017/18	12%	16%	20%	6.0%	Target not met, award did not vest
13 July 2016	86,712	2016/17 – 2018/19	5%	10%	15%		Performance period not yet completed
8 September 2017 6 March 2018	45,994 31,063	2017/18 – 2019/20	5%	10%	15%		Performance period not yet completed

1 The definition of and figures used for diluted adjusted EPS are provided in note 13 in the notes to the consolidated financial statements on page 107.

Remuneration Committee Report continued

Buy-out awards for new CEO

In order to secure Craig's services the Company had to commit to compensate him by way of a "buy-out" for the loss of significant outstanding equity awards on leaving PTC, which had a maximum potential value of over £9 million. In structuring these buy-out awards we have followed best practice principles:

- the total potential buy-out is lower than the current expected value of the awards lost
- those elements subject to pre-vesting performance conditions remain subject to conditions which are intended to be no less challenging
- no element of the buy-out is realised early.

The value of the awards at grant totalled £5.5 million. Whilst this figure is significant in a UK context, the Remuneration Committee determined it was necessary and appropriate to make these awards.

The structure of the awards is summarised as follows:

Award	Basis of Award	Number of shares	Face value of awards[1]	Percentage vesting at threshold performance	Vesting dates
Retention	Fair value equivalence with awards forgone in previous employment	104,862	£1,945,000	n/a	15 November 2018
		66,238	£1,229,000	n/a	15 November 2019
		22,015	£408,000	n/a	15 November 2020
	Sub total	193,115	£3,582,000		
					Performance period
Performance	AVEVA Group plc's relative TSR performance over a 2 or 3 year period	40,766	£756,000	25%	1 October 2015 – 30 September 2018
		31,299	£581,000	25%	1 October 2016 – 30 September 2018
		31,299	£581,000	25%	1 October 2016 – 30 September 2019
	Sub total	103,364	£1,918,000		
	Grand total	**296,479**	**£5,500,000**		

1 Shares are valued for these purposes at the date of Craig's appointment (19 February 2018).

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

Dilution

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

Payments made to past Directors (audited)

Richard Longdon received a salary of £31,250 per month for the period 1 January 2017 to 31 December 2017 whilst he conducted the role of President. Following successful completion of his Presidential role, in December 2017 he was awarded a bonus equal in value to one-third of his calendar 2017 salary, or £125,000. This payment was not performance-related. LTIP awards previously granted shall vest as per the scheme rules, as summarised on page 65. There was no vesting of the 2015 LTIP as the target was not met.

David Ward continued on the same terms for the remainder of the year in which he served in his capacity as a Director. He ceased being a Director on 19 February 2018, after 10.63 months of the year. The figures disclosed in the tables in this report are pro-rated by this ratio. The payments made to David after this date were for 1.37 months of the year and totalled £76,900, comprising salary of £34,250, benefits of £2,261, pension contributions of £3,425 and bonus of £42,813.

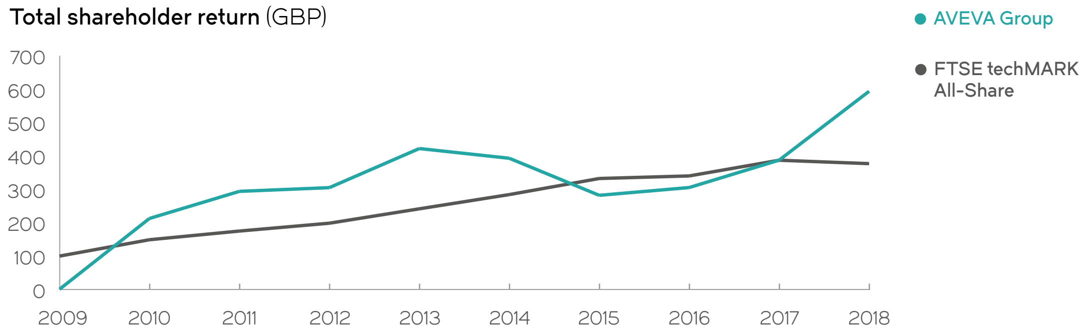
No other payments were made during 2017/18.

Payments for loss of office (audited)

No payments were made for loss of office during 2017/18.

Total shareholder return v. techMARK All-Share Index 2009–2018

The graph below shows performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index. Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period.



The Directors consider the techMARK All-Share Index to be an appropriate choice as the Index includes AVEVA Group plc.

CEO single figure nine year history

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

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Richard Longdon (to 31 December 2016)	818	695	1,003	963	1,163	517	561	395	–
James Kidd (1 January 2017 to 18 February 2018)	–	–	–	–	–	–	–	127	949
Craig Hayman (19 February 2018 onwards)	–	–	–	–	–	–	–	–	137
CEO single figure of total remuneration (£'000)[1]	**818**	**695**	**1,003**	**963**	**1,163**	**517**	**561**	**522**	**1,086**
Annual incentive pay-out (% of maximum)	100%	100%	68%	94%	50%	8%	8%	18%	91%[2]
LTIP pay-out (% of maximum)	100%	0%	100%	33%	94%	0%	0%	0%	0%

1 Following the merger with SES, Craig Hayman became CEO on 19 February and James Kidd became Deputy CEO and CFO. The CEO single figure of total remuneration represents the sum of the total remuneration received by James for the first 10.63 months of the year and by Craig since his date of joining.
2 Calculated as the weighted average of James receiving 100% of maximum and Craig receiving 48% of maximum.

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

The table below illustrates the percentage change in salary, benefits and annual incentive for the CEO and two selected sub-sets of employees (including only those employees who were employed at the start of the 2016/17 financial year through to the end of the 2017/18 financial year on a heritage AVEVA basis). The UK employee base has been chosen because this is where the Group offices of heritage AVEVA are headquartered, and employed just over one-quarter of its workforce (at the date the comparison data is targeted, 1 April 2017). Typical salary inflation in some other AVEVA locations is materially higher than the UK, which would distort the comparison.

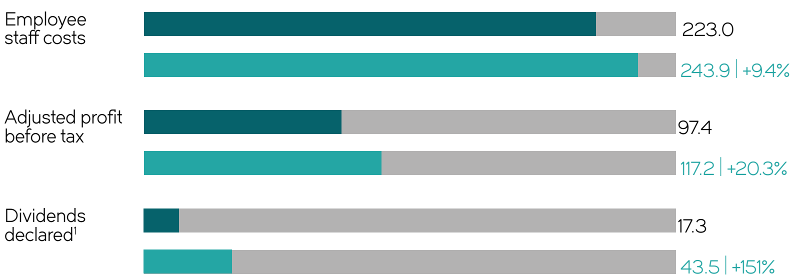
% change (2016/17 to 2017/18)	CEO	Executive Leadership Team	UK employees
Base Salary	2%	15%	2.5%
Benefits	0%	0%	0%
Annual Bonus	407%	456%	242%

Remuneration Committee Report continued

Relative importance of spend on pay

The chart below illustrates the year-on-year change in total remuneration for all employees in the Group compared to adjusted profit before tax and distributions to shareholders. The Committee determined adjusted profit before tax was an appropriate measure for this chart as it is one of the Group's key performance indicators and is the primary measure for the annual incentive scheme.

Relative importance of spend on pay (GBP millions)



1 Dividends declared during the year represent the sum of the interim and final dividends for the reported year.

Outside appointments

The Board believes that accepting Non-Executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis. None of Craig, James nor David held any outside appointments during the periods they acted as Directors.

Total pension entitlements

The Company's defined benefit scheme is not open to new members, and none of the Executive Directors in the year are or have ever been a member. All the Executive Directors in the year were members of the AVEVA Group Personal Pension Plan, a defined contribution pension scheme. All Directors by virtue of their level of income are subject to a cap on pension contributions of £10,000 per annum. David was able to utilise unused carryover from previous years, whereas James has no carryover available and thus elected to receive a cash alternative, as allowed under the policy. During 2017/18, David, in his capacity as a Director, received employer contributions of £26,575 (2016/17 – £16,794), James received cash in lieu of contributions of £38,790 (2016/17 – £30,300), and Craig received employer contributions of £6,885 (2016/17 - nil).

Non-Executive Directors (NEDs)

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

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

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

	2017/18 fees £	2016/17 fees £
Philip Aiken (Chairman)	**192,000**	187,000
Philip Dayer (resigned 7 July 2017)	**19,735**	71,500
Jennifer Allerton[1]	**58,674**	49,000
Christopher Humphrey (appointed 8 July 2016)[2]	**70,174**	43,834
Ron Mobed (appointed 1 March 2017)	**50,300**	4,083
Emmanuel Babeau (appointed 1 March 2018)[3]	**–**	–
Peter Herweck (appointed 1 March 2018)[3]	**–**	–

1 Jennifer was appointed Chair of the Remuneration Committee on 7 July 2017, following Philip Dayer's retirement
2 Christopher was appointed Senior Independent Director on 7 July 2017, following Philip Dayer's retirement
3 Emmanuel and Peter have waived their fees for their first three-year term (1 March 2018 to 28 February 2021)

Implementation of remuneration policy for NEDs in 2018/19

NEDs do not participate in any of the company's incentive arrangements nor do they receive any benefits. Their fees are reviewed at appropriately regular intervals, usually annually, against those for companies of a similar scale and complexity to AVEVA, and were last reviewed in February 2018 when the Board and Chairman fees were increased 19% and 41% respectively to reflect the significant increase in market capitalisation, company size and time commitment expected of NEDs. The increased fees were introduced with effect from 1 April 2018. The Chairman's fees are set by the Committee and the Chief Executive; those for the NEDs are set by the Board as a whole. The table below shows the annual fees payable for each of the NED roles held in the year.

Role	2018/19 fees £	2017/18 fees £
Chairman	**270,000**	192,000
Basic Non-Executive Director fee	**60,000**	50,300
Vice Chairman	**40,000**	n/a
Committee Chairman fee (Audit and Remuneration)	**11,500**	11,500
Senior Independent Director	**11,500**	11,500

NEDs' interests in shares (audited)

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

	Shares owned outright at 31 March 2018	Shares owned outright at 31 March 2017
Philip Aiken (Chairman)	**2,337**	1,537
Jennifer Allerton	**12,000**	6,000
Christopher Humphrey	**4,000**	3,000
Ron Mobed	**3,000**	–
Emmanuel Babeau	**–**	–
Peter Herweck	**–**	–

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

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

Jennifer Allerton
Remuneration Committee Chair
14 June 2018

Other statutory information

Results and dividends
The Group made a profit for the year after taxation of £47.7 million (2017 – £38.4 million). Revenue was £499.1 million (2017 – £432.8 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 27.0 pence per ordinary share (2017 – 27.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 3 August 2018 to shareholders on the register at close of business on 6 July 2018.

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

The Key Performance Indicators used by AVEVA to measure its own performance at the Group level include total revenue, recurring revenue, adjusted profit before tax, adjusted diluted earnings per share and headcount and are provided in full on page 35. The figures for the year ended 31 March 2018 are set out on page 35, together with figures for the previous year, and a discussion of the principal risks and uncertainties facing the Group is included on pages 31 to 34.

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

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

Financial instruments
The Group's financial risk management objectives and policies are discussed in note 26 to the consolidated financial statements.

Directors and their interests
The current Directors are shown, together with brief biographical details, on pages 44 and 45. Resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors. David Ward served as a Director during the year, holding the position of Chief Financial Officer until 19 February 2018.

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2018 in respect of transactions notifiable under Disclosure and Transparency Rule 3.1.2 that have been disclosed to the Company are as follows:

	At 31 March 2018 ordinary shares	At 31 March 2017 ordinary shares
Philip Aiken	**2,337**	1,537
Craig Hayman	**–**	–
James Kidd	**20,367**	17,468
Jennifer Allerton	**12,000**	6,000
Chris Humphrey	**4,000**	3,000
Ron Mobed	**3,000**	–
Emmanuel Babeau	**–**	–
Peter Herweck	**–**	–

No changes took place in the interests of Directors in the shares of the Company between 31 March 2018 and 14 June 2018.

Directors' share options are disclosed in the Remuneration Committee Report on pages 72 and 73.

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

Conflicts of interest
Throughout the year the Company has operated effective procedures to deal with potential or actual conflicts of interest. During the year no conflict arose requiring the Board to exercise its authority or discretion.

Share capital
Details of the issued share capital can be found in note 30 to the consolidated financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

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

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

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

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

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

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

Dividends, distributions and liquidation

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

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

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

Change of control

All of the Company's share-based plans contain provisions relating to change of control. Outstanding awards and options normally vest and become exercisable on a change of control, subject to the satisfaction of any relevant performance conditions at that time.

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

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

Articles of Association

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

Powers of the Directors

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

Appointment of Directors

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

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at the preceding two Annual General Meetings and who was not appointed or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2018 to stand for re-election.

Other statutory information continued

Substantial shareholdings

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

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

	As at 31 March 2018		As at 31 May 2018	
Name of holder	Number	Percentage held %	Number	Percentage held %
Schneider Electric SE	97,169,655	60.3%	97,169,655	60.3%
Aberdeen Standard Investments	6,601,779	4.1%	7,401,814	4.6%

Listing Rules disclosures

For the purpose of LR9.8.4C R, the only applicable information required to be disclosed in accordance with LR9.8.4 R can be found in the section below titled Employee Benefit Trust. The information concerned is in respect of shareholder waiver of dividends and future dividends.

Annual General Meeting

The Annual General Meeting will be held on 11 July 2018 at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2HA. The Notice of the Annual General Meeting is being sent to shareholders along with this Annual Report, which contains details of the resolutions proposed.

Employee Benefit Trust

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. The Trust holds a total of 14,758 ordinary shares in AVEVA Group plc representing 0.01% (2017 – 10,857 shares representing 0.02%) of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

Disabled employees

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

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

Employee involvement

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

Directors' indemnity

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

Greenhouse gas emissions reporting

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

Auditor

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

Statement of Directors' responsibilities in relation to the financial statements

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

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

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

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

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

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

Disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 44 and 45. Each of these Directors confirms that:

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

Fair and balanced reporting

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

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

Each Director of the Company (whose names and functions appear on pages 44 and 45) confirms that (solely for the purpose of DTR 4) to the best of their knowledge:

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

On behalf of the Board

Craig Hayman
Chief Executive
14 June 2018

James Kidd
Deputy Chief Executive & Chief Financial Officer
14 June 2018

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

David Ward
Deputy CFO & Company Secretary
14 June 2018

STRONG FINANCIAL PERFORMANCE

Financial Statements

Independent Auditor's Report to the Members of AVEVA Group plc

Opinion

In our opinion:

- AVEVA Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Group	Parent company
Consolidated balance sheet as at 31 March 2018	Balance sheet as at 31 March 2018
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

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

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures in the annual report set out on pages 31–34 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 31–34 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 31–34 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 31–34 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of inappropriate revenue recognition on software licence contracts, in particular: – Inappropriate application of the group revenue recognition policy and IAS 18 (Revenue) for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and – Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on Percentage of Completion (PoC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete. • Acquisition accounting, including determining whether the transaction meets the definition of a reverse acquisition based upon the requirements of IFRS 3 – Business Combinations and the audit of the judgements and assumptions applied by management to calculate the purchase price allocation and fair value adjustments to identifiable assets.
Audit scope	• We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further nine components. • The components where we performed full or specific audit procedures accounted for 98% of adjusted Profit before tax 76% of Revenue and 91% of Total assets.
Materiality	• Overall Group materiality of £3.5m which represents 5% of adjusted pre-tax profit.

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

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition on software licence contracts – £499.1m (2017 – £432.8m) In particular, the risks are: • Inappropriate application of the group revenue recognition policy and IAS 18 (Revenue) for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and • Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on Percentage of Completion (PoC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete. Refer to the Audit Committee Report (page 52); Accounting policies (page 98); and Note 2 of the Consolidated Financial Statements (page 93).	We have reviewed and walked through the central process over the approval and recognition of revenue contracts across the group. We have walked through and assessed the design effectiveness of key management controls over data input and IT. A summary of our key procedures are: We have performed licence revenue transaction testing at a local and group level to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IAS 18 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts by: • agreeing licence revenues to signed contracts or software licence agreements; • agreeing the revenue to subsequent payment as evidence of collectability; • checking evidence to support that software has been delivered to customers and prior to revenue recognition; • reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of deferred revenue; • ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract; and • assessing whether revenue has been recognised in line with the Group's revenue recognition policy and IAS 18. We selected a sample of revenue journals and assessed the appropriateness of the journal by checking to supporting evidence and ensuring compliance with the Group's revenue recognition policy and IAS 18. The sample selected was based on risk based criteria including but not limited to manual journal entries, those close to period end and postings that are inconsistent with roles and responsibilities. We have performed an independent assessment as to whether the fair value rate of the support and maintenance is still applicable and that any non-standard contracts have an appropriate fair value rate applied. To validate our understanding of contractual terms with customers and to identify any contractual issues or any ongoing contractual obligations, we made enquiries of management outside the finance function, including the sales team and legal counsel to ensure that appropriate obligations and commitments had been recorded in the financial statements. We have performed a test of detail on a sample of deferred revenue and accrued revenue items to ensure it is in accordance with the revenue recognition principles. We have performed analytical review by revenue stream and geography to assess unexpected trends and patterns that could be indicative of incorrect revenue recognition. We have performed cut-off testing for a sample of revenue items booked either side of year end to ensure that licence revenue was only recognised for software in the period where the contract was signed by both AVEVA and the customer prior to year-end and the software has been made available prior to the year end. For projects accounted for under 'Percentage of Completion' (PoC), we evaluated judgements made by the management regarding the expected costs to complete estimate and the timing and recognition of variation orders. We also tested the cut-off of project costs.	We conclude that revenue recognised in the year, and deferred as at 31 March 2018, is materially correct on the basis of our procedures performed both at group and by component audit teams.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	We tested management's approach to project accounting, including projects acquired as a result of the Schneider transaction. Where detailed procedures were performed by overseas teams, the primary team exercised oversight of the testing and performed additional testing of contracts over £5m or containing non-standard terms. For related party transactions between Schneider Electric Software and the Schneider Electric Group, we obtained evidence that the performance obligations had been fulfilled and that they form part of the related party disclosures. We performed full and specific scope audit procedures over this risk area in 15 locations, which covered 76% of the risk amount. As a primary team, we also performed specified procedures over the revenue in 2 locations, which covered 3% of the risk amount.	
Acquisition accounting On 1 March 2018, AVEVA Group plc acquired the Schneider Electric software business for £550m in cash, in exchange for 60% of its fully diluted share capital. Judgement is required in determining whether the transaction meets the definition of a reverse acquisition based upon the requirements of IFRS 3 – Business Combinations. As the acquisition accounting is complex and the associated balances are highly material, we have designated this as an audit risk in the current year. The Group has calculated the Purchase Price Allocation and identified fair value adjustments to identifiable assets. The identification and valuation of intangibles is a judgemental area and involves a number of management assumptions.	We assessed whether management's judgement that the transaction was a reverse acquisition in accordance with IFRS 3, was the appropriate accounting treatment. We reviewed management's accounting paper setting out how the control criteria have been achieved and corroborated this to supporting evidence. We also obtained the Purchase Price Allocation (PPA) prepared by management's experts. We read the sales and purchase agreement to check whether the terms and conditions of the transaction have accurately been reflected in the accounting entries and management's Purchase Price Allocation. We assessed the key information used in determining the purchase price allocation including the discount rate, cash flow forecasts and other prospective financial information and the useful lives assigned, utilising our specialist support as necessary. As described in the 'Other matter' paragraph below, the comparative information presented in these consolidated financial statements is that of the acquired Schneider Electric software business. We obtained sufficient appropriate audit evidence regarding the opening balances, including the selection and application of accounting principles. This included a review of Ernst & Young Audit (France)'s working papers in connection with its assurance opinion on those balances, under the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. In this review, we considered whether further procedures were required to align with the requirements of ISAs (UK). We also performed procedures to compare the application of accounting principles and presentation with AVEVA Group plc. Together with our valuation specialists we corroborated material opening net assets, fair value adjustments, and separately identifiable tangible and intangible assets, including adjustments necessary to align the accounting policies. We assessed the tax methodology and rates applied by management when calculating the associated deferred tax adjustments arising from the acquisition accounting. As a primary team. we read the disclosures within the annual report and accounts in relation to the business combination to establish whether they have been prepared in accordance with applicable accounting standards.	We concluded that the transaction was properly accounted for as a reverse acquisition in accordance with IFRS 3, and fair value adjustments and Purchase Price Allocation are materially correct.

Independent Auditor's Report continued

Other matter

As described in note 14 to the consolidated financial statements, the Group acquired the Schneider Electric Software business in the year and has accounted for the business combination as a reverse acquisition under IFRS 3 Business Combinations. As a result, the comparative information in the consolidated financial statements is that of the Schneider Electric Software business and not of AVEVA Group plc. That comparative information was reported on by Ernst & Young Audit (France), under the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom, in an unqualified opinion. We describe the work we performed on the comparative information in the "Acquisition accounting" section of "Key audit matters" above.

An overview of the scope of our audit

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 68 reporting components of the Group, we selected 15 components covering entities within the UK, US, Canada, Germany, France, Korea, Brazil, China, India, Italy, and Australia which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics. For the remaining eight components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 98% (2017 – 65%) of the Group's adjusted Profit before tax, 76% (2017 – 87%) of the Group's Revenue and 91% of the Group's Total assets. For the current year, the full scope components contributed 64% (2017 – 66%) of the Group's adjusted Profit before tax, 62% (2017 – 75%) of the Group's Revenue and 88% of the Group's Total assets. The specific scope component contributed 34% (2017 – 1% loss) of the Group's adjusted Profit before tax, 14% (2017 – 12%) of the Group's Revenue and 3% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. The coverage amounts quoted for the comparative period relate to the AVEVA Group plc audit, hence does not include the financial reporting impact of the reverse acquisition disclosed as part of Note 2.

Of the remaining 53 components that together represent 2% of the Group's adjusted Profit before tax, none are individually greater than 1% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany elimination and foreign currency translation recalculation to respond to any potential risks of material misstatement to the Group financial statements. The charts below illustrate the coverage obtained from the work performed by our audit teams.

- Full scope components 62%
- Specific scope components 14%
- Other procedures 24%

- Full scope components 88%
- Specific scope components 3%
- Other procedures 9%

Changes from the prior year

Following the reverse acquisition of the Schneider Electric Software business, the latter's businesses in USA and Canada have been designated full scope components for this year and Italy, Australia, UK and Germany as specific scope. For the current year we have designated the component in Sweden as review scope compared to specific scope in the comparative period, as part of our rotational scoping strategy.

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

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits at least two (2017 – two) of the components each year. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in US, Germany, France and Italy (2017 – China, US and France). These visits involved where appropriate, discussing the audit approach with the component team and any issues arising from their work, meeting with local and regional management, attending the planning meeting and closing meetings, reviewing key audit working papers on risk areas; and review of prior year working papers of Schneider Electric Software (France). The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

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

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

We determined materiality for the Group to be £3.5 million (2017 – £2.5 million), which is 5% (2017 – 5%) of adjusted profit before tax. We believe that materiality basis provides us with the most relevant measure of the underlying financial performance of the Group. For 2018 we have used pre-tax profit adjusted for exceptional items (£23.6 million). For 2017 we have used pre-tax profit adjusted for restructuring costs (£4.2 million) and the refund on consideration on the 8over8 acquisition from shareholders (£1.8 million).

We determined materiality for the Parent Company to be £2.0 million (2017 – £1.9 million), which is 2% (2017 – 2%) of Total assets.

Starting basis	• Profit before tax – £46.9m
Adjustments	• Exceptional items – £23.6m
Materiality	• Adjusted pre-tax profit £70.5m • Materiality of £3.5m (5% of materiality basis)

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017 – 75%) of our planning materiality, namely £2.6 million (2017 – £1.9 million). We have set performance materiality at this percentage to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4 million to £1.4 million (2017 – £0.4 million to £1 million).

Independent Auditor's Report continued

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.18 million (2017 – £0.12 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 81, including Strategic Report and Governance Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 81** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 52** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 81, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to the specific assertions in the financial statements are those that relate to the framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.
- We understood how AVEVA Group plc is complying with those frameworks by making enquiries of management and legal counsel, oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and review of accounting estimates and judgements and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved management enquiries, review of legal correspondences, journal entry testing and specific audit testing by full and specific scope teams.

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

Independent Auditor's Report continued

Other matters we are required to address

We were appointed by the company on 7 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 16 years, covering the years ending 31 March 2003 to 31 March 2018.

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

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading, United Kingdom
14 June 2018

Notes:

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

Consolidated income statement

for the year ended 31 March 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	6	**49,037**	50,067
Other income		**1,008**	–
Finance revenue	8	**521**	1,635
Finance expense	9	**(3,687)**	(278)
Profit before tax		**46,879**	51,424
Income tax credit/(expense)	11	**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	7	**23,642**	2,813
Adjusted profit before tax		**117,212**	97,431

Earnings per share (pence)			
– basic	13	**46.97**	39.99
– diluted	13	**46.73**	39.82
Adjusted earnings per share (pence)			
– basic	13	**78.83**	69.09
– diluted	13	**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 gain on defined benefit plans	28	**(2,347)**	(106)
Deferred tax effect	11(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 £000	2017 £000
Non-current assets			
Goodwill	15	**1,298,323**	42,442
Other intangible assets	16	**653,403**	199,133
Property, plant and equipment	17	**14,832**	8,610
Deferred tax assets	27	**9,051**	2,077
Other receivables	20	**1,201**	–
Retirement benefit surplus	28	**5,563**	–
Financial assets	19	**–**	1,547
		1,982,373	253,809
Current assets			
Inventories		**907**	964
Trade and other receivables	20	**230,377**	171,386
Accrued income		**40,668**	44,681
Treasury deposits	21	**226**	-
Cash and cash equivalents	21	**105,649**	22,431
Financial assets	19	**451**	–
Current tax assets		**11,062**	5,222
		389,340	244,684
Total assets		**2,371,713**	498,493
Equity			
Issued share capital	30(a)	**5,732**	2,275
Share premium		**574,543**	27,288
Other reserves	30(b)	**1,178,207**	(4,174)
Retained earnings		**167,739**	146,567
Total equity		**1,926,221**	171,956
Current liabilities			
Trade and other payables	22	**128,788**	129,165
Deferred revenue		**166,319**	117,366
Loans and borrowings	23	**10,000**	–
Financial liabilities	24	**–**	1,929
Current tax liabilities		**12,054**	8,624
		317,161	257,084
Non-current liabilities			
Deferred tax liabilities	27	**115,412**	60,804
Other liabilities		**2,125**	3,489
Retirement benefit obligations	28	**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.

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2018. They were signed on its behalf by:

Philip Aiken
Chairman

Craig Hayman
Chief Executive Officer

Company number
2937296

Consolidated statement of changes in shareholders' equity

31 March 2018

	Notes	Share capital £000	Share premium £000	Other reserves: 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	30	1	–	–	–	–	(1)	–	(1)	–	–
Investment in own shares	30	–	–	–	–	–	40	(40)	–	–	–
Transactions with Schneider Electric	31	–	–	–	–	–	–	–	–	(97,636)	(97,636)
Cost of employee benefit trust shares issued to employees	30	–	–	–	–	–	(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	30	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	30	–	–	–	–	–	481,860	–	481,860	–	481,860
Issue of share capital	30	2	–	–	–	–	–	–	–	–	2
Transaction costs		–	(1,700)	–	–	–	–	–	–	–	(1,700)
Share-based payments	29	–	–	–	–	–	–	–	–	1,230	1,230
Investment in own shares	30	–	–	–	–	–	–	(322)	(322)	–	(322)
Transactions with Schneider Electric	31	–	–	–	–	–	–	–	–	(26,847)	(26,847)
Cost of employee benefit trust shares issued to employees	30	–	–	–	–	–	–	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. Details of other reserves are contained in note 30.

Consolidated cash flow statement

for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		**47,657**	38,404
Income tax (credit)/expense	11(a)	**(778)**	13,020
Net finance expense/(revenue)	8, 9	**3,166**	(1,357)
Other income		**622**	–
Amortisation of intangible assets	16	**46,300**	42,940
Depreciation of property, plant and equipment	17	**3,158**	2,416
Impairment of intangibles	6	**11,227**	–
Profit on disposal of property, plant and equipment	6	**(1,801)**	–
Loss on disposal of intangible assets	6	**3,743**	–
Share-based payments	29	**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	16	**(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		**65,572**	100,521
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(4,924)**	(2,449)
Purchase of intangible assets	16	**(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	8	**521**	1,093
Net cash flows from/(used in) investing activities		**133,008**	(11,302)
Cash flows from financing activities			
Interest paid	9	**(3,542)**	–
Proceeds from borrowings	23	**10,000**	–
Change in funding with related parties	31	**(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	21	**22,431**	11,433
Closing cash and cash equivalents	21	**105,649**	22,431

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

Notes to the consolidated financial statements

1 Corporate information

AVEVA Group plc is a public limited Company incorporated and domiciled in the United Kingdom. The address of the registered office is given on the inside back cover. AVEVA Group plc's shares are publicly traded on the Official List of the London Stock Exchange.

2 Key accounting policies

Explained below are the key accounting policies of the Group. The full Statement of Group Accounting Policies is included on pages 135 to 139.

a) Basis of preparation

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 March 2018. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2018. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

In accordance with IFRS 3, these financial statements have been prepared as a reverse acquisition of AVEVA Group by the Schneider Electric software business. Therefore, although these consolidated financial statements have 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 Software Business, to which the comparative financial information presented relates. For the year ended 31 March 2018, the consolidated financial statements comprise the results of the Schneider Electric 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 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 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 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 software business by Schneider Electric Group related to the operations of the Schneider Electric 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 Group 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 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 group 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 flow that would have been presented if the Schneider Electric Industrial Software Business had been a standalone entity.

b) Restatements and reclassifications

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 income 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 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.

c) Non-GAAP measures

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.

The parent company financial statements of AVEVA Group plc are included on pages 129 to 134.

Notes to the consolidated financial statements continued

2 Key accounting policies continued

d) Business Combinations

Business combinations are accounted for using the acquisition method.

Identifying the acquirer in a business combination is based on the concept of 'control'. Normally, where an acquisition is affected by an exchange of equity interests, the shareholders of the entity that issues securities (the legal parent entity) retain the majority holding in the combined group. The positions might be reversed in certain circumstances, where it is the legal subsidiary entity's shareholders who effectively control the combined group, even though the other party is the legal parent. In this case, the financial statements are a continuation of the accounting acquirer (Schneider Electric Industrial Software Business) and reflect the acquisition of the legal acquirer (AVEVA Group plc).

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. In the case of a reverse acquisition, this represents the consideration transferred by the accounting acquirer, as opposed to the legal acquirer. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Acquisition-related costs are expensed as incurred and included in administrative expenses. In the case of a reverse acquisition, the costs incurred by the legal acquirer (AVEVA Group plc) are considered to be pre-acquisition and are not therefore included within the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed). In the case of a reverse acquisition, the net identifiable assets acquired and liabilities assumed, are those of the legal acquirer (AVEVA Group plc). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

e) Revenue

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

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the ordinary course of business, net of discounts and sales taxes.

For each revenue stream, revenue is not recognised unless and until:
- a clear contractual arrangement can be evidenced;
- delivery has been made in accordance with that contract;
- if required, contractual acceptance criteria have been met; and
- the fee has been agreed and collectability is probable. Where extended payment terms beyond 90 days exist, appropriate approvals are obtained to ensure there is sufficient comfort that collectability is probable and the fee is determinable. If approvals are not obtained, revenue is deferred until payment is due.

Initial and perpetual licence agreements

Customers are charged an initial or perpetual licence fee upon installation for a set number of users. Licence fees are recognised once the above conditions have been met.

Annual licence fees and support and maintenance fees

Customers that have purchased an initial licence pay obligatory annual fees each year. Annual fees consist of the continuing right to use, and support and maintenance, which includes core product upgrades and enhancements, and remote support services. Users must continue to pay annual fees in order to maintain the right to use the software.

Customers that have purchased a perpetual licence have the option to pay for support and maintenance.

Annual and support and maintenance fees are recognised on a straight-line basis over the period of the contract, which is typically 12 months. If annual or support and maintenance fees are charged at a discount, an amount is allocated out of the initial/perpetual licence fee at fair market value, based on the value established when annual or support and maintenance fees are charged separately to customers.

Rental and subscriptions
The Group also supplies its software under rental licence agreements.

Rental licence fees which are invoiced monthly and which are cancellable by the customer are recognised on a monthly basis. Other rental licence agreements typically cover a contract period of one year, are non-cancellable and consist of two separate components, the initial software delivery, and the continuing right to use with support and maintenance. Revenue in respect of the continuing right to use and support and maintenance element is valued at fair market value based on the value established when annual fees are charged separately to the customer. This component is recognised on a straight-line basis over the period of the contract. The residual amount representing the implied initial or perpetual fee element is recognised up front, provided all of the above criteria have been met. Where uncertainty exists and it is not possible to reliably determine the fair value of the support and maintenance element, all revenue is recognised on a straight-line basis over the period of the contract.

Services
Services consist primarily of consultancy, implementation services and training.

Revenue from these services is recognised as the services are performed and stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the service project. If a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. Provision is made as soon as a loss is foreseen.

If an arrangement includes both licence and service elements, licence fee revenue is recognised upon delivery of the software, provided that services do not include significant customisation or modification of the base product and the payment terms for licences are not subject to acceptance criteria. In all other cases, revenues from both licence and service elements are recognised as services are performed.

When a transaction combines a supply of goods with the provision of a significant service, revenue from the provision of the service is recognised separately from the revenue from the sale of goods by reference to the stage of completion of the service, unless the service is essential to the functionality of the goods supplied, in which case the whole transaction is treated as a long-term service contract. Revenue from a service that is incidental to the supply of goods is recognised at the same time as the revenue from the supply of goods.

For service contracts covering a specific period and providing services during that period, as and when required by the customer, revenue is recognised on a straight-line basis over the specified period (unless there is evidence that some other method better represents the stage of completion).

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

f) Significant accounting judgements
Business combinations
Acquirer
From a legal perspective AVEVA Group plc is the acquirer, however from an accounting perspective, in accordance with IFRS 3, the Schneider Electric software business is the acquirer. The rationale for this judgement is based on the following indicators:
- the former shareholders of the legal subsidiary as a group retain or receive the largest portion of the voting rights in the combined company
- the former shareholder of the SES companies (SE) will obtain a 60% shareholding of the combined group post merger
- the relative size (measured in, for example, assets, revenues or profit) of the Schneider Electric software business is significantly greater than that of the existing AVEVA business

Delayed interests
At the date of the completion of the combination not all the Schneider Electric software businesses had been carved out into separate legal entities, which were legally acquired by AVEVA Group plc. Control of these businesses has been considered in line with IFRS 10 Consolidated Financial Statements. As set out under the merger agreement Schneider Electric Group shall act in accordance with lawful instructions provided to it by AVEVA Group plc in relation to the conduct of these businesses, from the point of Completion. Reimbursement will be made by AVEVA Group plc to the extent that funding has been provided by Schneider Electric in acting on those instructions. In accordance with these terms, AVEVA Group plc has power over the delayed businesses, an exposure to a variable return, and an ability to affect its returns, from the point of Completion. It is therefore considered that all three requirements of control are satisfied, and as such the delayed entities have been consolidated in full in these financial statements.

Earnings per share
Due to the combination being accounted for as a reverse acquisition and also due to the financial statements of the Schneider Electric Software business being a carve-out from the Schneider Electric Group, the financial statements present Earnings per share calculated on the following basis:
- The weighted average number of shares used reflects the legal acquirer's (AVEVA's) weighted average pre-combination ordinary shares multiplied by the exchange ratio established in the combination, and the weighted average total actual shares of the legal parent in issue after the date of acquisition.
- In the absence of issued ordinary shares in relation to the Schneider Electric Software Business we have used the number of issued ordinary shares of AVEVA Group plc as the starting point for the calculation.

Notes to the consolidated financial statements continued

2 Key accounting policies continued

g) Significant accounting estimates

Revenue recognition

The assessments and estimates used by the Group for revenue recognition could have a significant impact on the amount and timing of revenue recognised.

Revenue from sales of software licences when these are combined with the delivery of significant implementation or customisation services is recognised in line with the delivery of the services to the customer. This policy involves the assessment of which customer projects include significant customisation or implementation and also an assessment of the stage of completion of such projects.

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17-18%.

Provision for impairment of receivables

The Group makes provision for the impairment of receivables on a customer-specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers and management consider a number of factors, including the financial strength of the customers, the level of default that the Group has suffered in the past, the age of the receivable outstanding and the Group's trading experience with that customer. The provision for impairment of receivables at 31 March 2018 was £1,790,000 (2017 – £2,063,000). Details of the provision for impairment of receivables are contained in note 20.

Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement. Due to the completion of the combination with the Schneider Electric Industrial Software Business occurring just one month prior to the end of the financial year, the purchase price allocation presented in these financial statements is provisional and may therefore be subject to change.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Further details about the assumptions used are set out in note 15.

Retirement benefit obligations

The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 28 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The net carrying amount of retirement benefit obligations at 31 March 2018 was £5,231,000 (2017 – £5,160,000).

h) Impairment of assets

Goodwill arising on acquisition is allocated to the cash-generating units expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows, which are independent of other cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the selling and administrative expenses line item.

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 at 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 £000	EMEA £000	Americas £000	Total £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 £000	EMEA £000	Americas £000	Total £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**

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £12,681,000 and £486,417,000 (2017 – £10,961,000 and £421,871,000) respectively. The USA accounted for 40.1% of the Group's revenue (2017 – 37.7%). No other individual country accounted for more than 10% of the Group's total revenue (2017 – nil). Revenue is allocated to countries on the basis of the location of the customer. No single external customer accounted for 10% or more of the Group's total revenue (2017 – nil).

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £1,791,148,000 and £182,174,000 (2017 – £1,519,000 and £250,213,000) respectively. There are material non-current assets (excluding deferred tax assets) located in the USA amounting to £158,096,000 (2017 – £212,381,000). There are no material non-current assets located in any other individual country outside of the UK.

Notes to the consolidated financial statements continued

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 Profit from operations

Profit from operations is stated after charging:

	2018 £000	2017 £000
Depreciation of owned property, plant and equipment	3,158	2,416
Amortisation of intangible assets:		
– included in Research & Development costs	25,833	27,506
– included in selling and distribution expenses	19,354	14,388
– included in administrative expenses	1,113	1,046
Staff costs	243,869	223,045
Operating lease rentals – minimum lease payments	9,704	9,916
Profit on disposal of property, plant and equipment	(1,801)	–
Impairment of intangible assets	11,227	–
Loss on disposal of intangible assets	3,743	–
Net foreign exchange losses/(gains)	956	(739)

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

	2018 £000	2017 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	1,506	–
Fees payable to the Company auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	217	378
– tax advisory services	–	101
	1,723	479

The comparative figures in the table above relate to the audit fees of the Schneider Electric software business. In addition, a fee was borne by the ultimate parent company, Schneider Electric, for the audit of the Consolidated financial statements.

In the year to 31 March 2017, the Group of which AVEVA Group plc was the parent obtained services from the Group's auditor at costs of £235,000 for the parent Company and Consolidated financial statements; £226,000 for the audit of the Company's subsidiaries pursuant to legislation; £5,000 for tax compliance services, £50,000 for tax advisory services, and £30,000 for other assurance services pursuant to legislation. In the 11 months to 28 February 2018, the Group of which AVEVA Group plc was the parent, obtained services from the Group's auditor at costs of £6,000 for tax and £30,000 for other assurance services pursuant to legislation and £1,200,000 for services related to the Combination.

7 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**	–
Impairments 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 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. 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 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

8 Finance revenue

	2018 £000	2017 £000
Bank interest receivable and other interest earned	**233**	355
Interest receivable from related parties	**288**	1,280
	521	1,635

9 Finance expense

	2018 £000	2017 £000
Net interest on pension scheme liabilities	**145**	24
Bank interest payable and similar charges	**88**	116
Interest payable to related parties	**3,454**	138
	3,687	278

Notes to the consolidated financial statements continued

10 Staff costs

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

	2018 £000	2017 £000
Wages and salaries	**209,600**	192,863
Social security costs	**23,445**	21,422
Pension costs	**9,441**	7,460
Share-based payments	**1,383**	1,300
	243,869	223,045

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

	2018 Number	2017 Number
Project delivery and customer support	**1,438**	1,447
Research, development and product support	**771**	747
Sales and marketing	**497**	473
Administration	**161**	112
	2,867	2,779

Directors' remuneration

The Directors of AVEVA Group plc received remuneration as follows:

	2018 £000	2017 £000
Directors' remuneration	**1,824**	1,110
Aggregate contributions to defined contribution pension scheme	**27**	47
Aggregate gains on the exercise of share options	**59**	–
	1,910	1,157

	2018 Number	2017 Number
Number of Directors accruing benefits under defined contributions	**2**	2

11 Income tax expense

a) Tax on profit

The major components of income tax expense are as follows:

	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 (note 27)	**(38,368)**	(18,462)
Total income tax 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 charge 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 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 7) 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.

12 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 Industrial 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	43,576	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.

13 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.

Notes to the consolidated financial statements continued

13 Earnings per share continued

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 terms and conditions of share options are provided in note 29.

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 have been adjusted for the tax effects of the items adjusted.

The Directors believe that adjusted earnings per share is more representative of the underlying performance of the business.

14 Business combinations

On 1 March 2018 AVEVA Group plc acquired the Schneider Electric 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 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 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 £000	Provisional fair value adjustment £000	Provisional fair value £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 £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 7. 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%)

15 Goodwill

	2018 £000	2017 £000
At 1 April	**42,442**	30,580
Acquisitions	**1,259,870**	7,255
Exchange adjustment	**(3,989)**	4,607
At 31 March	**1,298,323**	42,442

Goodwill impairment tests

The following table shows the allocation of the carrying value of goodwill at the end of the year by cash generating unit.

	2018 £000	2017 £000
EMEA	**7,096**	7,255
Americas	**31,357**	35,187
Unallocated at 31 March	**1,259,870**	–
	1,298,323	42,442

Unallocated goodwill relates to goodwill arising on the reverse acquisition of AVEVA Group plc by the Schneider Electric software business as detailed in note 14. As the Combination of the two businesses completed so close to the end of the financial year it was not possible to allocate the goodwill to the cash generating units. As the initial allocation of goodwill acquired in the business combination cannot be completed before the end of the first annual period in which the business combination was effected, that initial allocation shall be completed before the end of the first annual period beginning after the acquisition date. The initial allocation will be reported in the annual report for the year ended 31 March 2019, being the first annual period beginning after the acquisition date.

The carrying value of goodwill allocated to the EMEA and Americas CGUs relates to acquisitions made by the Schneider Electric software business in previous financial years.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. In 2017/18 the goodwill impairment testing was carried out on a value in use (VIU) basis using the most recently approved management budgets for the year ended 31 March 2019 together with the most recent three-year business plan extrapolated to a duration of five years in total. Projected cash flows beyond five years have been assumed at the long-term growth rate for that region and these have been used to formulate a terminal value for the discounted cash flow calculation.

Key assumptions

The key assumptions in the most recent annual budget on which the cash flow projections are based relate to discount rates, long-term growth rates and operating margins.

The cash flow projections have been discounted using the Group's pre-tax weighted average cost of capital adjusted for the country and market risk. Long-term growth rates used are assumed to be equal to the long-term growth rate in the gross domestic product of the region in which the CGU operates. CGU operating margin is based on past results.

	Discount Rate	Long-term growth rate
EMEA	**11.9%**	**1.9%**
Americas	**11.9%**	**1.9%**

Notes to the consolidated financial statements continued

15 Goodwill continued

Summary of results

During the year all goodwill that had been allocated to CGUs was tested for impairment, with no impairment charge resulting.

As the VIU is most sensitive to a change in the discount rate and long-term growth rate, the Directors have considered combinations of a reduction in the long-term growth rate and an increase in the discount rate and concluded that no reasonably foreseeable changes in key assumptions would result in an impairment of goodwill, such is the margin by which the estimate exceeds the carrying value.

16 Intangible assets

	Developed technology £000	Customer relationships £000	Purchased brand £000	Other software £000	Purchased software rights £000	Contract Assets £000	Capitalised Research & Development £000	Total £000
Cost								
At 1 April 2016	135,584	79,410	25,270	5,325	11,875	–	38,882	296,346
Additions	1,669	1,068	417	1,692	1,922	–	6,210	12,978
Exchange adjustment	20,425	11,964	3,808	802	1,789	–	5,794	44,582
At 31 March 2017	157,678	92,442	29,495	7,819	15,586	–	50,886	353,906
Additions	–	–	–	724	463	–	9,951	11,138
Acquisitions	–	151,493	46,292	–	308,950	19,246	–	525,981
Disposals	–	–	–	(1,095)	–	–	(8,885)	(9,980)
Exchange adjustment	(17,160)	(9,708)	(3,211)	(832)	(1,353)	–	(4,438)	(36,702)
At 31 March 2018	**140,518**	**234,227**	**72,576**	**6,616**	**323,646**	**19,246**	**47,514**	**844,343**
Amortisation and impairment								
At 1 April 2016	38,923	25,925	6,835	3,126	6,119	–	14,512	95,440
Charge for the year	17,471	10,635	3,752	1,046	1,380	–	8,656	42,940
Disposals	–	–	–	–	–	–	–	–
Exchange adjustment	6,682	4,406	1,206	522	985	–	2,592	16,393
At 31 March 2017	63,076	40,966	11,793	4,694	8,484	–	25,760	154,773
Charge for the year	18,555	11,123	3,718	1,060	4,513	54	7,277	46,300
Impairment	–	–	–	–	–	–	11,227	11,227
Disposals	–	–	–	(833)	–	–	(2,260)	(3,093)
Exchange adjustment	(7,856)	(4,642)	(1,469)	(525)	(678)	–	(3,097)	(18,267)
At 31 March 2018	**73,775**	**47,447**	**14,042**	**4,396**	**12,319**	**54**	**38,907**	**190,940**
Net book value								
At 31 March 2016	96,661	53,485	18,435	2,199	5,756	–	24,370	200,906
At 31 March 2017	94,602	51,476	17,702	3,125	7,102	–	25,126	199,133
At 31 March 2018	**66,743**	**186,780**	**58,534**	**2,220**	**311,327**	**19,192**	**8,607**	**653,403**

All amortisation is calculated using the straight-line method over periods of between three and twelve years for developed technology, five and twenty years for customer relationships and three and ten years for purchased software rights.

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £1,060,000 (2017 – £1,046,000).

17 Property, plant and equipment

	Long leasehold buildings and improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2016	5,985	13,440	4,475	66	23,966
Additions	393	1,566	430	60	2,449
Exchange adjustment	707	2,042	695	13	3,457
At 31 March 2017	7,085	17,048	5,600	139	29,872
Additions	342	2,740	1,293	549	4,924
Acquisitions	2,618	2,362	1,458	307	6,745
Disposals	(1,644)	(3,304)	(95)	–	(5,043)
Exchange adjustment	(394)	(1,685)	(659)	(58)	(2,796)
At 31 March 2018	**8,007**	**17,161**	**7,597**	**937**	**33,702**
Depreciation					
At 1 April 2016	2,963	10,130	3,408	55	16,556
Charge for the year	639	1,663	107	7	2,416
Exchange adjustment	212	1,552	518	8	2,290
At 31 March 2017	3,814	13,345	4,033	70	21,262
Charge for the year	425	1,901	763	69	3,158
Disposals	(446)	(3,034)	(58)	-	(3,538)
Exchange adjustment	(261)	(1,288)	(449)	(14)	(2,012)
At 31 March 2018	**3,532**	**10,924**	**4,289**	**125**	**18,870**
Net book value					
At 31 March 2016	3,022	3,310	1,067	11	7,410
At 31 March 2017	3,271	3,703	1,567	69	8,610
At 31 March 2018	**4,475**	**6,237**	**3,308**	**812**	**14,832**

Notes to the consolidated financial statements continued

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

Unless otherwise stated, the Group's percentage of equity capital and voting rights is 100%.

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

The addresses of all subsidiaries, principal or dormant, are provided on page 145 to 148.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Solutions Limited	United Kingdom	Schneider Electric Software Italia S.P.A	Italy
Schneider Electric Software GB Limited	United Kingdom	Wonderware Italia S.P.A.	Italy
Schneider Electric Software Argentina S.A.	Argentina	AVEVA KK	Japan
AVEVA Pty Limited	Australia	Schneider Electric Software Japan Inc	Japan
AVEVA Software Australia Holdings Pty Ltd	Australia	AVEVA Korea Limited	Korea
Schneider Electric Software Australia Pty Ltd	Australia	Schneider Electric Software Korea Ltd	Korea
AVEVA do Brasil Informática Ltda	Brazil	AVEVA Sendirian Berhad*	Malaysia
Schneider Electric Software Brasil LTDA	Brazil	AVEVA Asia Pacific Sendirian Berhad	Malaysia
Schneider Electric Software Canada Inc.	Canada	Schneider Electric Software Mexico SA de CV	Mexico
Schneider Electric Software Chile SpA	Chile	Schneider Electric Software Holdings Netherlands BV	Netherlands
AVEVA (Shanghai) Consultancy Co. Limited	China	Schneider Electric Software Netherlands BV	Netherlands
AVEVA Solutions (Shanghai) Co. Limited	China	AVEVA AS	Norway
Telvent Control System (China) Co. Ltd	China	AVEVA OOO Limited Liability Company	Russia
Schneider Electric Software Colombia S.A.S.	Colombia	Schneider Electric Software RU	Russia
AVEVA Denmark A/S	Denmark	AVEVA Pte Limited	Singapore
AVEVA SA	France	Schneider Electric Software Holdings Singapore PTE Ltd	Singapore
Schneider Electric Software France SAS	France	Schneider Electric Software Spain S.L.	Spain
AVEVA GmbH	Germany	AVEVA AB	Sweden
Schneider Electric Software Germany GmbH	Germany	Wonderware Scandinavia AB	Sweden
AVEVA East Asia Limited	Hong Kong	Schneider Electric Software (Thailand) Co. Ltd	Thailand
AVEVA Solutions India LLP	India	Schneider Electric Software Middle East FZE	United Arab Emirates
AVEVA Information Technology India Private Limited	India	AVEVA Inc.	United States of America
Schneider Electric Software India Private Limited	India	Schneider Electric Software, LLC	United States of America
Invensys Development Centre India Private Limited	India		

* The Group holds 49% of the ordinary shares of AVEVA Sendirian Berhad, which have been consolidated on the basis that the Group possesses power over the entity, has exposure to variable returns as a result of its involvement, and has the ability to affect its returns.

19 Financial assets

	2018 £000	2017 £000
Non-current		
Fair value of forward exchange contracts	–	1,547
Current		
Fair value of forward foreign exchange contracts	**451**	–

20 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 31)	**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.

	2018 £000	2017 £000
Non-current		
Prepayments and other receivables	**1,201**	–
	1,201	–

Non-current prepayments and other receivables include rental deposits for operating leases.

As at 31 March 2018, the provision for impairment of receivables was £1,790,000 (2017 – £2,063,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2016	2,058
Charge for the year, net of amounts reversed	837
Utilised	(1,132)
Exchange adjustment	300
At 31 March 2017	2,063
Charge for the year, net of amounts reversed	1,162
Utilised	(1,309)
Exchange adjustment	(126)
As at 31 March 2018	**1,790**

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

			Past due not impaired			
	Total £000	Neither past due nor impaired £000	Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2018						
Trade receivables	**146,939**	**101,135**	**44,018**	**1,382**	**404**	**–**
Amounts owed from related parties	**43,113**	**14,249**	**24,301**	**4,563**	**–**	**–**
	190,052	**115,384**	**68,319**	**5,945**	**404**	**–**
2017						
Trade receivables	64,474	41,329	19,874	3,271	–	–
Amounts owed from related parties	39,384	24,571	12,799	2,014	–	–
	103,858	65,900	32,673	5,285	–	–

Further disclosures relating to the credit quality of trade receivables are included in note 26.

Notes to the consolidated financial statements continued

21 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).

Further disclosures relating to credit quality of cash and cash equivalents and treasury deposits are included in note 26.

22 Trade and other payables

	2018 £000	2017 £000
Current		
Trade payables	**22,877**	22,256
Amounts owed to related parties (note 31)	**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.

23 Loans and borrowings

	2018 £000	2017 £000
Current		
Bank loan	**10,000**	–

As at 31 March 2018 the Group had access to £100,000,000 under a three-year revolving credit facility. The drawings as at 31 March 2018 totalled £10,000,000 (2017 – £nil). Drawings under these facilities have an interest rate of 1.19% and are repayable on 3 September 2018.

The revolving credit facility permits 15 loans to be outstanding at any one time. Interest on drawings is calculated at LIBOR plus a margin, initially 0.5%, rising only if net leverage position deteriorates considerably. Additionally, a quarterly commitment fee is charged on the undrawn facility at 35% of the margin. The termination date of the facility is 28 February 2021 but is subject to an extension option.

24 Financial liabilities

	2018 £000	2017 £000
Current		
Fair value of forward foreign exchange contracts	**–**	1,929

25 Obligations under leases

As at 31 March 2018 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2018		2017	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	**13,672**	**1,670**	8,922	712
After one but not more than five years	**24,841**	**1,758**	24,550	944
More than five years	**2,752**	**–**	6,396	–
	41,265	**3,428**	39,868	1,656

The Group has entered into commercial leases on certain properties, motor vehicles and items of equipment. These leases have a duration of between one and ten years. Certain property leases contain an option for renewal.

26 Financial risk management

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

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

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

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

a) Market risk

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

Interest rate risk

The Group holds net funds and hence its interest rate risk is associated with short-term cash deposits. The Group's overall objective with respect to holding these deposits is to maintain a balance between security of funds, accessibility and competitive rates of return.

For the presentation of market risks, IFRS 7 requires sensitivity analysis that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The Group is exposed to fluctuations in interest rates on its cash and cash equivalents. Borrowings are at a fixed rate of interest. The impact is determined by applying sensitised interest rates to the cash and cash equivalents balances.

A 1% point decrease in the Sterling and US Dollar interest rates would have reduced interest income by approximately £500,000 (2017 – £200,000) and profit after tax by £350,000 (2017 – £140,000).

Foreign currency risk

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

The Group manages exchange risks, where possible, by using forward foreign exchange contracts. The Group enters into forward foreign exchange contracts to match forecast cash flows arising from its recurring revenue base. In addition, it enters into specific forward foreign exchange contracts for individually significant revenue contracts, when the timing of forecast cash flows is reasonably certain. Other currency exposures are harder to hedge cost effectively. At 31 March 2018, the Group had outstanding currency exchange contracts to sell $12.38 million and €8.15 million.

The Group has not applied hedge accounting during the current year and therefore all gains and losses on forward foreign exchange contracts have been included in the Consolidated income statement.

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

Notes to the consolidated financial statements continued

26 Financial risk management continued

Foreign currency sensitivity analysis

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

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

A 10% change in the US Dollar against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. Our analysis indicates that a 10% change in other currencies would not have a significant impact. This analysis assumes that all other variables, in particular, interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2016/17.

31 March 2018	Increase/ (decrease) in average rate	Profit/(loss) £000	Equity £000
US Dollar	**10%**	**(1,030)**	**(1,030)**
	(10%)	**1,133**	**1,133**

31 March 2017	Increase/ (decrease) in average rate	Profit/(loss) £000	Equity £000
US Dollar	10%	(3,325)	(3,325)
	(10%)	3,660	3,660

b) Credit risk

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

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

The Group trades only with recognised, creditworthy third parties and provides credit to customers in the normal course of business. The amounts presented in the Consolidated balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. Due to the credit control procedures in place, we believe all the receivables are of good quality. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The exposure to credit risk is mitigated where necessary by either letters of credit or payments in advance.

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

c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. As at 31 March 2018 the Group has access to undrawn borrowing facilities of £90,000,000 (2017 – £nil).

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

	Less than three months £000	Between three months and six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2018				
Trade and other payables	45,092	951	–	–
Amounts due to related parties	6,676	2,189	–	–
Loans and borrowings	–	10,000	–	–
	51,768	**13,140**	–	–

	Less than three months £000	Between three months and six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2017				
Trade and other payables	69,811	82	–	–
Amounts due to related parties	13,123	645	–	–
Loans and borrowings	-	–	–	–
	82,934	727	–	–

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

	Less than three months '000	**Between three months and six months '000**	**Between six months and one year '000**	**Greater than one year '000**
As at 31 March 2018				
Forward foreign exchange contracts (GBP/EUR)				
Outflow	**€3,550**	**€3,150**	**€1,450**	**–**
Inflow	**£3,169**	**£2,814**	**£1,287**	**–**
Forward foreign exchange contracts (GBP/USD)				
Outflow	**$7,900**	**$2,775**	**$1,700**	**–**
Inflow	**£5,928**	**£2,035**	**£1,208**	**–**

	Less than three months '000	Between three months and six months '000	Between six months and one year '000	Greater than one year '000
As at 31 March 2017				
Forward foreign exchange contracts (EUR/CAD)				
Outflow	€791	€308	€133	–
Inflow	C$1,136	C$441	C$187	–
Forward foreign exchange contracts (USD/CAD)				
Outflow	$8,083	$7,585	$7,782	$12,711
Inflow	C$10,655	C$9,992	C$10,443	C$16,887
Forward foreign exchange contracts (CAD/EUR)				
Outflow	C$3,118	C$1,222	–	–
Inflow	€2,181	€808	–	–
Forward foreign exchange contracts (CAD/USD)				
Outflow	C$9,025	C$3,433	C$5,560	C$188
Inflow	$6,800	$2,567	$4,144	$145
Forward foreign exchange contracts (GBP/CAD)				
Outflow	£21	–	–	–
Inflow	C$34	–	–	–
Forward foreign exchange contracts (CAD/MXN)				
Outflow	C$1,350	–	–	C$9,913
Inflow	Mx22,482	–	–	Mx147,525
Forward foreign exchange contracts (MXN/USD)				
Outflow	–	Mx8,564	–	Mx113,621
Inflow	–	$388	–	$5,696
Forward foreign exchange contracts (MXN/EUR)				
Outflow	Mx60	Mx928	–	–
Inflow	€3	€39	–	–
Forward foreign exchange contracts (MXN/CAD)				
Outflow	–	Mx693	–	Mx42,981
Inflow	–	C$41	–	C$2,580

Notes to the consolidated financial statements continued

26 Financial risk management continued

d) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £105,649,000 (2017 – £22,431,000) and treasury deposits of £226,000 (2017 – £nil). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2018, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts was £451,000 at 31 March 2018 (2017 – asset of £1,547,000 and liability of £1,929,000).

The resulting loss of £68,000 (2017 – £nil) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, market, creditor, customer and employee confidence and to sustain future development of the business. The capital structure of the Group consists of equity attributable to the equity holders of AVEVA Group plc comprising issued share capital, other reserves and retained earnings.

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

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

27 Deferred tax

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

	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Losses £000	Other temporary differences* £000	Total £000
At 1 April 2016	–	(67,902)	–	–	–	(67,902)
Credit to income statement	–	16,478	–	–	1,984	18,462
Exchange adjustment	–	(9,380)	–	–	93	(9,287)
At 31 March 2017	–	(60,804)	–	–	2,077	(58,727)
Acquired	(946)	(91,271)	706	568	1,982	(88,961)
Credit to income statement	–	33,595	–	–	4,773	38,368
Credit to other comprehensive income	1,479	–	–	–	–	1,479
Credited to equity	–	(4,222)	–	–	898	(3,324)
Exchange adjustment	–	5,468	–	–	(664)	4,804
At 31 March 2018	**533**	**(117,234)**	**706**	**568**	**9,066**	**(106,361)**

* Other temporary differences consist principally of deferred tax on fixed assets and timing differences in respect of revenue recognition.

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

	2018 £000	2017 £000
Deferred tax liabilities	**(115,412)**	(60,804)
Deferred tax assets	**9,051**	2,077
	(106,361)	(58,727)

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £20,354,000 (2017 – £18,893,000) of the undistributed earnings of overseas subsidiaries may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which they operate. No liability has been recognised because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the balance sheet date, the Group has unused tax losses of £21,570,000 (2017 – £9,237,000) available for offset against future profits. Of the total deferred tax asset of £9,051,000 (2017 – £2,077,000), £568,000 (2017 – £nil) has been recognised and is included above. Losses of £1,359,000 (2017 – £nil) expire after 5 years and losses of £7,496,000 (2017 – £9,237,000) expire after 20 years. All other losses may be carried forward indefinitely.

28 Retirement benefit obligations

The Group operates defined benefit pension schemes in the UK, Sweden, Italy, Japan and Germany. The Group also provides certain post employment benefits to its South Korean employees.

The UK defined benefit pension scheme, previously available to all UK employees, was closed to new applicants in 2002 and closed to future accrual from 31 March 2015. UK employees are now offered membership of a defined contribution scheme.

The German unfunded defined benefit schemes are closed to new applicants and provide benefits to nine deferred members. No current employees participate in the schemes.

The Group provides pension arrangements to its Swedish employees through an industry-wide defined benefit scheme. It is not possible to identify the share of the underlying assets and liabilities in the scheme which is attributable to the Group on a fair and reasonable basis. Therefore the Group has applied the provisions in IAS 19 to account for the scheme as if it was a defined contribution scheme.

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

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Italy plan £000	IPS Japan Plan £000	Other £000	Total £000
At 31 March 2016	–	1,014	–	1,339	1,054	453	3,860
Current service cost	–	88	–	231	165	187	671
Net interest on pension scheme liabilities	–	20	–	–	4	–	24
Actuarial remeasurements	–	136	–	–	(30)	–	106
Employer contributions	–	–	–	(4)	–	(54)	(58)
Exchange adjustment	–	136	–	175	188	58	557
At 31 March 2017	–	1,394	–	1,741	1,381	644	5,160
On acquisition	(4,277)	1,899	1,598	–	–	–	(780)
Current service cost	–	78	–	236	141	479	934
Net interest on pension scheme liabilities	171	18	–	–	6	110	305
Return on pension scheme assets	(160)	–	–	–	–	–	(160)
Actuarial remeasurements	–	(556)	–	–	101	2,802	2,347
Employer contributions	(1,297)	–	–	(210)	(247)	(494)	(2,248)
Exchange adjustment	–	41	–	25	(98)	(295)	(327)
At 31 March 2018	**(5,563)**	**2,874**	**1,598**	**1,792**	**1,284**	**3,246**	**5,231**

The following is the analysis of the retirement benefit balances:

	2018 £000	2017 £000
Retirement benefit surplus	**(5,563)**	–
Retirement benefit liabilities	**10,794**	5,160
	5,231	5,160

Notes to the consolidated financial statements continued

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

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

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

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

	2018 %	2017 %
Main assumptions:		
Discount rate	**2.60**	–
Inflation assumption – RPI	**3.50**	–
Rate of salary increases	**5.50**	–
Rate of increase of pensions in payment	**3.20**	–
Rate of increase of pensions in deferment	**2.50**	–
Cash Commutation	**20% of pension**	–

The duration of the scheme liabilities is estimated to be 17 years.

For the years ended 31 March 2018 and 2017, the mortality assumptions adopted imply the following weighted average life expectancies at age 65:

	2018 Years	2017 Years
Male currently aged 65	**22.9**	–
Female currently aged 65	**23.9**	–
Male currently aged 45	**23.9**	–
Female currently aged 45	**25.1**	–

Company contributions were £1,297,000 (2017 – £nil), comprising deficit contributions totalling £117,000 per annum plus an administration charge of £180,000, and a one off additional Company contribution of £1,000,000. The total contributions in 2018/19 and 2019/20 are expected to be approximately £1,580,000 in each year.

The PPF levy of approximately £15,854 was payable in addition (2017 – £28,000).

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

	Impact on liabilities increase/(decrease)	
	2018 £000	2017 £000
0.25 percentage point increase to:		
– discount rate	**(3,422)**	–
– inflation (including pension increases linked to inflation)	**2,412**	–
Additional one-year increase to life expectancy	**2,334**	–

The assets and liabilities of the scheme at 31 March 2018 and 2017 were as follows:

	2018 £000	2017 £000
Equities	**33,160**	–
Bonds	**27,096**	–
Other	**23,121**	–
Total fair value of assets	**83,377**	–
Present value of scheme liabilities	**77,814**	–
Net pension asset	**5,563**	–

The amounts recognised in the Consolidated income statement and Consolidated statement of comprehensive income for the year are analysed as follows:

	2018 £000	2017 £000
Finance revenue		
Interest income on pension scheme assets	(160)	–
Finance costs		
Interest on pension scheme liabilities	171	–
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	160	–
Less: interest income on pension scheme assets	(160)	–
Remeasurement gain on defined benefit plan	–	–

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

	2018 £000	2017 £000
At 1 April	–	–
On acquisition	77,643	–
Interest on pension scheme liabilities	171	–
At 31 March	77,814	–

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

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

	2018 £000	2017 £000
At 1 April	–	–
On acquisition	81,920	–
Interest income	160	–
Contributions by employer	1,297	–
At 31 March	83,377	–

b) German defined benefit schemes

The Group operates four defined benefit pension schemes. There are three defined benefit pension schemes in AVEVA GmbH. Tribon Solutions GmbH operated an unfunded defined benefit scheme that provides benefits to three deferred members following an acquisition in 1992. No current employees participate in the scheme and it is closed to new applicants. Benefit payments are made as they fall due.

Since the acquisition of Bocad in May 2012, AVEVA Software GmbH had been responsible for the pension obligations of six former Bocad employees. At the time of the acquisition, the pension obligations were only partly financed via external funding vehicles. In March 2013, AVEVA concluded an agreement with an external insurance provider which resulted in the insurance company being obliged to provide all benefits as detailed in the individual pension commitments, with AVEVA only having an obligation if the external insurance provider defaults.

In addition, AVEVA GmbH operates a defined benefit pension scheme for one employee. This scheme is closed to new members.

There are two unfunded defined benefit schemes in the German Schneider Electric software business. Seven current employees participate in the schemes, both schemes are closed to new applicants.

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

	2018	2017
Rate of increase of pension in payment	1.5%-2.5%	–
Discount rate	1.2%-1.6%	–
Mortality	13-20 years	–
Rate of salary increases	n/a	–
Retirement age	60-63	–

Notes to the consolidated financial statements continued

28 Retirement benefit obligations continued

c) South Korean severance pay

South Korean employees are entitled to a lump sum on severance of their employment equal to one month's salary for each year of service.

d) Italy plan

Certain employees in Italy have an accrued entitlement to Defined Benefit termination indemnity payments. The plan is unfunded.

e) IPS Japan plan

Employees enrolled in the IPS Japanese plan receive a lump sum payment on retirement or earlier exit. The plan is unfunded.

f) Other retirement schemes

Swedish employees employed by AVEVA AB aged 28 or over are members of the ITP, an industry scheme for salaried employees which provides benefits in addition to the state pension arrangements. The ITP scheme is managed by Alecta, a Swedish insurance company. It is a multi-employer defined benefit scheme with a supplementary defined contribution component. AVEVA AB pays monthly premiums to the insurers which vary by age, service and salary of the employee. AVEVA AB is unable to identify its share of the underlying assets and liabilities in the scheme on a fair and reasonable basis because this information is not provided by the scheme and therefore has accounted for the scheme as if it was a defined contribution pension scheme. At 31 March 2018, Alecta's surplus in the form of collective funding level was 152% which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £66,599.

Certain employees in Australia have a statutory right to receive a Long Service Leave payment at dates agreed with the employee (after the qualifying period).

Employees in UAE and Saudi Arabia are entitled to a lump sum benefit on retirement or termination. This is based on service and final salary and is a legal requirement in these countries.

Certain employees in India have a statutory right to receive a gratuity payment when they leave service. They also have a leave encashment plan (where unused annual leave can be used to purchase an additional retirement benefit).

g) Defined contribution schemes

The Group operates defined contribution retirement schemes for certain employees. The assets of the schemes are held separately from those of the Group. The total cost charged to income of £8,580,000 (2017 – £6,466,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

29 Share-based payment plans

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

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options for the schemes during the year:

	2018 Number	2018 WAEP Pence	2017 Number	20167 WAEP Pence
Outstanding at start of year	**–**	**–**	–	–
On acquisition	**697,240**	**3.49**	–	–
Granted during year*	**574,607**	**1.68**	–	–
Outstanding at end of year	**1,271,847**	**2.67**	–	–
Exercisable at end of year	**5,317**	**3.56**	–	–

* Included within the options granted during the year are 270,384 options granted as a result of modifications to existing options (2017 – none).

During the year, modifications occurred under the Company's employee share plans in relation to the Return of Value to the Company's shareholders, which was implemented by means of a B Share Scheme. The modifications operated to increase the number of Shares held under the awards by a factor of 1.53846 and rounded down to the nearest number of whole shares. Modifications were also made in relation to a dividend equivalent. The following modifications were made to certain of the Company's vested and unvested awards.

Date of grant	Share option plan	Number of options granted – Return of Value	Number of options granted – Dividend equivalent
26 July 2010	LTIP	**401**	–
6 July 2011	LTIP	**1,023**	–
21 July 2015	Restricted Share Plan	**21,709**	511
6 August 2015	Deferred Share Scheme	**290**	3
22 January 2016	LTIP	**31,682**	776
13 July 2016	Restricted Share Plan	**26,132**	611
13 July 2016	LTIP	**61,857**	890
25 July 2016	Deferred Share Scheme	**647**	6
3 July 2017	Deferred Share Scheme	**5,766**	123
9 September 2017/6 March 2018	LTIP	**59,937**	–
9 September 2017	Restricted Share Plan	**58,020**	–
		267,464	2,920

Share options granted under the schemes to certain employees and which remain outstanding are as follows:

Date of grant	Share option plan	Number of options 2018	Number of options 2017	Exercise price Pence
26 July 2010	LTIP	**1,145**	–	3.56
6 July 2011	LTIP	**2,924**	–	3.56
21 July 2015	LTIP	**194,866**	–	3.56
21 July 2015	Restricted Share Plan	**62,038**	–	3.56
6 August 2015	Deferred Share Scheme	**834**	–	–
22 January 2016	LTIP	**90,522**	–	3.56
13 July 2016	Restricted Share Plan	**74,690**	–	3.56
13 July 2016	LTIP	**176,740**	–	3.56
25 July 2016	Deferred Share Scheme	**1,851**	–	–
3 July 2017	Deferred Share Scheme	**16,486**	–	–
9 September 2017/6 March 2018	LTIP	**187,468**	–	3.56
9 September 2017	Restricted Share Plan	**165,804**	–	3.56
6 March 2018	LTIP	**296,479**	–	–
		1,271,847	–	

Notes to the consolidated financial statements continued

29 Share-based payment plans continued

The fair value of option awards subject to EPS performance targets was measured at grant date using the Black-Scholes option pricing model, and the fair value of option awards subject to TSR performance targets was determined by use of Monte Carlo simulations, both taking into account the terms and conditions upon which the instruments were granted. As a result of the reverse acquisition accounting, existing share option awards were revalued using the relevant inputs as at the acquisition date, using a consistent methodology as outlined above. The element relating to service prior to the acquisition date has been included within consideration, as outlined in Note 14, with the post-acquisition element reflecting the ongoing charge in the income statement. The following table lists the inputs to the model used for each of the awards:

	2017/18 awards	2016/17 awards
Common to all plans:		
Expected volatility	**48%**	–
Risk-free interest rate	**0.54%**	–
Expected life of option	**Remaining life of option**	–
Weighted average share price	**£18.26**	–
Dividend yield	**2.48%**	–
LTIP March		
Weighted average share price	**£20.34**	–
Dividend yield	**2.22%**	–
Return of value and Dividend equivalents		
Weighted average share price	**£18.26**	–
Dividend yield	**2.48%**	–

The weighted average remaining contractual life for the options outstanding at 31 March 2018 is 7.12 years (2017 – nil years).

The average fair value of options granted during the year was £19.14 (2017 – nil). In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

In the year ended 31 March 2018 the Group recognised an expense of £1,230,000 related to equity-settled share-based payment transactions (2017 – £nil) and £153,000 related to cash-settled share-based payment transactions (2017 – £1,300,000).

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

The following awards have been made under the LTIP. The exercise price is equal to the nominal value of the underlying shares, which is 3.56 pence. Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant.

2017/18 awards

In 2017/18, a total of 127,531 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth (50%), Total Shareholder Return (TSR) (25%) against a comparator group of the FTSE 250, Owner Operator Growth (12.5%), and More than 3D Growth (12.5%), over the three years from 2017/18 to 2019/20.

- If average adjusted diluted Earnings Per Share (EPS) growth is more than 15% then all shares shall vest. If average adjusted diluted EPS growth over the same period is less than 5% then none of the shares will vest. 80% of the award shall vest if 10% average growth is achieved. For growth rates between 5% and 10% and between 10% and 15% the number of shares that vest will be determined by linear interpolation.
- If TSR is equal to or more than the Upper Quartile ranked entity, then all shares shall vest. If TSR over the same period is below the Median ranked entity then none of the shares will vest. For values of TSR between the Median ranked entity and the Upper Quartile ranked entity, the number of shares that vest will be determined by linear interpolation between 25% and 100%.
- If Owner Operator Growth is greater than 17% p.a., then all shares shall vest. If Owner Operator Growth over the same period is below 7% p.a. then none of the shares will vest. For values of Owner Operator Growth between 7% p.a. and 17.0% p.a. the number of shares that vest will be determined by linear interpolation between 7% p.a. and 17% p.a.
- If More than 3D Growth is greater than 17.3% p.a., then all shares shall vest. If More than 3D Growth over the same period is below 6.8% p.a. then none of the shares will vest. For values of More than 3D Growth between 6.8% p.a. and 17.3% p.a. the number of shares that vest will be determined by linear interpolation between 6.8% p.a. and 17.3% p.a.

An additional 59,937 options were granted as a result of modifications due to the Return of Value.

2016/17 awards
In 2016/17, a total of 125,559 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2016/17 to 2018/19. If average adjusted diluted Earnings Per Share (EPS) growth is more than 15% then all shares shall vest. If average adjusted diluted EPS growth over the same period is less than 5% then none of the shares will vest. For growth rates between 5%–15% the number of shares that vest will be determined by linear interpolation between 25% and 100%. In 2017/18 an additional 61,857 options were granted as a result of modifications due to the Return of Value and 890 as a result of dividend equivalents.

2015/16 awards
In 2015/16, a total of 253,610 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2015/16 to 2017/18. If average adjusted EPS growth is more than 20% then all shares shall vest. If average adjusted diluted EPS growth over the same period is less than 12% then none of the shares will vest. For growth rates between 12% and 20% the number of shares that vest will be determined by linear interpolation between 25% and 100%. In 2017/18 an additional 31,682 options were granted as a result of modifications due to the Return of Value and 776 as a result of dividend equivalents.

2014/15 awards
In 2014/15, a total of 189,740 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2014/15 to 2016/17. If average adjusted diluted EPS growth is more than 20% then all shares shall vest. If average adjusted diluted EPS growth over the same period is less than 12% then none of the shares will vest. For growth rates between 12% and 20% the number of shares that vest will be determined by linear interpolation between 25% and 100%.

b) Deferred annual bonus share plan
In 2008, the Company established the AVEVA Group Management Bonus Deferred Share Scheme 2008 (the Deferred Share Scheme). Directors and senior management participate in the scheme. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash and partly in ordinary shares in the Company to be delivered on a deferred basis.

In July 2017, the AVEVA Group Employee Benefit Trust 2008 awarded 15,444 (2017 – 2,160) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2017 (2017 – bonus earned in year ended 31 March 2016).

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

c) AVEVA Group plc Senior Employee Restricted Share Plan 2015
In 2015, the Company established the AVEVA Group plc Senior Employee Restricted Share Plan 2015 (the Restricted Share Plan). The scheme allows awards of options to be made to senior management employees and the exercise price of awards granted is 3.56 pence, being the nominal value of the underlying shares. The right to exercise an option is subject to completion of a required period of continued employment within the Group, usually being three years. Options that are not exercised prior to the fifth anniversary (or, in the case of an award with an overall award period of more than four years, the sixth anniversary) of the date of grant shall lapse.

In September 2017 a total of 110,247 options were granted to senior management. The shares under option are exercisable three years after the date of award. An additional 58,020 options were granted as a result of modifications due to the Return of Value and dividend equivalent.

In July 2016 a total of 61,311 options were granted to senior management. The shares under option are exercisable three years after the date of award. In 2017/18 an additional 26,132 options were granted as a result of modifications due to the Return of Value and 611 as a result of dividend equivalents.

Notes to the consolidated financial statements continued

29 Share-based payment plans continued

In July 2015 a total of 66,638 options were granted to senior management. One-third of the shares under option are exercisable two years after the date of award and two-thirds of the shares under option are exercisable after three years. In 2017/18 an additional 21,709 options were granted as a result of modifications due to the Return of Value and 511 as a result of dividend equivalents.

30 Share capital and reserves

a) Share capital

	2018 £000	2017 £000
Allotted, called-up and fully paid		
161,207,315 (2017 – 63,975,689) ordinary shares of 3.56 pence each	**5,732**	2,275

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

	2018 Number	2018 £000	2017 Number	2017 £000
At 1 April	**63,975,869**	**2,275**	63,961,113	2,274
Issued as consideration for the purchase of the Schneider Electric Software business	**97,169,655**	**3,455**	–	–
Exercise of share options	**61,791**	**2**	14,756	1
At 31 March	**161,207,315**	**5,732**	63,975,869	2,275

On 1 March 2018 the Company issued 97,169,655 (2017 – nil) consideration shares of 3.56 pence each with a nominal value of £3,454,921 (2017 – nil). The issue of new shares in the Company in exchange for shares in Schneider Electric Industrial Software Business has attracted merger relief under section 612 of the Companies Act 2006. Of the £1,818,044,245 fair value of the shares issued, £3,454,921 (3.56 pence per ordinary share) has been credited to share capital, £547,254,807 (after writing off certain transaction costs) to share premium, and the remaining £1,265,634,517 to the merger reserve within equity.

On 1 March 2018 the Company issued 64,037,660 B shares of £10.15 each paid up by capitalisation of £649,982,249 of the merger reserve. Later on the same date the B shares were redeemed at £10.15 per share, in part out of the fresh issue referred to above and £101,682,249 out of distributable reserves (which was transferred to capital redemption reserve).

During the year the Company issued 61,791 (2017 – 14,756) ordinary shares of 3.56 pence each with a nominal value of £2,197 (2017 – £525) pursuant to the exercise of share options. The total proceeds were £2,197 (2017 – £525), which included a premium of £nil (2017 – £nil).

Year ended 31 March 2018

Date of issue	Number of shares 2018	Nominal value 2018 £	Share premium 2018 £000	Market price £
5 June 2017	**325**	**12**	**–**	**19.99**
27 June 2017	**1,194**	**42**	**–**	**20.20**
13 July 2017	**1,694**	**60**	**–**	**20.06**
10 August 2017	**8,626**	**307**	**–**	**19.58**
17 August 2017	**2,276**	**81**	**–**	**19.21**
13 September 2017	**5,392**	**192**	**–**	**23.87**
28 September 2017	**3,324**	**118**	**–**	**24.38**
18 October 2017	**2,169**	**77**	**–**	**24.53**
14 November 2017	**1,334**	**47**	**–**	**25.69**
5 December 2017	**31,871**	**1,133**	**–**	**25.75**
8 December 2017	**1,714**	**61**	**–**	**27.06**
18 January 2018	**1,063**	**38**	**–**	**28.21**
6 February 2018	**809**	**29**	**–**	**28.02**
1 March 2018	**97,169,655**	**3,454,921**	**547,255**	**18.71**
	97,231,446	**3,457,118**	**547,255**	

Year ended 31 March 2017

Date of issue	Number of shares 2017	Nominal value 2017 £	Share premium 2017 £000	Market price £
24 May 2016	10,579	376	–	15.27
27 May 2016	566	20	–	16.00
29 September 2016	3,611	128	–	20.12
	14,756	**524**	**–**	

b) Other reserves

Other reserves consist of the following:

Merger reserve

The change over the year represents the difference between the equity consideration and the nominal value of shares issued in connection with the acquisition of Schneider Electric software business in 2018 less amounts used to pay up the B shares. The Return of Value to shareholders was affected through the issue and redemption of B shares which were redeemed against the merger reserve.

Cumulative translation adjustment reserve

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

Capital redemption reserve

This represents the Return of Value to shareholders from AVEVA Group plc plus issue costs of the consideration shares.

Reverse acquisition reserve

This represents the difference between the consideration and the AVEVA capital equity interests on acquisition.

Treasury shares

Treasury shares reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 15,444 (2017 – 2,160) shares were purchased by the EBT at a price of £20.91 (2017 – £18.68) and 11,543 shares (2017 – 13,380) with an attributable cost of £243,462 (2017 – £296,431) were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2016	484
Own shares purchased 25 July 2016	40
Shares issued to employees	(296)
At 31 March 2017	228
Own shares purchased 27 June 2017	322
Shares issued to employees	(243)
At 31 March 2018	**307**

31 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)

Notes to the consolidated financial statements continued

31 Related party transactions continued

Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2018 are unsecured, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017 – £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. In the year to 31 March 2018, and 11 month period to 28 February 2018, the key management personnel were considered to be the Chief Operating Officer and the Heads of Business of the Schneider Electric software business. Following the Combination, during the one month period from 1 March 2018 to 31 March 2018, the key management personnel were considered to be the Executive Directors and other members of the Executive team of AVEVA Group plc enlarged Group. In addition to their salaries, the Group also provides non-cash benefits and contributes to defined benefit or defined contribution pension schemes on their behalf. Members of the key management team also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 56 to 77.

	2018 £000	2017 £000
Short-term employee benefits	**2,929**	2,377
Share-based payments	**410**	153
	3,339	2,530

Company balance sheet

31 March 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Investments	5	**1,303,745**	32,736
		1,303,745	32,736
Current assets			
Trade and other receivables	6	**71,592**	125,567
Cash and cash equivalents		**264**	11
		71,856	125,578
Total assets		**1,375,601**	158,314
Equity			
Issued share capital	8	**5,732**	2,275
Share premium		**574,543**	27,288
Capital redemption reserve		**101,682**	–
Merger reserve		**619,574**	3,921
Retained earnings		**73,285**	84,748
Total equity		**1,374,816**	118,232
Current liabilities			
Trade and other payables	7	**785**	40,082
		785	40,082
Total equity and liabilities		**1,375,601**	158,314
Profit for the year		**103,671**	49,050

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

The financial statements on pages 129 to 134 were approved by the Board of Directors on 14 June 2018 and signed on its behalf by:

Philip Aiken
Chairman

Craig Hayman
Chief Executive Officer

Company number
2937296

Company statement of changes in shareholders' equity

31 March 2018

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2016	2,274	27,288	–	3,921	62,114	95,597
Profit for the year	–	–	–	–	49,050	49,050
Issue of share capital	1	–	–	–	–	1
Share-based payments	–	–	–	–	171	171
Share options granted to employees of subsidiary companies	–	–	–	–	913	913
Dividends paid	–	–	–	–	(27,500)	(27,500)
At 31 March 2017	2,275	27,288	–	3,921	84,748	118,232
Profit for the year	–	–	–	–	103,671	103,671
Issue of share capital	2	–	–	–	–	2
Shares issued to acquire the Schneider Electric software business, net of transaction costs	3,455	547,255	–	1,265,635	–	1,816,345
Issue and redemption of B shares	–	–	101,682	(649,982)	(101,682)	(649,982)
Share-based payments	–	–	–	–	852	852
Share options granted to employees of subsidiary companies	–	–	–	–	2,964	2,964
Dividends paid	–	–	–	–	(17,268)	(17,268)
At 31 March 2018	**5,732**	**574,543**	**101,682**	**619,574**	**73,285**	**1,374,816**

The accompanying notes are an integral part of this Company statement of changes in shareholders' equity.

Notes to the Company financial statements

1 Authorisation of Financial Statements and Corporate information

The financial statements of AVEVA Group plc (the Company) for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 14 June 2018 and the balance sheet was signed on the Board's behalf by Philip Aiken, the Chairman, and Craig Hayman, the CEO. AVEVA Group plc is a limited Company incorporated and domiciled in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal activity of the Company is that of a holding company.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018. The financial statements are presented in sterling, rounded to the nearest thousand.

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

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

2 Summary of significant accounting policies

Explained below are the significant accounting policies of the Company. The full Statement of Group Accounting Policies is included on pages 135 to 139.

a) Basis of accounting

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

- the requirements of IAS 7: Statement of Cash Flows
- the requirements of IAS 8: IFRSs issued but not effective
- the requirements of IFRS 2: Share based payments
- the requirements of IFRS 7: Financial Instruments: Disclosures
- the requirements of IFRS 13: Fair Value measurements
- the requirements of IAS 24: Related party disclosures

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

b) Taxation

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

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

c) Share-based payments

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

d) Investments in subsidiaries

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

Notes to the Company financial statements continued

3 Result for the year

AVEVA Group plc reported a profit for the financial year ended 31 March 2018 of £103,671,000 (2017 – £49,050,000).

Audit fees of £7,000 (2017 – £7,000) are borne by another Group company.

The Company employed six people in the year (2017 – nil). Directors' emoluments are disclosed in the Remuneration Committee report on pages 56 to 77, and in respect of the Executive Directors were paid by a UK subsidiary company.

4 Dividends

	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 2017/18 proposed dividend 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.

5 Investments

	£000
Cost and net book value	
At 1 April 2017	32,736
Additions	1,271,009
At 31 March 2018	**1,303,745**

On 1 March 2018, the Company acquired three holding companies as part of the combination with the Schneider Electric Industrial Software Business. These three holding companies held the share capital of all companies within the Schneider Electric Industrial Software Business Group.

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

6 Trade and other receivables

	2018 £000	2017 £000
Amounts owed by Group undertakings	**71,574**	125,558
Prepayments	**18**	9
	71,592	125,567

7 Trade and other payables

	2018 £000	2017 £000
Accruals	785	213
Amounts owed to Group undertakings	–	39,869
	785	40,082

8 Share capital

	2018 £000	2017 £000
Allotted, called-up and fully paid		
161,207,315 (2017 – 63,975,869) ordinary shares of 3.56 pence each	5,732	2,275

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

	2018 Number	2018 £000	2017 Number	2017 £000
At 1 April	63,975,869	2,275	63,961,113	2,274
Issued as consideration for the purchase of the Schneider Electric software business	97,169,655	3,455	–	–
Exercise of share options	61,791	2	14,756	1
At 31 March	161,207,315	5,732	63,975,869	2,275

Year ended 31 March 2018

Date of issue	Number of shares 2018	Nominal value 2018 £	Share premium 2018 £000	Market price £
5 June 2017	325	12	–	19.99
27 June 2017	1,194	42	–	20.20
13 July 2017	1,694	60	–	20.06
10 August 2017	8,626	307	–	19.58
17 August 2017	2,276	81	–	19.21
13 September 2017	5,392	192	–	23.87
28 September 2017	3,324	118	–	24.38
18 October 2017	2,169	77	–	24.53
14 November 2017	1,334	47	–	25.69
5 December 2017	31,871	1,133	–	25.75
8 December 2017	1,714	61	–	27.06
18 January 2018	1,063	38	–	28.21
6 February 2018	809	29	–	28.02
1 March 2018	97,169,655	3,454,921	547,255	18.71
	97,231,446	3,457,118	547,255	

Year ended 31 March 2017

Date of issue	Number of shares 2017	Nominal value 2017 £	Share premium 2017 £	Market price £
24 May 2016	10,579	376	–	15.27
27 May 2016	566	20	–	16.00
29 September 2016	3,611	128	–	20.12
	14,756	524	–	

Notes to the Company financial statements continued

On 1 March 2018 the Company issued 97,169,655 (2017 – nil) consideration shares of 3.56 pence each with a nominal value of £3,454,921 (2017 – nil). The issue of new shares in the Company in exchange for shares in the Schneider Electric software business has attracted merger relief under section 612 of the Companies Act 2006. Of the £1,818,044,245 fair value of the shares issued, £3,454,921 (3.56 pence per ordinary share) has been credited to share capital, £547,254,807 (after writing off certain transaction costs) to share premium, and the remaining £1,265,634,517 to the merger reserve within equity.

On 1 March 2018 the Company issued 64,037,660 B shares of £10.15 each paid up by capitalisation of £649,982,249 of the merger reserve. Later on the same date the B shares were redeemed at £10.15 per share, in part out of the fresh issue referred to above and £101,682,249 out of distributable reserves (which was transferred to capital redemption reserve).

During the year the Company issued 61,791 (2017 – 14,756) ordinary shares of 3.56 pence each with a nominal value of £2,197 (2017 – £525) pursuant to the exercise of share options. The total proceeds were £2,197 (2017 – £525), which included a premium of £nil (2017 – £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' remuneration report. Note 29 of the Consolidated financial statements for the Group includes details of share option awards made during the year.

9 Related party transactions

There were no transactions with related parties in either the current or the preceding financial year that require disclosure within these financial statements.

Statement of Group accounting policies

Statement of compliance

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2018. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

The parent Company financial statements of AVEVA Group plc have been prepared under the FRS 101 reduced disclosure framework and are included on pages 129 to 139.

Basis of consolidation

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

Inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition, with any excess of the cost of acquisition over this value being capitalised as goodwill.

Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

New standards and interpretations not yet effective

The IASB have issued the following standards (although in some cases not yet adopted by the EU) which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

		Effective for periods commencing after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 2	Amendments – Classification and Measurement of Share-based payment transactions	1 January 2018
IFRS 10 and IAS 28	Amendments – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC Interpretation 23	Uncertainty over Income Tax Treatment	1 January 2019

The Group intends to adopt these standards in the first accounting period after the effective date. The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 prescribes a principles-based approach to accounting for revenue arising from contracts with customers, as well as additional reporting disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations.

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive five-step model to account for how revenue is recognised as goods or services are transferred to customers. Furthermore, it provides new guidance on whether revenue should be recognised at a point in time or over time, and more specifically, includes guidance on revenue from licensing arrangements.

IFRS 15 must be applied for periods beginning on or after 1 January 2018. The Company plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 March 2019, using the full retrospective approach.

The Company has completed an initial assessment of the impact of the adoption of IFRS 15 on its consolidated financial statements. The main aspects of the assessment are outlined below.

Statement of Group accounting policies continued

(i) Rendering of services – transfer of control

Revenue from sales of initial licences, perpetual licences and the initial software delivery element of rental/term licences is currently recognised upon delivery. Delivery occurs when the customer has access to the intellectual property described in the contract. In some limited circumstances, under the current policy, AVEVA may recognise revenue from a rental/term licence agreement rateably over the contract period. This assessment is based on whether AVEVA can reliably estimate the maintenance and support element of the contract.

Under IFRS 15, revenue is recognised when a customer obtains control of the services. All distinct performance obligations relating to licences for software are transferred to the customer at a 'point in time'. Therefore, under IFRS 15, all revenue from software licences which are distinct performance obligations will be recognised at a 'point in time' and not 'over time'. This results in an acceleration of the recognition in revenue for certain contracts and revenue streams and therefore the impact on any given financial year will depend upon the customer renewal cycles.

This assessment does not affect AVEVA's Software as a Service ("SaaS") offerings which are recognised in line with the rendering of services rather than as a sale of a software licence. Revenue for SaaS offerings are predominately recognised on a straight-line basis over the contract period.

(ii) Providing extended payment terms to customers

Under IAS 18, where AVEVA provides a customer with extended payment terms, the revenue is deferred until the consideration is due in accordance with the contract. Under IFRS 15, all the contractual payments are included in the transaction price and allocated to the performance obligations at the start of the contract.

The Company identified a limited number of contracts which, under IFRS 15, could be recognised in the Income Statement at an earlier point in time rather than deferring recognition until the stage payments are invoiced.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (effective for the year ending 31 March 2019) requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

IFRS 16 Leases

IFRS 16 Leases (effective for the year ending 31 March 2020) will require all leases to be recognised on the balance sheet. Currently, IAS 17 Leases only requires leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised on the balance sheet. Lessees will recognise a 'right of use' asset and a corresponding liability on the balance sheet. The asset will be amortised over the length of the lease and the liability measured at amortised cost. It is currently not practicable to quantify the effect at the date of the publication of these financial statements. Existing operating lease commitments are set out in note 25 of the consolidated financial statements.

Foreign currencies

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

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

The subsidiaries have a number of different functional currencies. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into Pounds Sterling (£) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are taken directly to the Consolidated statement of comprehensive income.

Goodwill

Goodwill on acquisitions is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

Intangible assets

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

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

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

	Years
Developed technology	3–12
Customer relationships	5–20
Purchased brand and trademarks	5–15
Other software	3–7
Purchased software rights	3–10
Contract assets	Length of contract
Capitalised Research & Development	3–5

Research expenditure

Research expenditure is written off in the year of expenditure.

Government grants

Grants in respect of specific Research & Development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related Research & Development costs for which the grant is compensating. The grant income is presented as a deduction from the related expense.

Property, plant and equipment

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

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

	Years
Computer equipment	3
Fixtures, fittings and office equipment	6–8
Motor vehicles	4

Leasehold buildings and improvements are amortised on a straight-line basis over the period of the lease (3 to 49 years) or useful economic life, if shorter.

Impairment of assets

Goodwill arising on acquisition is allocated to cash-generating units expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the initial allocation of goodwill acquired in a business combination cannot be completed before the end of the first annual period in which the business combination is effected, that initial allocation shall be completed before the end of the first annual period beginning after the acquisition date. Impairment losses are recognised in the income statement in the administrative expenses line item.

Statement of Group accounting policies continued

Trade and other receivables
Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

Derivative financial instruments
The only derivative financial instruments the Group holds are forward foreign exchange contracts to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. All forward foreign exchange contracts have been marked-to-market and are held at fair value on the Consolidated balance sheet. The Group has not applied hedge accounting during the year and therefore movements in fair value are being recorded in the Consolidated income statement. Fair value is estimated using the settlement rates prevailing at the period end.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term.

Taxation
The Group is subject to income tax in numerous jurisdictions. The Group recognises provisions for tax based on estimates of taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determinations are made.

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

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

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

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

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

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

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

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

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

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

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

Post retirement benefits

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

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

The Group also operates defined contribution pension schemes for a number of UK and non-UK employees. Contributions to defined contribution plans are charged to profit before tax as they become payable.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 29.

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

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

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

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

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

Employee benefit trust

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

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

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
Gain on fair value of forward foreign exchange contracts		**(646)**	(669)
Exceptional items	5	**44,374**	4,696
Adjusted profit before tax		**162,841**	152,435

Earnings per share (pence)			
- basic	6	**40.96**	47.44
- diluted	6	**40.86**	47.32
Adjusted earnings per share (pence)			
- basic	6	**75.78**	67.74
- diluted	6	**75.59**	67.57

Unaudited pro forma combined cash flow statement

	Notes	2018 £000	2017 £000
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
Maturity/(purchase) of treasury deposits (net)		**45,260**	(2,170)
Net cash flows from/(used in) investing activities		**43,598**	(15,419)
Cash flows from financing activities			
Interest paid		**(3,133)**	(58)
Drawdown of RCF		**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

Notes to the unaudited pro forma combined financial statements

1 Basis of preparation

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

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 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

	Year ended 31 March 2018			
	Asia Pacific £000	EMEA £000	Americas £000	Total £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 £000	EMEA £000	Americas £000	Total £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 Staff costs

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

	2018 £000	2017 £000
Wages and salaries	**298,315**	280,185
Social security costs	**34,723**	32,440
Pension costs	**17,078**	14,995
Share-based payments	**3,969**	2,384
	354,085	330,004

5 Exceptional items

	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

6 Earnings per share

	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.

Notes to the unaudited pro forma combined financial statements continued

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 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

Full list of addresses and subsidiaries

A full list of addresses of all subsidiaries and significant holdings is provided below, alphabetically by country within each region.

Head office

AVEVA Group plc
High Cross
Madingley Road
Cambridge
CB3 0HB
UK

Americas

Schneider Electric Software Argentina S.A.
Suipacha 1111
Floor 11C1008AAW Buenos Aires
Argentina

AVEVA do Brasil Informática Ltda
Rua Lauro Muller
116 Sala 2202 Torre Rio Sul
Botaforgo – Rio de Janeiro
Cep: 22.290-160
Brazil

Schneider Electric Software Brasil Ltda.
Rua Alves Guimaraoes
No. 462, conj. 41/42
Pinheiros
Sao Paulo
05410-000
Brazil

Schneider Electric Software Canada Inc.
49 Quarry Park Blvd. SE
Calgary Alberta AB T2C 5H9
Canada

AVEVA Chile S.p.A.
Avendia Vitacura 2670
Piso 15, Ls Condes
Santiago de Chile
7550698
Chile

Schneider Electric Software Chile S.p.A.
222 Ricardo Lyon Av
Office 501
Providencia
Santiago
Chile

AVEVA Colombia S.A.S
World Trade Center
Calle 100 No. 8a – 49
Torre B, PH, Oficina 22
Bogota
Colombia

Schneider Electric Software Colombia S.A.S.
Calle 69 A No. 4-77 Bogota
Colombia

AVEVA Software and Services S.A de C.V.
AVEVA de Mexico S. de R.L.
AV. Insurgentes Sur No. 863, Piso 7
Col. Napoles, Deleg Benito Juarez
Mexico City
D.F.03810
Mexico

Schneider Electric Software Mexico SA de CV
1121-A Calzada Javier Rojo Gomez
Colonia Guadalupe Del Moral
09300
Mexico

Schneider Electric Software, LLC
Wonderware de Mexico, Inc.
Wonderware of Venezuela, Inc.
2711 Centerville Road
Suite 400
New Castle
Wilmington Delaware
DE 19808
USA

AVEVA Inc.
8over8 LLC
10350 Richmond Avenue, Suite 400
Houston
TX 77042
USA

Full list of addresses and subsidiaries continued

EMEA

AVEVA Denmark A/S
Sofiendalsvej 5A
9200 Aalborg SV
Denmark

AVEVA SA
5 Square Felix Nadar
Bat C, 94300 Vincennes
France

AVEVA GmbH
Otto-Volger-Street 7c
65843 Sulzbach (Taunus)
Germany

Schneider Electric Software Germany GmbH
Altrottstraße 31
Walldorf
69190
Germany

Schneider Electric Software Italia SPA
Viale Milano no. 177 GALLARATE
Milan
Italy

Wonderware Italia S.p.A.
Gallarate (VA)
Viale, Milano
177 CAP
21013 Milan
Italy

Schneider Electric Software Netherlands B.V.
Baarnsche dijk 10 B
3741LS Baarn
Netherlands

Schneider Electric Software Holdings Netherlands B.V.
Taurusavanue 133
2132 LS Hoofddorp
Netherlands

AVEVA AS
Lysaker Torg 45 (E)
PO Box 232
N-1326 Lysaker
Norway

AVEVA OOO Limited Liability Company
Spartakovskaya Street
PO Box 36
105066
Moscow
Russia

Schneider Electric Software RU
Moika Embankment 58
lit. A, of. 504 190 000
St. Petersburg
Russia

Schneider Electric Software Spain S.L.
Calle Valgrande 6
28108 Alcobendas
Madrid
Spain

AVEVA AB
PO Box 50555, Drottninggatan 18
SE-202 15
Malmo
Sweden

Wonderware Scandinavia AB
Mobilvagen 10,
223 62, Skane lan
Lund
Sweden

AVEVA Software and Services Anonim Şirketi
Barbaros Mah
Akzambak Sok
Varyap Meridian
A-Blok K:11 D:114
Ataşehir 34746
Istanbul
Turkey

Schneider Electric Software Middle East FZE
Plot. No. S10809
P.O. Box 61495
Jebel Ali
Dubai
UAE

AVEVA Solutions Limited
AVEVA Finance Limited
CADCentre Property Limited
FabTrol Systems, UK Limited
LFM Software Limited
AVEVA Limited
AVEVA Consulting Limited
AVEVA Engineering IT Limited
AVEVA Managed Services Limited
CadCentre Limited
CadCentre Engineering IT Limited
Cadcentre Pension Trustees Limited
Tribon Solutions (UK) Limited
High Cross
Madingley Road
Cambridge
CB3 0HB
UK

8over8 Limited
Northern Ireland Science Park
Fort George, Bay Road
Londonderry
BT48 7TG
UK

Schneider Electric Software GB Limited
101 Science Park
Milton Road
Cambridge
CB4 0FY
UK

Asia Pacific

AVEVA Pty Limited
Level 18
333 Ann Street
Brisbane, Queensland 4000
Australia

8over8 Pty Limited
L29, 221 St Georges Terrace
Perth, WA 6000
Australia

Schneider Electric Software Australia Pty Ltd
Schneider Electric Software Australia Holdings Pty Ltd
78 Waterloo Road
Macquarie Park
New South Wales 2113
Australia

AVEVA (Shanghai) Consultancy Co. Limited
AVEVA Solutions (Shanghai) Co. Limited
Unit 1503-1506, YouYou International Plaza
No. 76 Pu Jian Road
Shanghai 200127
China

Telvent Control Systems (China) Co. Ltd
No. 2 Liangshuihe 2nd Rd
Beijing Development Area
100176 Beijing
China

AVEVA East Asia Limited
2nd Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

AVEVA Information Technology India Private Limited
Unit No 202, Wing A, 2nd Floor
Supreme Business Park, Hiranandani Gardens, Powai
Mumbai 400 076
India

AVEVA Solutions India LLP
Tower – 1, 2nd Floor,
WaveRock
Sy.no 115 APIIC IT/ITES SEZ
Nanakramguda
Gachibowli Hyderabad – 500008
India

AVEVA Software India Private Limited
SS Arcade 3rd Floor
Plot No 97 & 98
Road No 9
Kakatiya Hills
Madhapur
Hyderabad- 500081
India

Schneider Electric Software India Private Limited
Invensys Development Centre India Private Limited
Salarpuria Touchstone
Survey No.15A & Portion of Survey No 14
P7, Kadubeesanahalli
Varthur Hobli
Bangalore
Karnataka – 560037
India

AVEVA KK
Nisseki Yokohama Bldg
19F 1-1-8, Sakuragi-cho,
Naka-ku, Yokohama
231-0062
Japan

Schneider Electric Software Japan Inc
OASE Shibaura MJ Building
2-15-6 Shibaura
Minato-ku
Tokyo
Japan

AVEVA Asia Pacific Sendirian Berhad
AVEVA Sendirian Berhad
Level 39, Menara 3 PETRONAS
Persiaran KLCC, Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia

AVEVA Pte Limited
3A International Business Park
#06-06
Singapore 609935
Singapore

Full list of addresses and subsidiaries continued

Asia Pacific (continued)

Schneider Electric Software Holdings Singapore Pte. Ltd.
15 Changi Business Park
Central 1
unit #03-01/05
Singapore 486057
Singapore

AVEVA Korea Limited
14th Floor, Haesung 2 Building
942-10 Daechi-dong, Kangnam-gu Seoul
135-725
South Korea

Schneider Electric Software Korea Ltd
13F, Kbiz DMC Tower
189, Seongam-ro
Mapo-gu Seoul
South Korea

Wonderware Korea Co. Ltd.
13F; 189 Seongam-ro
(Kbiz DMC Tower, Seongam-ro);
121-904 Seoul
South Korea

Schneider Electric Software Thailand Co., Ltd
No. 46 Rungrojthanakul Building, 1st,
10th-11th Floors
Ratchadapisek Road
Huaykwang Subdistrict
Huaykwang District
Bangkok Metropolis
Bangkok
Thailand

Company information and advisers

Directors

Philip Aiken	Chairman
Philip Dayer	Independent Non-Executive Director (resigned 7 July 2017)
Christopher Humphrey	Independent Non-Executive Director
Jennifer Allerton	Independent Non-Executive Director
Ron Mobed	Independent Non-Executive Director
Peter Herweck	Non-Executive Director (appointed 1 March 2018)
Emmanuel Babeau	Non-Executive Director (appointed 1 March 2018)
Craig Hayman	Appointed 19 February 2018
James Kidd	
David Ward	Resigned 19 February 2018

Company Secretary
Claire Denton (resigned 19 February 2018)
David Ward (appointed 19 February 2018)

Registered Office
High Cross
Madingley Road
Cambridge CB3 0HB

Registered Number
2937296

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

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

Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

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

Stockbroker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Financial Pr
FTI Consulting
200 Aldersgate Street
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Engineering and information management software for the Plant and Marine industries

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