

A close-up photograph of a woman wearing a white hard hat and clear safety glasses. She is looking down at a tablet computer she is holding in her hands. She is wearing a white collared shirt and a high-visibility yellow and blue safety vest. The background is bright and out of focus.

AVEVA

AVEVA Group plc
Annual Report and Accounts 2020
Governance Report and Financial Statements

Governance Report and Financial Statements



Online Annual Report

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<https://investors.aveva.com/annualreport.html>

What's inside our report

Structure and statistics At a Glance

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Governance Report and Financial Statements

This is part two of our Annual Report and Accounts. Part one consists of the Strategic Report, and covers who we are, how we create value, and how we run our business.

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Chairman's Introduction to Governance

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



Philip Aiken AM
Chairman

"The world is changing and AVEVA is changing and adapting with it. Never has it been more important that the Board take long-term decisions to protect and drive the future creation of value for all its stakeholders."

Highlights of the year

- Refining processes to support compliance with the Code
- Completion of an external Board evaluation
- Welcoming Olivier Blum to the Board
- Approval of an all-employee share scheme
- Introduction of a new Remuneration Policy
- Focus on Company culture and workforce engagement

AVEVA is increasingly adopting technology in a complex world that is changing at an accelerating rate. Whilst the Covid-19 pandemic is causing economic uncertainty for all businesses, we are an organisation with a long-term vision and, as such, we continuously develop and review strategies to deliver real sustainable value for all our stakeholders. This will be of even greater importance in an environment where the certainties are shifting and the risks are great.

During the past year the Board met many of our people working at different levels throughout the Company. This has informed our assessment of the internal talent pool, allowed us to gauge corporate culture and we gained a greater depth of insight into the challenges and opportunities affecting the Company as a whole. These engagements leave us in no doubt about the strength of AVEVA and its ability to continue to adapt to fast-changing conditions.

A resilient Board to steer AVEVA towards success

Our Board composition provides clear leadership, strong governance and effective decision-making to achieve our strategic goals. It includes international business leaders and industry professionals and brings together a wide range of backgrounds, skills, experience and perspectives. Its composition is in line with our strategy of having a strong and robust Board ensuring that it is equipped to effectively address the changes, opportunities and risks in our business.

In March 2020 we announced that Emmanuel Babeau would step down as Non-Executive Director, Vice Chairman of the Board and member of the Remuneration Committee, following his resignation from Schneider Electric. In accordance with the terms of the Relationship Agreement, Schneider Electric appointed Olivier Blum to the Board. Olivier is a highly accomplished executive and has in-depth knowledge and experience gained from his various strategic and operational roles within HR and Strategy. His appointment has already proven to be of great benefit to the Board and the Remuneration Committee. Peter Herweck took over as Vice Chairman

of the Board and I thank him for taking on these additional responsibilities. On behalf of the Board, I would like to reiterate our thanks to Emmanuel for his commitment and support during his tenure, in particular, he was instrumental in bringing about the combination of heritage AVEVA and the Schneider Electric industrial software business and has made a significant contribution to the subsequent successful integration programme.

Governance developments

Throughout the year the Board has been mindful of the new 2018 Corporate Governance Code (the Code) and the FRC's Guidance on Board Effectiveness and it continues to keep under review implementation of best practice processes. In this Report we describe how the Board and its Committees worked on behalf of all stakeholders, driving the culture necessary for AVEVA to achieve its strategic goals, and how we discharged our statutory duties and oversight functions. I hope this section of the report will help you gain a better understanding of the effectiveness of our Board and how we apply the principles of the Code.

As a result of the Code, the Board's corporate calendar has been updated and we focused on refining our purpose and values, embedding our preferred culture, engaging with stakeholders and aligning all these activities with our strategic goals. We also continued to evolve our corporate governance reporting to respond to changing requirements in the UK, driven not only by the Code but also by other legislative requirements which now apply to large UK companies. The Board has been supported throughout the year by its Committees which have also taken on new responsibilities under the Code. A summary of how each Committee has approached these can be found in the specific Committee reports.

A key consideration during the past year, as part of our enhanced stakeholder engagement activity, has been the long-term social and economic benefits that we bring to local communities. We recognise that our long-term, sustainable success depends upon attracting and developing the best talent to manage the ever-increasing complexity of our business, and forming long-term relationships with our customers and

suppliers. In this regard, many of our employees have enjoyed taking part in our Action for Good activities by going out into the communities in which we operate to provide direct tangible help to those individuals and organisations in most need. For more information on this and our impact on wider communities, please see pages 36–37.

Board evaluation

During the year our Nomination Committee oversaw an externally facilitated review of the effectiveness of the Board. Although under the Code we were not required to have an externally-facilitated evaluation this year, the Board was eager to understand the effectiveness of the Board post the combination with the Schneider Electric industrial software business and to address any areas of development. A full report on the outcomes of the evaluation can be found on pages 70–71.

The past year has proven to the Board the resilience of AVEVA, the dedication and motivation of its Executive Leadership Team (ELT), and the abilities of its employees. On behalf of my Board colleagues I would like to extend my sincere thanks to all of them.

Philip Aiken AM
Chairman
9 June 2020



Statement of Compliance

We have prepared this Annual Report with reference to the Code. The Board considers that the Company has complied with the provisions of the Code with the following exceptions:

- The Nomination Committee's membership does not consist of a majority of independent Non-Executive Directors if the independence of the Chairman is excluded. In accordance with the Relationship Agreement with Schneider Electric, Peter Herweck is the Schneider Electric-appointed member of the Nomination Committee. Peter is an experienced executive and brings diversity in thought and insight to the Committee's activities. The Board sees great benefit in having him as a Committee member.
- Similarly, Olivier Blum, appointed by Schneider Electric in accordance with the Relationship Agreement, is a member of the Remuneration Committee and the Committee therefore does not consist entirely of independent Non-Executive Directors. Given Olivier's senior executive strategic and operational roles in HR and remuneration, the Committee values his insight and technical expertise and his Committee membership bolsters the effectiveness of the Committee.

An explanation of how the Company has complied with the Code is given on the following pages:

Board Leadership, Purpose and Culture
– page 67

Division of Responsibilities
– pages 64–65

Composition, Succession and Evaluation
– pages 70–73 (Nomination Committee Report)

Audit, Risk and internal control
– pages 74–79 (Audit Committee Report)

Remuneration of Directors
– pages 80–108 (Remuneration Committee Report)

The Financial Reporting Council (FRC) is responsible for the publication and periodic review of the UK Corporate Governance Code. This can be found on the FRC website: www.frc.org.uk

Corporate Governance

At a Glance

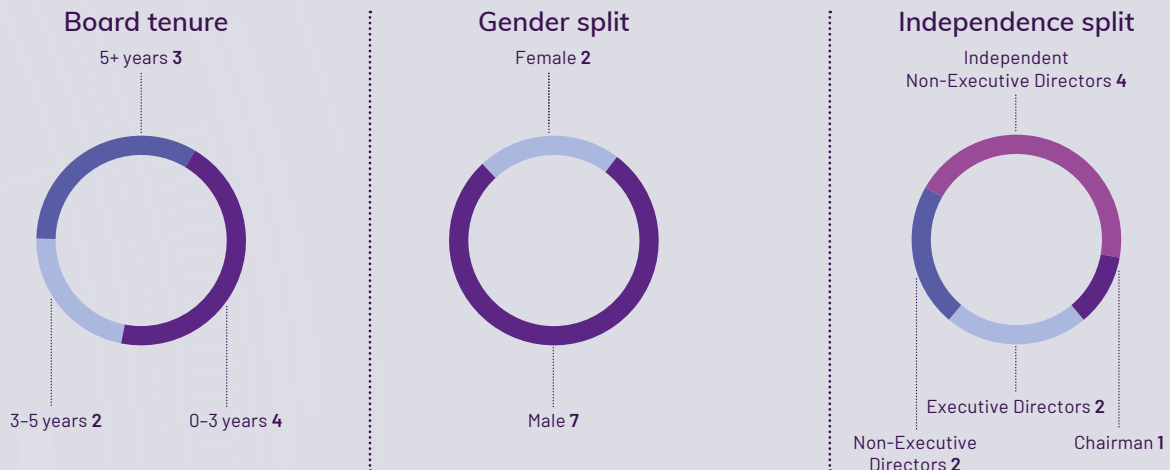
The Board has been supported throughout the year by its Committees which have also taken on new responsibilities under the Code. A summary of how each Committee has approached these can be found in the specific Committee reports.

Group Structure Chart

The Board's responsibility for leading the Company towards achievement of its purpose continues to be supported by a robust governance structure.



Tenure, gender, independence and attendance statistics



Meeting attendance

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

¹ Emmanuel Babeau resigned as Non-Executive Director and as member of the Remuneration Committee on 30 April 2020.

² Olivier Blum was appointed as a Non-Executive Director and also as member of the Remuneration Committee on 30 April 2020. He did not attend any Board meetings for the year under review.

Board of Directors' Biographies

Strong and Effective Leadership

Philip Aiken
Chairman

Tenure: 8 years and 1 month
Appointed: 1 May 2012
Nationality: Australian



Skills and Experience

Phil has just under 50 years of experience in industry and commerce. From 1997 to 2006 he was President of BHP Petroleum and then Group President of Energy of BHP Billiton. He has been Managing Director of BOC/CIG, Chief Executive of BTR Nylex, Senior Advisor of Macquarie Bank (Europe), Chairman of Robert Walters plc, Senior Independent Director of Kazakhmys plc and Essar Energy plc and Director of Essar Oil Limited. Other previous roles include: Director of National Grid plc from 2008 to 2015, Director of Miclyn Express Offshore, Chairman of the 2004 World Energy Congress and serving on the Boards of the Governor of Guangdong International Council, World Energy Council and Monash Mt Eliza Business School.

Current External Appointments

Chairman of Balfour Beatty plc
Non-Executive Director of Newcrest Mining Limited
Chairman of Australia Day Foundation
Director of Gammon China Limited

Craig Hayman
Chief Executive Officer

Tenure: 2 years and 3 months
Appointed: 19 Feb 2018
Nationality: British and American

Skills and Experience

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

Current External Appointments

None

James Kidd
Deputy CEO and CFO

Tenure: 9 years 5 months
Appointed: 1 Jan 2011
Nationality: British

Skills and Experience

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

Current External Appointments

None

Christopher Humphrey
Senior Independent
Non-Executive Director

Tenure: 3 years 11 months
Appointed: 1 Jul 2016
Nationality: British



Skills and Experience

Chris is a qualified accountant and has over 25 years' experience managing engineering and technology companies. From 2008 until 2015 he was Group Chief Executive Officer of Anite plc, after having joined Anite in 2003 as Group Finance Director. Prior to this he was Group Finance Director at Critchley Group plc and held senior positions in finance at Conoco and Eurotherm International plc.

Chris has a BA (Hons) in Economics, is a Chartered Management Accountant, a Fellow of CIMA and has an MBA from Cranfield School of Management.

Current External Appointments

Senior Independent Director and Chairman of the Audit Committee of Vitec Group plc
Non-Executive Chairman of Eckoh plc
Non-Executive Director of SDL plc



Committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Chair

<p>Jennifer Allerton Independent Non-Executive Director</p>	<p>Ron Mobed Independent Non-Executive Director</p>	<p>Paula Dowdy Independent Non-Executive Director</p>	<p>Peter Herweck Non-Executive Director and Vice Chairman</p>	<p>Olivier Blum Non-Executive Director</p>
<p>Tenure: 6 years 11 months Appointed: 9 Jul 2013 Nationality: British and Swiss</p>	<p>Tenure: 3 years 3 months Appointed: 1 Mar 2017 Nationality: British</p>	<p>Tenure: 1 year 4 months Appointed: 1 Feb 2019 Nationality: American and British</p>	<p>Tenure: 2 years 3 months Appointed: 1 Mar 2018 Nationality: German</p>	<p>Tenure: 1 month Appointed: 30 Apr 2020 Nationality: French</p>
<p>Skills and Experience Jennifer has more than 40 years' experience in technology working in multinational companies in the UK, the US, Brazil, Asia and Switzerland and speaks several languages. Notably, she was a member of the Pharma Executive Committee and Chief Information Officer of F. Hoffmann-La Roche, with responsibility for IT strategy and operations for the Pharma division and all Group IT operations. She has been a Non-Executive Director of Oxford Instruments plc and Paysafe plc.</p> <p>She has degrees in Mathematics, Geosciences and Physics and is an Associate of the Chartered Institute of Management Accountants.</p>	<p>Skills and Experience Ron has a broad range of global experience in electronic information businesses across a number of sectors and regions. Most recently, he was Chief Executive Officer of the Elsevier business of RELX plc and has also held Executive positions with Cengage Learning, IHS and Schlumberger.</p> <p>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.</p>	<p>Skills and Experience Paula is the Senior Vice President & General Manager EMEA for Illumina Inc., the global leader in DNA sequencing and array-based technologies. Prior to her appointment to Illumina in 2016, Paula worked for Cisco in a variety of senior sales, services and strategy roles, notably as Senior Vice President for Cloud, Software and Managed Services. Paula also led the integration of the analytics and automation software acquisitions into the larger Cisco salesforce and was a Board observer for one of Cisco's investments.</p> <p>She holds an MBA from Pepperdine University and a Bachelor of Arts degree from the University of California, Berkeley.</p>	<p>Skills and Experience Peter has been a member of Schneider Electric's Executive Committee since 2016 and leads their global Industrial Automation Business. He brings to the Board a wealth of experience in Automation, Digitisation and Industrial Software. Peter started his career at Mitsubishi in Japan, later joining Siemens where he held several Executive positions in Factory and Process Automation along with leading Corporate Strategy as Chief Strategy Officer. He has a global and extensive Executive and senior management background in Germany, China, the US and Japan.</p> <p>Peter holds an MBA from Wake Forest University School of Business and Engineering degrees from Metz University and Saarland University. He is also a Harvard Business School Advanced Management Alumni.</p>	<p>Skills and Experience Olivier began his career at Schneider Electric (SE) in 1993 in Sales, and has subsequently held various senior and Executive roles in SE, including positions in China, India and Hong Kong.</p> <p>Positions he has held in SE include Secretary of the Executive Committee, Regional Head of Strategy and Marketing Director (China), Regional Managing Director (India), Executive Vice President of Retail (Hong Kong) and, since 2014, Chief Human Resources Officer and member of the Executive team.</p> <p>Olivier became SE's Chief Strategy and Sustainability Officer on 1 April 2020 and is in charge of developing and deploying strategic, sustainability and quality initiatives, while steering all Mergers & Acquisitions and Divestment activities globally. Olivier graduated from Grenoble École de Management (GEM), France.</p>
<p>Current External Appointments Non-Executive Director of Iron Mountain Inc Non-Executive Director of Sandvik AB Non-Executive Director of Barclays Bank Ireland plc</p>	<p>Current External Appointments Supervisory Board Member of Fugro N.V.</p>	<p>Current External Appointments None</p>	<p>Current External Appointments Non-Executive Director of the supervisory Board of Rudolf GmbH</p>	<p>Current External Appointments None</p>



Division of Board Responsibilities

Our Board shares collective responsibility for the long-term sustainable success of the Company but individual members undertake additional clearly-defined activities on behalf of the Board.

The roles and responsibilities of the Board, its Committees, Chairman and CEO are documented and regularly reviewed. The Board is assisted by the Nomination, Remuneration and Audit Committees. Certain powers have been delegated to these Committees and each Committee has its own Terms of Reference which can

be found at www.aveva.com. The Board also maintains a list of Matters Reserved for the Board which can be consulted at www.aveva.com/investors. When necessary, the Board may delegate very specific matters to ad hoc subcommittees with a clearly defined remit and for a limited period of time.

Role	Responsibilities
Chairman Philip Aiken	Phil's primary responsibility is to lead and direct the Board and to facilitate effective communication between Board members and senior management. He creates focused agendas to guide deliberations and to ensure that sufficient time is spent on consideration of stakeholder interests in all decision-making. He creates a culture of openness to promote efficient discussion, challenge and debate in the boardroom.
Chief Executive Officer Craig Hayman	Craig is responsible for proposing and implementing Company strategy, managing day-to-day operations and leading the Executive Leadership Team. He takes the lead in engaging with all our various stakeholders and providing regular feedback to the Board, not only on stakeholder views, but on all matters affecting the business.
Senior Independent NED Christopher Humphrey	Chris acts as a sounding board for the Chairman and acts as an intermediary for the other Directors and shareholders. He is available to address shareholders' concerns that have not been resolved through the usual channels of communication. He also meets with Non-Executive Directors (without the Chairman present) on an annual basis to lead the review of the Chairman's performance.
Deputy Chief Executive Officer and Chief Financial Officer James Kidd	James works closely with Craig to help drive forward implementation of strategy. He assesses and evaluates the financial performance of the organisation with regards to its long-term operational goals, forecasts and budgets. He ensures the integrity of financial information that is presented and reported to the Board and the market. Furthermore, James is responsible for all treasury matters and the implementation and maintenance of robust accounting systems and internal controls.
Independent NEDs Christopher Humphrey Jennifer Allerton Ron Mobed Paula Dowdy	With their diverse range of backgrounds, skills, knowledge and expertise, the independent NEDs provide constructive challenge during deliberations, offer strategic guidance to the Board and are proactive in providing their different perspectives. They take responsibility for monitoring the performance of Executive Directors and achievement of agreed objectives.
Non-independent NEDs Peter Herweck Olivier Blum	Peter and Olivier add unique and valuable insight and constructive challenge to Board proceedings. With appropriate management of conflicts, they can constructively scrutinise the performance of management in meeting agreed goals and objectives which adds an extra layer of challenge to that of the independent Non-Executive Directors.
Company Secretary & Finance Director David Ward	David assists the Chairman with meeting preparation, induction of new Board members and provides corporate governance guidance and advice to the Board. He further ensures good governance practices throughout the Company.

Independence and Commitment

The Nomination Committee and the Board consider Jennifer Allerton, Christopher Humphrey, Ron Mobed and Paula Dowdy to be independent in character and judgement and free from conflicting business or other interests that could interfere with the exercise of their independent judgement. In accordance with the Code, the four independent Non-Executive Directors comprise half of the Board if the Chairman is excluded. All Directors, independent and non-independent, act with integrity, lead by example and promote the desired AVEVA culture.

Conflicts of interests are fully disclosed by Board members upon appointment and are reviewed on a regular basis throughout the year. External appointments of current Directors are not undertaken without approval being granted by the Board beforehand.

The Conflicts of Interest Register is maintained by the Company Secretary and sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties. In order to form a view surrounding Director independence, consideration was given to other appointments held by

each Director as well as the relevant outcomes of the annual individual Director and Board evaluations.

All newly-appointed Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of the individual in terms of time commitment, Committee service and responsibilities outside Board meetings. It is understood and anticipated, however, that the time required by Directors will fluctuate depending on the demands of the business and other events. This has certainly been the case with the outbreak of the Covid-19 pandemic and the Board's responsibility in steering AVEVA through the current challenges.

Our Board members share a deep sense of responsibility and, in practice, Board members' time commitment exceeds the minimum requirements set out in their letters of appointment, particularly in the case of the Chairman of the Board and the Chairs of Committees. Furthermore, the Non-Executive Directors regularly have meetings with Executive management and incorporate visits to our global office locations when travelling in order to meet with local management and gain first-hand information from different levels of employees.



On an annual basis, the Nomination Committee considers the time required from each Non-Executive Director against their total workload, their effectiveness and the experience they bring to the Board. The Committee believes that the Directors continued to contribute the time, as well as the focus, care and quality of attention to fulfilling their duties to the Company and its stakeholders during the year and therefore recommended that all Directors be re-elected and Olivier Blum be elected at the AGM.

Conscious of the Code requirements on tenure, the Committee is mindful that the Chairman of the Board will have completed just over eight years as Chairman if re-elected at this year's AGM. Following discussions with the Board, the Company Secretary and our majority shareholder, it has been decided that the process for identifying a new Chairman will actively begin after this year's AGM. An external search consultant will be engaged in due course and it is anticipated that an independent Non-Executive Director who is not a candidate for the role will lead the process. The Chairman has not and will not be involved in deliberations of the Board on this matter. Similarly, any current Directors that are identified as possible candidates will also not be involved in any Board deliberations.

The Directors believe that it is in the interests of AVEVA's shareholders and other stakeholders that the Board should continue to benefit from the current Chairman's expertise, industry knowledge and skills until such time that a suitably qualified new Chairman is appointed. Re-electing Phil Aiken as Chairman will enable effective succession plans to be implemented and allow a thorough and successful handover to a new Chairman to lead the Board and AVEVA.



Areas of Focus for the Board

Since the merger with SES, the Company's purpose has been to drive the digitalisation of the industrial world and we aim to create long-term sustainable value for shareholders while contributing meaningfully to wider society and our stakeholder groups. Our business model and strategic priorities can be found in the Strategic Report on pages 18–19, and our work on stakeholder engagement can be found on pages 20–21. Our purpose, strategic priorities, values and culture are inextricably linked and this linkage is continuously evaluated to ensure alignment.

Much of our work over the year has been focused on strategy including considering potential growth options and future partnerships. At the same time, the Board has increased its engagement with the workforce, customers and with suppliers as part of a new programme of stakeholder engagement. We have also considered Group culture, behaviour and values while maintaining a disciplined oversight of the operational performance of our core assets and significant investment decisions.

During the year, the Board focused on the matters summarised in the below table. These areas of focus include the monitoring of past performance but also drive forward thinking.

Area of focus	
Finance and risk management	The CFO presents a comprehensive report at each Board meeting and discussions focus on the current financial position, budgets and forecasts. The Board also reviews investment opportunities, capital allocation, the internal control framework and risk register, including specific consideration of Brexit, IT and cybersecurity issues.
Strategy	The Board periodically reviews and approves its strategy for the next three years which underpins the values and behaviours that help to shape the Group's culture and includes the consideration of AVEVA's principal risks and uncertainties.
Investor relations	Regular feedback is presented by the CEO following shareholder meetings, roadshows and results presentations.
Culture	The Board worked with the Executive Leadership Team to set the tone and direction for the next stage of embedding the AVEVA LIFE values and building out the work from the culture workshops that have been and are currently being held with as many teams as possible throughout the business.
Engagement with workforce	The Board has worked with the Executive Leadership Team to enhance its workforce engagement mechanisms and our work in this regard is further detailed on pages 68–69.
Governance and reporting regulations	During the year, the Board reviewed the changes to the Code and new reporting regulations and established necessary processes to ensure that the Group meets the requirements of the Code. An annual review of the effectiveness of the Board collectively as well as its individual members was undertaken. The evaluation was externally facilitated this year and details of the evaluation can be found on pages 70–72.
Cyberthreats	The Board received regular updates regarding cyber-risks, IT breaches and regulatory compliance and also reviewed the Company's risk appetite.
Finance ERP system	The Board continues to monitor the remaining integration activity related to the integration of the Schneider Electric industrial software business. A key remaining project is the roll-out of a new Enterprise Resource Planning (ERP) system across all our legal entities, scheduled for completion in 2021.

Board Leadership, Purpose and Culture

The Board recognises the important role it plays in modelling the values and behaviours that it wishes to see embedded across AVEVA and in promoting a culture of openness, inclusion and diversity. Following the in-depth work on articulating and rolling out the AVEVA LIFE values last year, this year the Board began to review how we live those values in our everyday activities. The Board recognises that the correct tone needs to be set from the top with the Directors leading by example to ensure that good standards of behaviour permeate throughout all levels of the Company. The way we live and breathe our culture can be seen by the way in which our AVEVA LIFE values are becoming increasingly embedded across our business and how they underpin our business model and strategy of delivering long-term shareholder value.

Our culture is a key strength of our business and we see the benefits of this in our employee engagement and retention. One way that the Board monitors and assesses the culture of the Group is by spending a considerable amount of time meeting with employees operating at various levels of the business. The Board, supported by the Executive Leadership Team, sets the Group's culture, and facilitates embedding supporting policies, processes and training throughout the Group.

Following assessment by the Board of the Code requirements in relation to workforce engagement, it was decided to enhance and leverage the existing mechanisms that are in place to engage with our employees. We continuously work to enhance these mechanisms and the employee engagement survey that was launched earlier this year is part of the enhancement activity. The Board is looking forward to receiving the final results of the employee engagement survey and taking forward any required actions based on employee feedback.

During the year, we also rolled out our Business Conduct Guidelines which clearly sets out the standards expected of Directors and employees. The Board receives regular updates from the Chief Human Resources Officer on the alignment between the Group's culture and values, and how these support its strategy and performance. These updates included a summary of the metrics used to monitor culture. For a more detailed discussion of initiatives related to our culture and values, please refer to page 32.

The relative stability of the Board during the past year has been a cornerstone of its flexibility to continue operating effectively in the current challenging environment. AVEVA's Executive Leadership Team, led by Craig Hayman as CEO, comprises the Executive Directors and other key Executives within the Group.

During the year under review, the Board held seven scheduled meetings and several unscheduled meetings. Six of the scheduled meetings were held in the UK and one was held in Lake Forest, California where a large number of our workforce is based.

The Board agenda has strong links to the strategic objectives for the business and is set via a collaborative process between the Chair, the CEO and the Company Secretary. This ensures adequate time is allocated to allow for detailed discussion where required. Internal and external experts are regularly invited to present at Board meetings on specific topics in order to enhance the Board's knowledge about the business but also about external factors affecting it.

Board members are required to attend all scheduled meetings and as many unscheduled meetings as possible. In the exceptional circumstances that attendance is not possible, the Director would be encouraged to submit feedback on the Board papers to the Chairman so that these can be shared with the wider Board at the meeting. This situation did not arise during the year under review.

Induction and Training

Upon joining the Board, all Directors receive a formal induction to the Group which is designed to enable them to understand AVEVA's core purpose and values, the key business segments, products and the markets it operates in so that they can be effective Board members from the outset.

The induction programme for new members is put together following discussions between the Chairman and Company Secretary. It takes into consideration the individuals' existing knowledge and experience and also includes details of any Committees that the new member will join. The programme includes training on Director duties, AVEVA policies, meetings with management and external advisors, site visits, briefings and reading material.

The various elements of the induction programme are phased over a reasonable period. The induction programme is usually reviewed mid-way through the programme and adjusted as necessary.

AVEVA encourages all Directors and employees to attend internal or external facilitated training sessions and briefings which are of interest and those which will help further enhance their knowledge. Directors are able to receive training or additional information on any specific subject pertinent to their role as a Director that they request or require. All Directors have access to the advice and services of the Company Secretary and a procedure is in place for them to take independent professional advice at the Company's expense should this be required.

Workforce Engagement

Following assessment by the Board of the Code requirements in relation to workforce engagement, it was decided to enhance and leverage the existing mechanisms that are in place to engage with our employees. The Board's decision was based on the size and structure of the business, the international locations of employees, local culture and current channels of engagement. This was, however, not a static assessment and the Board continuously work with the ELT to enhance these mechanisms.

Since the combination with SES, workforce engagement has enjoyed increased focus by the Board given the inherent uncertainties brought about by business combinations, the increased global footprint of the business and the significant increase in number of employees. Workforce engagement is especially important during the current uncertainty brought about by Covid-19. AVEVA's workforce looks to its Board and ELT to provide guidance and assurance during such times. The ELT, with support from the Board, has followed a broad all-employee engagement programme using different communication channels such as manager briefing calls, all-employee calls, creation of a Covid-19 intranet hub and email communications.

The Board considers the current workforce engagement mechanisms to be effective and in compliance with the Code. Further examples of the Board's workforce engagement activity are summarised on the page opposite.

Direct engagement

Direct engagement between the Board and workforce provides the Board with insight into AVEVA's culture and opportunity to gauge perspectives at different levels across the business. It also provides a good opportunity to meet with high potential talent to inform succession planning.

Management regularly engages with all employees through a range of formal and informal channels, including via emails from the Chief Executive Officer and other ELT members, a CEO podcast, townhalls, face-to-face gatherings and online publications via our intranet which encourages discussion and comment.

The Board calendar includes a minimum of one formal meeting per year in a non-UK office location. This year's meeting was held in Lake Forest, California and the Board's activities included a townhall, meetings with various function representatives,

a sales presentation, a presentation on succession planning within the wider organisation and a technology review.

The Executive Directors travel extensively to AVEVA office locations to keep in touch with employees based across the globe and to understand local challenges and opportunities first-hand. Feedback following such office visits is provided to the Board and further actions are undertaken if necessary.

During the year, the independent Non-Executive Directors undertook a number of individual site visits to our global locations where they interacted with a wide range of managers and employees across many functions including Sales, Finance, Marketing, R&D and HR, providing an opportunity to exchange ideas on areas relevant to the Board. Board members proactively inform the Company Secretary when they are travelling to locations where AVEVA has offices so that informal office visits can be arranged.



Examples of office visits by the Non-Executive Directors during the past year include:

Board member	Location	Activity
Phil Aiken	Singapore and Tokyo	Office walkabout, APAC business update, meetings with various office functions and a customer visit
Ron Mobed	Cambridge	Product portfolio update link to AVEVA's strategy, meetings with various functions which included an update on the various channels AVEVA uses to engage with employees
Peter Herweck	Hyderabad	Overview of the India business, product demonstrations, focus on R&D, update on AVEVA Action for Good
Chris Humphrey	Lake Forest	Lunch and roundtable discussion with local senior leaders
	Cambridge	Met with Group Finance leaders and discussed the finance transformation and ERP project
Jennifer Allerton and Paula Dowdy	Lake Forest	Lunch and discussions about diversity and inclusion within AVEVA, supporting International Women's Day panel

Succession planning

During the year the Board was presented with a review of succession planning outcomes for senior managers which highlighted the depth and diversity of the talent pipeline. The Board keeps abreast of how high potential individuals are developed and how diversity and inclusion is incorporated in succession planning at levels below Executive level.

Speak Up

The Board has approved a comprehensive Speak Up policy which provides various channels for reporting concerns and encourages staff to report behaviours or incidents in good faith. The Audit Committee takes responsibility for Speak Up procedures and is kept updated when significant matters are raised by employees.

Through its direct engagement activity, the Board is able to deepen their understanding of how the Company's purpose, strategy and values are embedded in particular sites and countries. Conversely, employees are also given the opportunity to get to know the Board and provide direct feedback on topics of importance to them and their business or function.

Engagement through reporting

Employee engagement survey and culture workshops

The March 2020 employee engagement survey covered a broad range of subjects including leadership, collaboration, working conditions, personal development, environmental issues and benefits and rewards. The Board has reviewed the results of the survey and is looking forward to taking forward any required actions based on employee feedback. For further information on the employee engagement survey please refer to page 33.

Numerous culture workshops have been held with employees in different countries and with different function groups. The Board is pleased to see AVEVA's LIFE Values embedding throughout all layers of the business and all employees embracing our Business Conduct Guidelines.



Nomination Committee Report

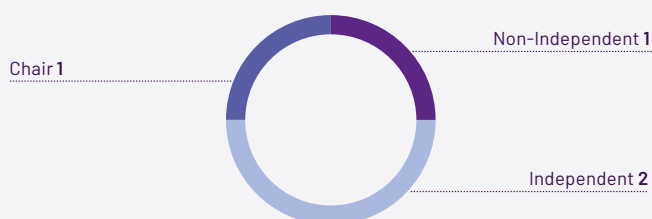
As we transform our business it is of vital importance that our Board and Executive Leadership Team have the right balance of diversity, skills, experience and knowledge.



Philip Aiken AM
Chairman of the Nomination Committee

“Ensuring that our Board and Committee composition is effective, resilient and robust now and in the future, is critical to supporting the long-term success of AVEVA.”

Independence split



Membership and attendance

Chair	
Philip Aiken	3/3
Committee members	
Ron Mobed	3/3
Chris Humphrey	3/3
Peter Herweck	3/3
Attending by invitation	
Finance Director and Company Secretary	
Other members of the Board	
Advisors	

The Committee usually meets three times a year.

Highlights of the year

- Appointment of Olivier Blum to the Board
- Board evaluation completed
- Succession planning

We are pleased to present our report on the Nomination Committee's activities for the past financial year focusing on the key highlights of the Committee's work. For a full overview of the Committee's responsibilities, please refer to its Terms of Reference at www.aveva.com/investors.

During the last year, the Committee had a small number of key areas of focus;

- Oversight of Emmanuel Babeau's retirement from the Board and his succession by Olivier Blum. Both Directors are nominated representatives of the Company's majority shareholder, Schneider Electric.
- Completion of an externally facilitated Board evaluation, including the selection of a new external party to undertake this review.
- A thorough succession planning discussion was undertaken which covered Board and Executive leadership positions.

Board evaluation

The Board is committed to regular, independent assessments of its own effectiveness and that of its Committees. The Board engages an independent external evaluation provider every three years to evaluate performance of the Board and its Committees and to identify areas of challenges and opportunities for improvement. The last external evaluation was undertaken in 2018. Following consideration by the Nomination Committee and the Board, it was decided to bring forward the external evaluation and have it completed a year earlier than general practice. The Committee was of the view that the post-combination Board and Committees have embedded sufficiently and that an external evaluation would provide an independent assessment of the post-combination effectiveness of the Board.

Conclusions and actions

The Board evaluation process found that:

- the Board has distinctive strengths: dedication, commitment and ambition, respect for each other, a collaborative working style and good diversity of experience. Such strengths can be built on to create an upward trajectory in performance; and
- the Board has a strong collective memory of a series of successes and achievements, specifically the combination between AVEVA and the Schneider Electric industrial software business is regarded as a great success story considering the complexity of bringing two organisations together. It was also noted that the Board has risen to the challenge and adapted fast to FTSE 100 regulations.

Following constructive discussion of the conclusions of the evaluation, the Board has approved actions designed to address any areas of potential improvement. These actions will be monitored and addressed on an ongoing basis.

The Board Evaluation process

Selection of external provider	The Committee supervised the process for the selection of the external Board evaluation provider. The Chairman and Company Secretary interviewed and considered three independent shortlisted providers prior to selecting Better Boards to undertake this year's evaluation. Using corporate information and briefing sessions with the Chairman and Company Secretary, Better Boards tailored a methodology that was customised to AVEVA. Once the scope and methodology was agreed, Better Boards attended a Board meeting to introduce the evaluation team and explain their approach.
Evaluation process	The evaluation was designed to a) assess how the Board functions as a whole, and b) to provide individual Board members with insights about themselves. This type of evaluation provided a foundation upon which individuals could increase their personal impact, which in turn could increase the overall effectiveness of the Board. The evaluation process consisted of discussions with each individual Director and the Company Secretary. In addition to the individual discussions, Better Boards developed a bespoke confidential questionnaire for Directors to complete. The effectiveness of each of the Board Committees was taken into account in the evaluation. All Board members (including those who did not sit on all Committees) were asked for feedback on the effectiveness of the Committees.
Conclusions	Initial findings and a draft of the evaluation report were discussed with the Chairman and Company Secretary prior to the finalised report being presented to the Board. Individual feedback reports were also provided to each Director and the Company Secretary. Confidential individual feedback sessions were held between Better Board and each Director and with the Company Secretary in order to develop a personal action plan.

Nomination Committee Report continued

Outcome	Status and measures taken
Time dedicated to strategy discussions	The Board is planning to have a focused day spent on AVEVA's long-term strategy later in the year. This will be preceded by interviews between the Chairman and each Director to understand what Directors would want to achieve from such a day and to enhance the effectiveness of discussions.
Increase time for NED-only meetings	Going forward the agenda for all scheduled Board meetings will include a NEDs-only session without the Executive Directors and management present.
Enhance Board working practices	Some opportunities for improving information flowing to Directors were identified and these will be actioned by the Company Secretary who continuously reviews all processes to improve the quality of Board papers and implementing best practice processes for reporting to the Board. Specifically, some Directors felt that the reporting from Committees back to the Board could be enhanced. It was also noted that the process for arranging NED visits to Company offices could be improved.
Continued focus on Board and ELT succession planning	Focus on succession planning across the Company has increased substantially during the past year. The Board and Nomination Committee will continue to support ELT efforts in this regard. The search for a new Chairman will start and both internal and external candidates will be considered which will bring fresh opportunities for the Nominations Committee to formulate Board and ELT succession planning.
Increase emphasis on ESG	The Directors are considering the most effective manner to increase the Board's focus on ESG issues.

Diversity and inclusion (D&I)

The Board, with the support of the Committee, is committed to promoting greater diversity not only at Board level, but across the whole organisation, particularly at senior levels. This commitment has led to improved gender diversity at all senior levels over the past year with the current workforce 26% female. AVEVA's vision is to have 30% of roles filled by women by the end of 2020 and the Company is on track to achieve this target. Nonetheless, a key feature of our D&I initiatives, is that they embrace all diversity, meaning that as an organisation we focus on inclusivity rather than specific gender or ethnicity activity. This focus is essential to our culture and is ingrained in the AVEVA LIFE values.

The Committee recognises that the participation of women in the technology industry remains relatively lower than that of men and that this will take time to rectify. Our recruitment policies and talent management programmes are developed with this background in mind. The Company is committed to hiring and developing women in the STEM fields. The ELT plays a day-to-day role in supporting diversity and inclusion initiatives through reviewing and maintaining AVEVA's D&I framework and through their continued work with WISE, Girls in Tech and our new partner Society of Women Engineers.

The Committee's work on D&I is closely aligned to its succession planning activity through the design and development of innovative and effective talent management processes to improve the depth, quality and diversity of talent. We discuss succession planning in more detail on the next page.

The Committee and the Board take due regard of the Hampton-Alexander Review: FTSE Women Leaders and the Parker Review into the ethnic diversity of UK boards.

Whilst recognising and embracing the benefits of having a diverse Board, Board appointments will continue to be merit-based, considering the needs and strategies of the business rather than specified quotas or targets. The Board believes that setting targets for the number of people from a particular background or gender when considering Board appointments is not the most effective approach to ensuring optimum Board composition. Furthermore, the Committee's approach when considering the recruitment of new Board members

involves the adoption of a formal and transparent procedure with due regard to the skills, knowledge and level of experience required, as well as diversity and soft skills. Nevertheless, it will continue to keep the gender and ethnic balance of the Board as a key factor when considering future Board appointments.

For further information on the Company's D&I framework and initiatives, please refer to page 34.

Succession planning

As anticipated, succession planning was central to the Committee's agenda in 2019. The Committee oversees the development of an inclusive and diverse talent pipeline through a number of Company-wide initiatives. Currently these initiatives are targeted mainly towards two groups of employees – potential future members of the ELT and a broader leadership talent pool.

Against this background, the ELT implemented an extensive talent mapping exercise taking into consideration AVEVA's current needs, its growth aspirations and its long-term strategies. The review identified key employees who have the potential to be critical to the success of the Company and results were shared with the Committee and the Board. Appropriate steps were then taken to ensure that effective plans are in place to develop a mix of potential senior managers and employees within the Group who could fill key roles in the short, medium and longer term. The review also took into consideration the Group's objectives on diversity and inclusion. Training and leadership programmes for all employees emphasises the Company's commitment to promoting and supporting in-house talent. These programmes support the Committee's responsibility of ensuring a sufficient talent pipeline exists to meet the ever-changing needs of the Company.

Talent mapping exercises will continue to be performed annually and progress on diversity and succession planning initiatives are reviewed regularly by the Committee and the Board.

In accordance with its responsibilities, the Committee undertakes contingency planning for unexpected Board changes and unforeseen departures, medium-term planning and long-term planning. As part of this planning, the Committee assess the skills and expertise required on the Board and considers current and future challenges facing the Company.

Board and Committee composition

The Committee is committed to ensuring that the Board and its Committees have the right balance of skills, experience and knowledge to help achieve its strategic objectives and to guarantee continued delivery of shareholder value. In this regard, it continuously reviews the composition of the Board and its Committees and the Board skills matrix. The framework within which the composition of the Board, its Committees and future Board appointments continue to be assessed, is based on the terms of the Relationship Agreement, AVEVA's inclusion in the FTSE 100 Index and the specific functions which NEDs would be required to fulfil on Committees. Following consideration, the Committee believes that, throughout the year, the Board composition and that of its Committees provided an appropriate balance of skills, knowledge and experience. The Committee will continue to assess composition and succession planning in view of both the results of the Board evaluation and the search for a new Chairman.

Annual review

As part of the externally-facilitated Board and Committee evaluation, the Committee assessed its own performance and effectiveness. The Committee members concluded that it operates effectively and that the Committee has been strengthened by the addition of Olivier Blum. The annual performance evaluation also provided an opportunity to review the Committee's Terms of Reference. The Committee undertook a comprehensive review and update of its Terms of Reference following the introduction of the 2018 Code during the previous financial year. This year's review focused on whether these updated Terms remain fit for purpose and the outcome was that no immediate changes are required.

Priorities for FY21:

The Committee will prioritise the following for the year ahead:

- Leading the search for a new Chairman
- Continued focus on diversity and inclusion in relation to Board appointments and throughout the organisation
- Continued focus on Board and executive succession planning
- Continued development of a strong talent pipeline
- Review of Board and Committee composition to ensure effective support of AVEVA's strategic aims

Philip Aiken AM
Chairman
9 June 2020

Audit Committee Report

Our focus is the integrity of the Group's financial reporting, audit processes, key risk management and internal controls



Christopher Humphrey
Audit Committee Chairman

Independence split



Independent 3

Membership and attendance

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

The Committee usually meets four times a year.

The Audit Committee (the Committee) is appointed by the Board. The members are Christopher Humphrey (Chairman), 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.

Role of the Committee

The Committee is appointed by the Board to monitor the financial integrity of the Group. It confirms to the Board that the financial statements within the Annual Report are fair, balanced and understandable and comply with all applicable legislation and regulation. It also reviews the Groups risk management processes and internal controls; including maintaining oversight of the internal audit function. Further, the Committee manages the relationship with the external auditor, reviews the scope and terms of its engagement, and monitors its performance through regular effectiveness reviews.

Committee membership and skills

I was appointed Chairman of the Committee in November 2016. The Board believes I have the necessary recent and relevant financial experience as required by the UK Corporate Governance Code (the Code), as I am a Chartered Management Accountant and a Fellow of CIMA, and have previously held the role of Chief Executive Officer and previously Group Finance Director of Anite plc, a UK-listed company, and prior to that senior positions in finance at Conoco, Eurotherm International plc

and Critchley Group plc. I am also Chair of the Audit Committee of Vitec Group plc and I have maintained an up-to-date understanding of financial and corporate governance best practice by attending many training sessions and updates presented by the major accounting firms.

The Board also considers that the other members of the Committee have a broad range of appropriate skills and strong experiences covering financial, commercial and operational matters. Brief biographical details for all the members of the Committee are included on pages 62–63.

The Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis on the specific matters we have considered, including compliance with the Code and associated Guidance on Audit Committees. I confirm that we have fully complied with the requirements of the Code as issued in July 2018.

Audit Committee terms of reference

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

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

Significant accounting issues

Significant accounting issues and judgements are identified by the Group finance function and via the external audit process and are reviewed by the Committee. Significant issues considered by the Committee in respect of the year ended 31 March 2020 are set out in the following table:

Significant issue	How it was addressed
Covid-19	The Committee have carefully considered the various potential impacts of Covid-19 on accounting judgements. This includes reviews of forecasts, asset impairments, share-based payments vesting and impairment review. In addition, the Committee have overseen the preparation of both Going Concern and Long-Term Viability Statements, paying attention to modelling, scenarios, liquidity positions and covenants.
Revenue recognition	The external auditor presented their findings regarding key revenue recognition testing and associated risks. The Committee reviewed and concluded that revenue recognised in the year is materially correct.
Pensions	The UK defined benefit pension scheme remains the most significant to the Group and is an area of focus. The Committee satisfied itself that the valuation of the pension liabilities is within an acceptable range and that the assumptions have been updated to reflect market conditions as at the year end.
Share-based payments	The Group recognised a share-based payment charge of £12 million during the year ended 31 March 2020. Two key areas of judgement for management are the fair value of new options granted in the period and the vesting assumptions made on all open option grants. The Committee reviewed and satisfied itself that the fair value of the LTIPs granted in the year is appropriate and in line with vesting assumptions.
Disposals	During the year, management disposed of the three remaining entities which served as Wonderware distributors, with the counterparties being other existing Wonderware distributors across Europe. The Committee has maintained oversight of these disposals and has concluded that the associated accounting is accurate.
Bonuses	During the year, the harmonisation of bonus schemes has been completed for the majority of heritage AVEVA and heritage SES employees. The Committee has maintained oversight of external auditor review and testing in this area to ensure it is comfortable with stated bonus provisions.
IFRS 16	This is the first period in which IFRS 16 is applicable for the Group. The Committee has focussed upon any changes made to management's transition adjustments, the appropriate disclosure of the new policy and any new leases entered during the year. No issues arose from these procedures.
Acquisition accounting	The Committee has maintained oversight of the MaxGrip and ErrorSolver acquisitions during the year and satisfied itself that the acquisition accounting has been performed using appropriate methodologies and is recorded correctly.

Audit Committee Report continued

Risk and internal controls

The principal risks that the Group faces are set out on pages 40 to 47. On at least an annual basis, the Committee considers the Group risk register and related management controls. Throughout the process, the Board or the Committee:

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

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

- the annual Internal Audit Plan. The Committee receives regular updates from the internal audit function on the outcomes of agreed reviews;
- the use of qualified third parties to undertake specialist reviews in more technical areas; and
- an annual assessment by the Committee of the whole system of internal financial and operational controls.

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

In relation to Covid-19 disruption and remote working requirements, the internal control framework has been assessed for continued suitability during lockdown and is considered robust.

Key estimates and judgements

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

Internal audit

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

External audit

The Committee acknowledges the provisions contained in the Code in respect of audit tendering, along with European rules on mandatory audit rotation and audit tendering. Ernst & Young (EY) have been our auditor since the financial year ended in March 2003 and cannot therefore remain our auditor beyond 2023 (note that EY were retained following an audit tender process in 2016).

Audit partners are rotated every five years and the current audit partner, Marcus Butler, will complete his fifth year with the Group this year.

The Committee has considered its approach to audit tendering with reference to the mandatory rotation period, the rotation of the current audit partner and proposals from the current reviews into the audit profession. In addition, EY are joint auditors to Schneider Electric along with Mazars. Schneider Electric are required to rotate EY after the December 2021 year end and the Committee has considered the implications of this for the AVEVA audit.

The Committee has concluded that it would be appropriate to commence a competitive tender for the March 2023 year-end audit. The tender will commence after the 2020 results are announced and is expected to conclude before the end of the year. The suggested timeline will enable the Company to conclude the tender in line with Schneider Electric's timeline to ensure that any independence threats relating to services provided by the incoming auditor can be addressed. It should also enable the Committee to take into account any proposals arising from the current reviews of the auditing profession. The timing remains subject to the Committee's normal annual review of auditor performance and recommendation to shareholders.

The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the Competition and Markets Authority. A plan to identify successor firms to ensure that there is sufficient time for an orderly transition and to safeguard independence was considered and agreed by the Committee.

A formal statement of independence is received from the auditor each year. The Board and the Committee are satisfied that the independence and objectivity of the auditor has been maintained.

Audit Committee objectives for FY20

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

Objectives	Activity in the year	Progress
Integration	The combination of the AVEVA and Schneider Electric Software businesses created a much larger Group and one with a different financial risk profile. The Committee sought to continuously understand the integration process and specifically understand how this would change financial processes and financial reporting as well as any new financial risks faced by the Group.	Finance transformation updates were presented to the Committee in July and October 2019 with a further update provided to the Board in September 2019.
Refresh Enterprise Risk Management for the enlarged Group	For risk management processes to provide the required value, continued executive support has been required with the Audit Committee holding management to account on risk management, challenging their involvement and progress. This includes embedding effective risk management into business units and functions so that risk covers the entire organisation. Good progress was made in 2018 and momentum was required to be maintained in 2019 to be successful.	Further detail on the progress of this objective is included on pages 40–41. Further progress has been made with the Committee overseeing the introduction of a new AVEVA risk governance structure that involves the Board, the Executive Leadership Team, business units and functions. The Audit Committee continue to receive regular updates on the progress of risk management processes within AVEVA to enable the required challenge to management.
Development of in-house internal audit function	2018 saw the introduction of an in-house internal audit function for the enlarged Group. The Committee have been focused on directing and supporting this function and ensuring that it provides an adequate level of coverage and assurance to meet the Committee's needs. The FY20 Internal Audit Plan was successfully achieved and included balanced geographical coverage of the Group's operations.	In 2019, the internal audit function; <ul style="list-style-type: none"> – Continued to focus on the establishment and testing of minimum internal control requirements for the enlarged Group. – Executed a risk-based focus to internal audit allowing the Audit Committee to receive outcomes and assurance levels from higher risk areas of the business such as principal risk areas, weaker controlled subsidiaries and processes.
IT strategy & processes	Throughout 2019 the Audit Committee were committed to ensuring that the Group's IT strategy, processes and systems are fit for purpose for a group of AVEVA's size and operations. This included a focus on the ERP implementation programme, understanding the Group's cyber-risks and computer and social media policies.	A transformation update was presented to the Committee in July 2019, which included new ERP system implementation progress. A cyber update was provided at the same time and again to the Board in October 2019.
Fixed price projects	The Committee requested a better understanding of the control environment in place to manage fixed-price long-term services projects, including for bids and project delivery, predominantly via presentations from management and through the work of Internal Audit.	In May 2019, a presentation to the Board was provided by the Chief Operating Officer and this included controls in place for project life cycles. Further, an independent internal audit review of this area was performed and reported to the Committee during 2019.

Audit Committee Report continued

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

In compliance with legislation on non-audit services provided by the external auditor EY do not perform any non-audit services work for the Company.

The effectiveness of the external audit process is dependent on appropriate audit risk identification and a robust assessment of key estimates and judgements at the start of the audit cycle. We challenge the auditor regarding their test of management's assumptions each audit cycle and 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.

The audit fees paid to EY for the statutory audit were £1.0 million. The Committee continues to keep under review the cost effectiveness and quality of the audit service.

The Committee meets quarterly with the auditor without any members of the Executive Leadership Team being present. I also meet with the external auditor from time to time away from the Company's offices and also individually with the Head of Internal Audit and Risk, Chief Financial Officer, Finance Director and other senior finance team members.

Audit planning and main audit issues

At the September 2019 meeting of the Committee, the auditor presented their audit plan for FY20. 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 following specific business was dealt with at each meeting during FY20:

May 2019

- Review of Committee objectives
- Year-end reporting; including:
 - Review of draft accounts
 - Accounting judgements
 - Tax update
 - Going Concern & Viability
 - External auditor's reports
- Internal Audit update
- Update on finance transformation project
- Private meeting between Chairman and external auditor

September 2019

- Internal Audit update
- External auditor planning
- Risk management governance update
- Group accounting updates
- Cyber update
- Auditor rotation update

October 2019

- Review of Committee objectives
- Interim reporting; including:
 - Accounting update report from management
 - Tax update
 - Treasury update
 - Interim report from external auditors
 - Review of draft interim financial statements
- Internal Audit update
- Update on finance transformation project
- General management updates including data protection and cybersecurity
- Private meeting between Chairman and external auditor

March 2020

- Review and approval of terms of reference
- Review of Audit Committee objectives
- External auditor year-end planning
- Update on finance transformation project
- Update on risk management
- Internal Audit update including FY21 Internal Audit Plan
- Treasury update
- Tax update
- Cyber update
- Covid-19 considerations
- Update on auditor rotation
- Results of AQR review

FRC reviews

EY's external audit of the Company for the year ending March 2019 was subject to an FRC Audit Quality Review during the year. The Committee have been kept fully informed of the progress and conclusions of the review which are that the audit work within scope required limited improvements. EY have kept the Committee fully updated with the actions taken to address the limited findings of the FRC. Should any further reviews occur, we will advise shareholders in the subsequent Annual Report.

Assessing the content of the Annual Report

The Board takes responsibility for determining that the whole Annual Report is fair, balanced and understandable and provides the necessary information for shareholders. The Committee concentrates its review on the financial statements only and the process which underpins the Long-Term Viability Statement. The Committee recommended to the Board the adoption of the financial statements as at 31 March 2020.

Committee performance in the annual evaluation

The Committee's effectiveness was assessed as part of the external evaluation as further explained in the Nomination Committee Report on pages 70–73. The evaluation concluded that it operates effectively and that no immediate changes to its composition are required. The Board, however, will continue to review actions flowing from the results of the evaluation and the Committee will assess and implement any actions that might be required. Further, we set and measure our performance against specific objectives every year. These objectives are set annually and the details of our objectives for FY20 and the progress made is summarised below.

Committee activities in FY20

I chaired four scheduled meetings of the Committee in FY20, working closely with management to ensure that the Committee is provided with the comprehensive information and support that it requires.

Agendas included annual reporting requirements, risk assurance processes and other ad-hoc matters which arose and required robust review and challenge.

Committee objectives for FY21:

In March 2020, the Committee considered the objectives for the year ahead and it was agreed the following would be prioritised:

- Continued focus on integration and transformation progress
- Focus on cybersecurity threats
- Audit firm rotation
- Continued development of Internal Audit with focus on risk-based reviews
- Regular updates on tax strategies
- Monitor risk environment in relation to Covid-19 pandemic

Christopher Humphrey
Audit Committee Chairman
9 June 2020

Remuneration Committee Report

As AVEVA continues its growth journey, the Remuneration Committee wants to ensure that our Remuneration Policy continues to support our growth strategy, promoting the long-term sustainability of what is now a larger scale, more complex business. As such, we will be seeking shareholder approval to refresh the Policy to align with investor expectations whilst ensuring we remain competitive in the global market.



Jennifer Allerton
Remuneration
Committee Chair

"I am proud to present the Directors' Remuneration Report for the year ended March 2020 which has seen further significant transformational work undertaken by AVEVA to continue its successful growth journey."

Highlights of the year

- New Remuneration Policy
- A single global bonus scheme
- A strong result for the year

Annual Statement

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Remuneration at a Glance

A four-page summary of the details of the new Remuneration Policy, the amounts paid in FY20 and the proposals for amounts to be paid in FY21 82

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ANNUAL STATEMENT

Dear Fellow Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020 which we have prepared in compliance with the revised 2018 UK Corporate Governance Code.

As a summary, this report is divided into four key sections:

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

Introduction

The year ending March 2020 was a year of substantial change and continued growth for AVEVA. This year we committed ourselves to being a leader in industrial software for a sustainable future working with our employees, our customers and our shareholders. We aspire to a world where economic growth supports environmental sustainability with better living standards for the communities where we and our customers operate. Our purpose, values and strategy create long-term value for customers, employees and shareholders.

The merger of AVEVA with SES in March 2018 was one of the largest business combinations that has occurred in the UK for many years. Management focus on integration and operational excellence has been a success, yielding a unique, best-in-class and highly competitive global technology company based in Cambridge and listed on the London Stock Exchange.

Our current Remuneration Policy was approved by over 96% of shareholders at the 2018 AGM when AVEVA was a member of the FTSE 250 and with a market capitalisation of £4.1 billion. We are presenting a new policy to shareholders at the 2020 AGM, one year earlier than required. This is due to the fact that we are now a very different business, post-merger, in terms of size, geographic coverage, complexity, scale and as a FTSE 100 company.

The Remuneration Policy we are proposing continues to build on the policy approved in 2018, supporting our growing global software business. We are proactive in ensuring that we understand the expectations of our investors and the policy being

proposed will ensure management reward is well aligned with our shared objectives. The proposed policy is also reflective of the changes and broader scope of the new UK Code. We have sought to incorporate both investor expectations and market practice, taking into consideration that we are now a FTSE 100 company and have significantly increased our market capitalisation over recent years.

Board changes during the year

There were no changes in membership of the Remuneration Committee during the year. However, since the year end, Emmanuel Babeau retired from the Board effective 30 April 2020. We are very pleased to welcome Olivier Blum, formerly CHRO of Schneider Electric and now Chief Strategy & Sustainability Officer, who will bring a wealth of executive pay experience to the Board.

Context for FY20 incentive outcomes

The Company has delivered another very strong set of results against the background of mixed macroeconomic and market conditions. Positive top line revenue growth of 8.8% coupled with an increase in margin to 26% has demonstrated the ongoing synergies post-merger and as the Company shifts towards more of a subscription model the proportion of recurring revenue exceeded the three year target of 60% delivering an impressive 62% of recurring revenue within the year.

For FY20 the annual bonus award was based on financial and strategic measures. As a result of a strong performance and achievement of strategic measures, the Executive Directors received an outcome of 71% of maximum. In line with policy, 40% of the bonus earned is deferred into shares.

Over the three-year performance period of the 2017 LTIP, AVEVA has performed exceptionally well. We have seen growth in our share price of circa 175% over this period combined with EPS growth of more than 15% p.a. and strong total revenue performance. Accordingly, all three performance metrics were outperformed for the 2017 LTIP, resulting in both Executive Directors achieving 100% of maximum.

The Committee is satisfied that the annual bonus and LTIP targets were sufficiently stretching and that the resulting outcomes are appropriate in light of AVEVA's performance. The Committee, therefore, decided not to apply any discretion to the incentive outcomes.

We have included a double page spread, clearly describing remuneration arrangements and outcomes in FY20 and FY21 on pages 84–85.

Shareholder engagement

We were naturally disappointed with the result of our 2019 AGM, where we received a vote of 79% for our Remuneration Report. In light of this, we have actively engaged with our shareholder base and have sought to fully understand their views and the rationale behind the voting outcome.

Ahead of the 2020 AGM, we have listened to feedback and made changes where appropriate to do so. We have expanded the disclosure around our incentive objectives, particularly the strategic elements of both the annual bonus and LTIP award. We have also sought to address concerns raised around the legacy use of retention arrangements which were related to the successful completion of a transformational merger that has driven exceptional returns for shareholders. Whilst this is a historic issue, we note shareholders' strong views and for the final tranche of the retention payment, we have expanded disclosure in this report.

Regarding the proposed policy, we have again been receptive to shareholders and their feedback. For the incentive awards, we are not implementing maximum opportunities for either annual bonus or LTIP, and for FY21 we will not increase LTIP opportunity for either Executive Director. We have also introduced a formal two year post-employment shareholding guideline.

Policy review

The Committee undertook an extensive review of our Remuneration Policy in FY20. We are proposing a number of changes to ensure we are both competitive in the global markets where we operate and aligned with investor expectations. We have taken into account the current Covid-19 crisis and the views of our shareholders. An 'At a Glance' summary of the proposed changes to the policy are set out on pages 82–83. Outlined below are some of the key decisions regarding implementation of the FY21 policy:

- Salary: for FY21, the Directors will not receive a salary increase in line with the wider workforce.
- Pension: the Directors remain aligned to the wider workforce and receive a pension contribution of 10% of salary.
- Bonus: maximum opportunity will be increased from 125% to 200% for the CEO and 175% for the CFO. However, for FY21, the CEO is to receive a maximum opportunity of 165% and the CFO 150%. Deferral is to be increased from 40% to 50% of the award.
- LTIP: maximum opportunity will be increased from 250% to 300% for the CEO, and from 175% to 250% for the CFO. However, for FY21, the increased maximums will not be utilised and both Executive Directors will remain on their current maximum LTIP opportunities.

- In-employment shareholding requirement: increased to market-leading levels from 200% of annual salary to the variable pay opportunity (415% for the CEO and 325% for the CFO in FY21).
- Post-employment shareholding requirement: a formal post-employment shareholding guideline has been introduced.

Other Committee activities during FY20

We have continued to work hard to transform from a remuneration perspective both the heritage AVEVA and Schneider Electric industrial software businesses. Key deliverables this year have included:

- harmonising nine variable bonus plans globally into one uniform AVEVA global bonus plan for approximately 4,000 employees;
- rolling out job levels to ensure consistency and equality globally;
- designing and building a proposed new Global Employee Share Scheme; and
- revising the Remuneration Report, taking into account market data, investor expectations and global technology trends.

In addition to the transformational work undertaken this year, we also appointed new remuneration advisors and are pleased to have partnered with Deloitte.

The Board has continued its internal dialogue with employees during the year which has again seen us meeting business leaders and employees. In January, we held our first meeting at our newly-opened London offices in Cannon Street and met many of the London-based employees. The office provides a useful central London hub for AVEVA. We continue to value these direct face-to-face discussions with employees. As with many companies, we have adapted our working style during the Covid-19 global lockdown and in March conducted our first fully virtual Remuneration Committee meeting. As we globally assess the new ways of working we will also be looking at how virtual employee representation can be incorporated into the Committee's ways of working to provide greater internal transparency and accountability.

In conclusion

I hope you find the contents of this report clear and transparent and the reasoning for our proposed revisions to the Remuneration Policy sensible.

Jennifer Allerton
Remuneration Committee Chair
9 June 2020

Remuneration

At a Glance

Proposed changes to the current policy

The table below summarises the key differences between the proposed policy and the current policy. The proposed policy will be put to a binding shareholder vote at the 2020 AGM and is set out on pages 87 to 95.


	Existing policy	Proposed policy
Fixed pay	<p>Base salary</p> <p>Salaries are reviewed annually although there is no automatic entitlement to an increase.</p> <p>Base salary increases are normally in line with the wider UK workforce.</p> <p>On occasion we may need to recognise an increase in scope, size or responsibility of the role and/or developments in the wider market.</p>	<p>No change to current policy.</p> <p>No proposed changes to Executive Directors' base salaries in FY21.</p> <p>Our market positioning on salaries remains competitive based upon our company size when compared with the FTSE 31–100 peer group.</p>
	<p>Benefits</p> <p>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.</p>	<p>No change to current policy.</p>
	<p>Pensions</p> <p>In line with best practice, pensions for Executive Directors have been aligned to the wider UK workforce for a number of years with no additional benefits being offered to Executive Directors.</p> <p>Both Executive Directors are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). Executive Directors receive a cash in lieu allowance equivalent to 10% of salary, reduced for the effect of employers' National Insurance contributions.</p>	<p>No change to current policy.</p>

The focus of our new policy is to address the variable and performance-related elements of the packages as discussed below. This will ensure alignment to shareholders' objectives. The proposed increase in incentive opportunities requires additional stretch in the performance delivered so that more pay is delivered only for more performance. This is totally aligned with the philosophy of the Company and with the changes we have made to the broader workforce.

	Existing policy	Proposed policy
Variable pay	<p>Annual Bonus opportunity</p> <p>The maximum bonus opportunity is 125% of base salary.</p>	<p>The maximum bonus opportunity is proposed to increase from 125% of salary for both Directors to 200% for the CEO and 175% for the CFO.</p> <p>Reflects the fact that we are a very different business post the merger of AVEVA with the Schneider Electric industrial software business in March 2018, in terms of size, geographic coverage, complexity and scale. Current maximum award level is uncompetitive in the market against the FTSE 31–100 and AVEVA's US peers.</p> <p>In FY21, we propose an increase from 125% of salary for both Directors to 165% for the CEO and 150% for the CFO.</p> <p>The Committee acknowledges that increased quantum requires additional stretch so that more pay is delivered only for the achievement of more stretching performance targets.</p>
	<p>Annual Bonus deferral</p> <p>40% of any bonus earned is deferred into shares under the Deferred Share Scheme.</p>	<p>The amount of bonus deferral is proposed to increase from 40% of any bonus earned to 50% of any bonus earned.</p> <p>Once the increased shareholding guidelines set out below are met the bonus deferral will be relaxed to half the usual amount i.e. 25% of any bonus to be deferred but will continue to be subjected to the existing three year bonus deferral holding period.</p>

	Existing policy	Proposed policy
Variable pay	Long-term incentive opportunity	<p>Awards over shares worth no more than 250% of salary may be made each year for the CEO and 175% for the CFO.</p> <p>The maximum LTIP opportunity to increase from 250% of salary to 300% of salary for the CEO. For the CFO, the policy maximum will increase from 175% to 250% of salary.</p> <p>The overall incentive opportunity remains within market competitive ranges for the UK but below the US market and below competitive technology companies outside the UK.</p> <p>We strongly believe that it is important to have the additional flexibility in the Policy to ensure we can retain and recruit increasing numbers of employees and leadership positions in niche technical skills areas, which are highly competitive. Use of this additional headroom will not be automatic.</p> <p>This increased headroom will be balanced with the Policy changes noted below (reduction in threshold vesting level and market leading shareholding guidelines). Increased quantum will also require additional stretch on performance to ensure we pay for more performance only.</p> <p>There are no proposed increases in LTIP opportunity for FY21 for the CEO or CFO. The maximum LTIP award will remain unchanged at 250% of base salary for the CEO and 175% of salary for the CFO. No changes are proposed to the structure or performance measures.</p>
	Long-term incentive threshold vesting	<p>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.</p> <p>In the event of an increase in LTIP quantum above 250% of salary for the CEO and 175% of salary for the CFO the LTIP vesting at threshold would be reduced from 25% of maximum to 20% of maximum.</p>

	Existing policy	Proposed policy
Shareholding requirements	Shareholding requirement of 200% of salary for both Executive Directors.	<p>The shareholding guidelines are being increased to market leading levels. The level of shareholding required shall be the total of both annual bonus and annual LTIP opportunity maxima. The increased shareholding requirements will apply to any newly issued deferred bonus award and LTIPs granted in respect of FY21 and later years.</p> <p>In FY21:</p> <p>For the CEO this will be 165% for annual bonus and 250% for LTIPs giving a new increased shareholding requirement of 415% of salary.</p> <p>For the CFO an annual bonus opportunity of 150% and 175% LTIP opportunity equates to a new increased shareholding of 325% of salary.</p>
	In-employment	
Shareholding requirements	No formal post-employment shareholding policy in place.	A new two-year post-employment shareholding guideline is being introduced, following feedback from major investors, which will apply to shares acquired through awards granted under the new Policy. With 100% of the increased shareholding guidelines (or actual shareholding, if lower) retained for the first-year post employment and 50% for the second-year post employment.
	Post-employment	

	Existing policy	Proposed policy
Malus and clawback	The provisions apply to the annual bonus, deferred bonus scheme and LTIPs.	We have formally enshrined within the Policy a strengthening of the malus and clawback provisions and discretion to override formulaic outturns on variable pay, in each case to take account of the UK Corporate Governance Code.
	Strengthened provisions	<p> For further details see page 90</p>

Remuneration At a Glance continued

How we performed in FY20

Revenue growth +8.8% to £833.8m	Recurring revenue +840 bps to 62.2%	Adjusted EBIT +23.3% to £216.8m	Adjusted diluted EPS +24.9% to 108.15p
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Remuneration of our Executive Directors in FY20

The table below summarises how Executive Directors were remunerated for FY20, alongside how the proposed policy will be implemented for FY21.

Key elements	Applies to	How we paid our Executive Directors in FY20	Implementation of our proposed policy for FY21
Fixed pay	Base salary	Craig Hayman	£718k (0% salary increase)
		James Kidd	£513k (0% salary increase)
	Pensions	Both EDs	10% of salary
	Benefits	Craig Hayman	Mobility allowance, US and UK medical cover
James Kidd		Car allowance, fuel allowance and £600 of flexible benefits	

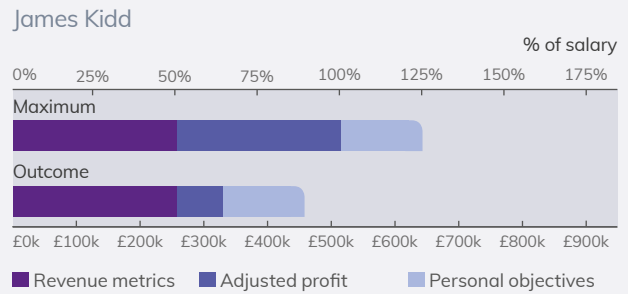
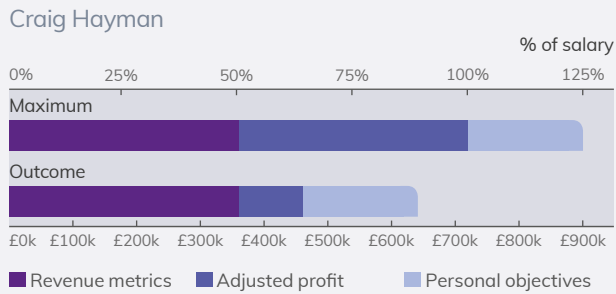
		How we paid our Executive Directors in FY20	Implementation of our proposed policy for FY21
Annual bonus	Performance period	Both EDs	FY20
	Opportunity applied	Craig Hayman	125% of salary
		James Kidd	125% of salary
	Criteria	Both EDs	Group revenue 10% Recurring revenue 30% Group adjusted EBIT 40% Strategic objectives 20%
Payable	Craig Hayman	£635k (71% of maximum)	n/a
	James Kidd	£454k (71% of maximum)	n/a

		2017 award	2020 award
Long-term incentives	Performance period	Both EDs	1 April 2017 – 31 March 2020
	Opportunity applied	Craig Hayman	250% of salary Pro-rated for service
		James Kidd	150% of salary
	Time horizon	Both EDs	3-year performance period, followed by a 2-year holding period.
	Criteria	Both EDs	EPS growth 50% Relative TSR performance 25% Strategic objectives 25%
	Payable	Craig Hayman	£581k (100% of maximum)
James Kidd		£1,521k (100% of maximum)	n/a

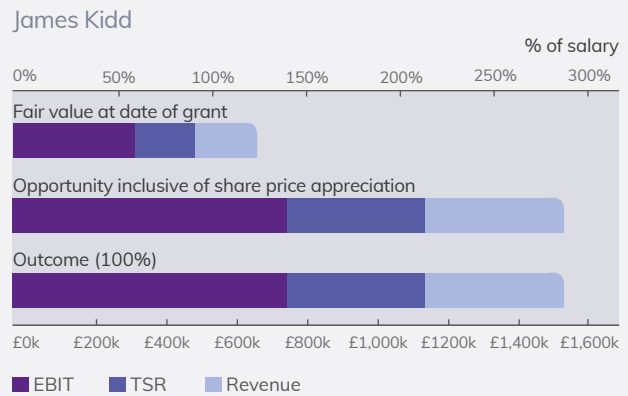
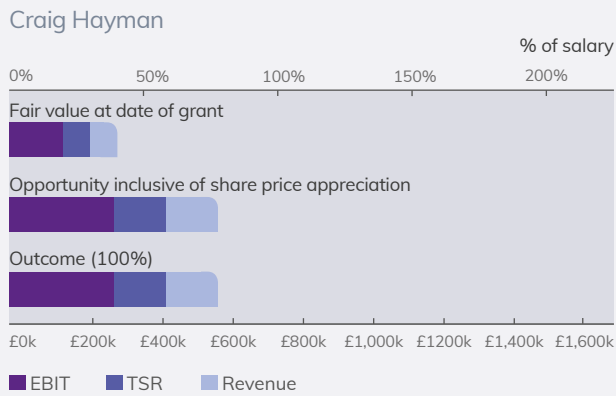
		FY19		FY20		
		Using the single figure table	Excluding effect of buy-out awards	Using the single figure table	Excluding effect of buy-out awards	
CEO ratios	CEO pay compared to UK employee pay	75th percentile	87:1	19:1	62:1	23:1
		50th percentile	118:1	26:1	85:1	32:1
		25th percentile	163:1	36:1	119:1	44:1

1 The CEO pay ratio has been calculated by comparing the single figure of remuneration of the CEO to the 25th, 50th and 75th percentile UK employees. Remuneration includes salary, benefits, pension, bonuses and share awards. All amounts are on a full time equivalent basis.

Annual Bonus

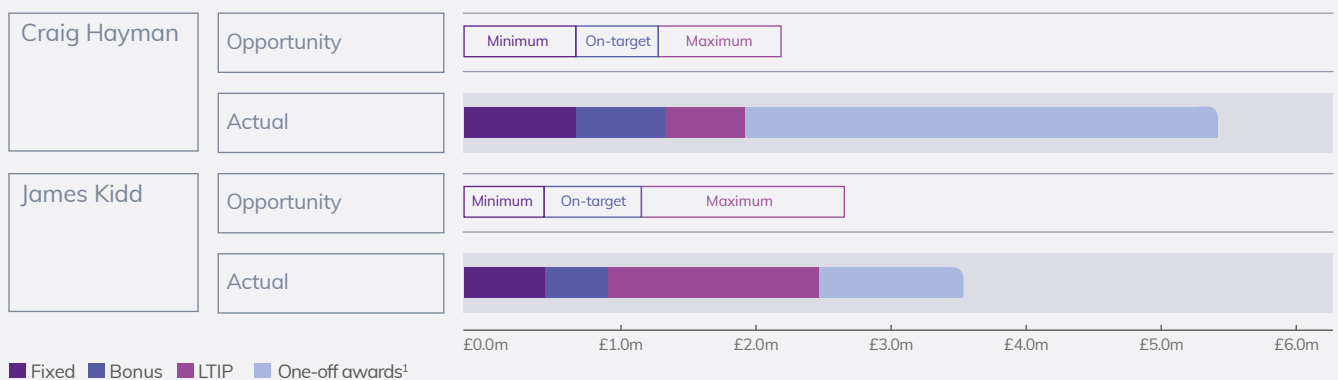


Long-term Incentive Scheme



The 2017 LTIP awards granted to Craig Hayman were pro-rated in the year of his joining AVEVA.

Maximum total remuneration opportunity compared to actual remuneration received for the year ending 31 March 2020



¹ For Craig Hayman these relate to his buy-out awards (see page 100). For James Kidd these relate to his Performance and Retention Awards (see page 100).

Remuneration Committee Report continued

Our approach to setting pay

AVEVA operates in the 'UK plc' executive remuneration environment but needs to attract and retain talent from a technology sector with a high US influence. Half of our leadership team are based outside of the UK and the majority of senior technology positions (R&D, Business Unit, Portfolio heads) are based in the US. We need to recruit increasing numbers of employees and leadership positions in niche technical skill areas, which are highly competitive.

The Remuneration Committee undertook a thorough benchmarking exercise in FY20 to support the revisions to the Remuneration Policy. Based upon the market capitalisation of the Company we selected the FTSE 31–100 companies to provide an initial comparison for remuneration. Specifically, the company also identified a UK and US peer group of technology and software companies to provide further comparisons before deciding upon the proposed remuneration approach.

UK Comparison Peer Group	US Comparison Peer Group
– Avast Software s.r.o.	– Ansys Inc
– Micro Focus International	– Aspen Technology Inc
– Ocado Group plc	– Autodesk Inc
– The Sage Group plc	– Cadence Design Systems Inc
– Smiths Group plc	– Honeywell International Inc
– Sophos Group plc	– PTC Inc
	– Rockwell Automation Inc

Whilst market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Directors' remuneration. In line with AVEVA's general approach to setting pay, the Committee considered many factors alongside benchmarking when reviewing the proposed revisions to the Remuneration Policy.

How the new policy aligns with the UK Corporate Governance Code

Clarity	<ul style="list-style-type: none"> – The Committee welcomes open dialogue with shareholders on any aspect of the Company's remuneration. As part of the recent review of our Remuneration Policy during FY20 shareholders were consulted which provided valuable insights into their views on the proposed changes. – A key principle of the Committee is to ensure consistency across the Company from the Executive Directors down through the entire organisation. In FY20 we conducted an extensive bonus harmonisation programme which consolidated nine bonus plans into one global bonus plan for all non-sales employees. This change ensures all employees are measured and remunerated in the same way, on the same plan using the same metrics in a clear and transparent manner.
Simplicity	<ul style="list-style-type: none"> – Each component of our Remuneration Policy is clearly laid out and explained in a clear and simple manner. – Across the Company we ensure our remuneration arrangements are simple by design, communicated clearly and understood by all participants. – Although the quantum will vary, the policies and practices of remuneration are consistently applied across all levels of the Company.
Risk	<ul style="list-style-type: none"> – When determining award outcomes the Committee assesses the performance of the Company and the individual in order to ensure sound judgement and appropriate risk management are applied so that excessive rewards do not take place, reputational risk is protected and behavioural risks are identified and mitigated. – The Remuneration Policy includes a two year holding period on LTIPs and the proposed changes increase the level of risk management by increasing the annual bonus deferral, increasing the in-employment shareholding guidelines and introducing post-employment shareholding guidelines. – As a final safeguard our robust malus and clawback provisions apply to both the annual bonus and the long-term incentive programme.
Predictability	<ul style="list-style-type: none"> – The Remuneration Policy clearly states the threshold, on-target and stretch levels of performance opportunity required, with achievement being measured against pre-determined targets defined in advance of the programme launch. – Targets and measures are not altered or amended mid-programme to ensure performance achievement is aligned to original goals and objectives at all times.
Proportionality	<ul style="list-style-type: none"> – The annual bonus programme rewards achievement against annual operating growth targets of the Company together with personal objectives for the individual whilst the long-term incentive plan rewards long-term achievement of goals and the creation of shareholder value both of which are aligned to the overall Company strategy. – The Committee has the ability to apply discretion to reduce outcomes of both the annual bonus and long-term incentive scheme if needed for both Company and individual performance.
Alignment to culture	<ul style="list-style-type: none"> – When reviewing the annual bonus programme performance, the Committee assesses performance against a range of objectives including those related to AVEVA customers, AVEVA employees and the Company culture, strategy and risk to ensure incentive outcomes are aligned to the values and purpose.

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy below 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').

If approved by shareholders at the forthcoming Annual General Meeting on 21 July 2020, the Directors' Remuneration Policy set out below will replace the existing policy for which shareholder approval was obtained at the 2018 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 2018) are explained on pages 82–83. It is currently intended that the policy will remain valid until the 2023 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.

The Directors' Remuneration Policy

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
<ul style="list-style-type: none"> – Helps recruit and retain employees – Reflects experience and role 	<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – The individual's role, experience and performance. – 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. 	<ul style="list-style-type: none"> – 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 (in percentage terms), although higher increases can be made in appropriate circumstances, for example: <ul style="list-style-type: none"> – 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

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pensions			
<ul style="list-style-type: none"> Provides a competitive means of saving for retirement in a way that is cost effective to the Company 	<ul style="list-style-type: none"> The CEO and CFO are members of a defined contribution scheme. The intention is that new appointments to the Board would also participate in a defined contribution pension scheme 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 by the wider workforce. 	<ul style="list-style-type: none"> The maximum employer contribution (which may be provided as a pension contribution or cash alternative or a combination thereof) is 10% of base salary which is aligned with the employer contribution available to the wider workforce; this limit may be increased to reflect any increase in the level of employer contribution for the wider workforce. If an alternative pension arrangement were introduced as referred to in the 'Operation' column, the maximum opportunity would not exceed the maximum opportunity for members of the wider workforce who participate in such an arrangement. 	None
Benefits			
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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, dental and medical cover, life assurance cover, and an annual allowance toward a range of benefits. If 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 a share plan in the future in which participation was open to the wider workforce, Executive Directors would be entitled to participate in the plan on the same terms as other employees. 	<ul style="list-style-type: none"> 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 other share plan) will not result in the aggregate benefit provision for any Executive Director increasing to over £50,000. 	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Incentive Scheme			
<ul style="list-style-type: none"> – Incentivises and rewards the achievement of targets and objectives aligned with AVEVA's strategy – Deferred element encourages long-term shareholding, helps retention and discourages excessive risk-taking 	<ul style="list-style-type: none"> – 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. – A portion of any bonus earned is deferred into shares for three years, with the portion being: <ul style="list-style-type: none"> – 25% of the bonus earned if the Executive Director meets or exceeds the applicable shareholding requirement set out below; or – 50% of the bonus earned if the Executive Director does not meet the applicable Shareholding Requirement set out below. – Deferred awards will normally vest 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. – Deferred share awards can take the form either of the Executive Director being required to invest the after tax amount of the relevant portion of the bonus in shares, or the grant to the Executive Director of a share award in respect of such number of shares as have a value equal to the relevant portion of the bonus. – Deferred awards are subject to malus and clawback provisions as noted at the end of this table. – Dividends and any other income or capital distribution can accrue on deferred shares up until the point at which the Executive Director is entitled to acquire the shares. 	<ul style="list-style-type: none"> – The maximum bonus opportunity is 200% of base salary in the case of the CEO and 175% of base salary in the case of any other Executive Director. – However, for FY21, the maximum bonus opportunity will be 165% of base salary in the case of the CEO and 150% of base salary in the case of the CFO. 	<ul style="list-style-type: none"> – 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 payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale usually up to 50% for on-target performance and 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).

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
The AVEVA Group Long-Term Incentive Plan (the LTIP)			
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Awards vest based on performance over a period of three years and are subject to a subsequent two-year holding period. The holding period can take the form either of the Executive Director being required to retain the vested shares for the holding period (other than shares they may dispose of to cover tax liabilities), or the Executive Director not being able to acquire the vested shares until the end of the holding period. Awards under the LTIP may be granted in the form of conditional awards or nominal cost options. Dividends and any other income or capital distribution can accrue on shares up until the point at which the Executive Director is entitled to acquire the shares. 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. LTIP awards are subject to malus and clawback provisions as noted at the end of this table. 	<ul style="list-style-type: none"> Awards over shares worth no more than 300% of salary in the case of the CEO or 250% of salary in the case of any other Executive Director may be made in respect of any year. However, for FY21, the maximum award will be 250% of base salary in the case of the CEO and 175% of base salary in the case of the CFO. 	<ul style="list-style-type: none"> 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 will be at least three years long. 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 (or not more than 20% in respect of any award granted in excess of the proposed awards for FY21), 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).

Malus and clawback provisions

The annual bonus (including any deferred bonus award) and the LTIP are subject to malus and clawback provisions. These may be applied in the event of:

- Material misstatement of audited Group results;
- Payments made based on erroneous or misleading data;
- Calculation error;
- Fraud and/or gross misconduct;
- Group reputational damage and/or financial loss;
- Risk management failure resulting in serious harm to reputation or financial loss to the Group; and
- Corporate failure.

The provisions can be applied until the date that falls three years from payment in the case of the cash bonus, until the date that falls three years after grant in the case of the deferred bonus, and until the date that falls two years after the end of the performance period in the case of LTIP awards.

Shareholding Requirement

In-Service Shareholding Requirement

The Company has adopted an In-Service Shareholding Requirement pursuant to which a serving Executive Director must build up and maintain a holding of AVEVA shares with a value (as determined by the Committee) at least equal to the aggregate of their variable remuneration opportunity (being 415% of salary in the case of the CEO and 325% of salary in the case of the CFO in FY21). Shares subject to deferred bonus arrangements, shares subject to LTIP awards which are in a holding period, and shares subject to other share awards which are no longer subject to any performance condition (including any exercisable but unexercised deferred bonus awards and LTIP awards) count towards the requirement, on a net of assumed tax basis where relevant. This is a change from FY19, where only shares owned outright were counted towards the shareholding guidelines.

There is no specified time period within which an Executive Director must achieve the Shareholding Requirement, but Executive Directors will be required to retain half of the after-tax shares acquired pursuant to the LTIP and deferred bonus arrangements:

- in respect of years up to and including FY20 until a holding of 200% of salary is achieved; and
- granted in respect of FY21 and later years until the higher Shareholding Requirement is achieved.

The Committee retains discretion to vary the In-Service Shareholding Requirement to take account of compassionate circumstances.

Post-employment Shareholding Requirement

The Company has adopted a post-employment Shareholding Requirement pursuant to which an Executive Director must retain for 12 months following cessation of employment such of their 'relevant shares' as have a value (as determined by the Committee) equal to the In-Service Shareholding Requirement most recently applicable to them, and for a further 12 months such of their 'relevant shares' as have a value (as determined by the Committee) equal to 50% of the In-Service Shareholding Requirement most recently applicable to them.

Shares which the Executive Director has purchased or which they acquire pursuant to share plan awards granted before this Policy came into effect are not "relevant shares" for these purposes. The Committee retains discretion to vary the In-Service Shareholding Requirement to take account of compassionate circumstances.

Stating maximum amounts for the Remuneration Policy

The 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, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or were otherwise approved by shareholders or (ii) at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) 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. For the avoidance of doubt, this discretion includes the settlement of the 'buy-out' award granted to Craig Hayman in respect of his appointment.

The Committee may operate the LTIP, the annual bonus and the deferred bonus arrangements 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 payouts;
- 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);
- The annual review of performance measures, weightings and targets from year to year; and
- The ability to settle awards in part or in whole in cash (or to grant awards as cash based 'phantom' awards), although the Committee would only settle an Executive Director's award in cash (or grant an Executive Director a phantom award) in exceptional circumstances, such as where there is a regulatory restriction on the grant of a share award.

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.

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

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 4,600 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 sales incentive 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 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 ongoing remuneration package would normally include the components set out in the policy table for Executive Directors. Circumstances in which other elements of remuneration may be awarded include:
 - an interim appointment being made to fill an Executive Director role on a short-term basis;
 - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
 - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.
- 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 500% of base salary in the case of a CEO and 425% of base salary in the case of any other Executive Director.
- 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.
- If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

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

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

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

Name	Date of contract	Date of appointment	Continuous service date
Current Executive Directors			
Craig Hayman	19 February 2018	19 February 2018	19 February 2018
James Kidd	17 February 2017	1 January 2017	5 January 2004

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

Notice period	The CEO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The CFO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The service agreements provide for a period of gardening 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.
Payment in lieu of notice	In the event of termination of contract without notice, the Executive Director shall be entitled to a payment in respect of salary for the period of notice. Such payment will normally be made in instalments and subject to mitigation but the Committee shall have discretion to make a single payment if this is considered appropriate.
Annual bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial year in which they ceased employment. Such Annual Bonus award will be determined by the Committee taking into account the circumstances for leaving, time in employment and performance. Any such bonus will ordinarily be paid at the same time and in the same way as for a continuing Executive Director. The Committee retains discretion to pay the bonus early and not to apply deferral where it would otherwise apply, but would do so only in compassionate circumstances.
Deferred bonus arrangements	<p>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.</p> <p>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 applicable scheme.</p> <p>Leavers in other circumstances: Awards will normally lapse.</p>
Long-Term Incentive Plan	<p>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):</p> <ul style="list-style-type: none"> – Unvested awards shall ordinarily continue in existence for the remainder of the performance period, following which they will vest subject to the satisfaction of the 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. Any holding period will ordinarily continue to apply. The Committee retains discretion to vest the award before the end of the originally anticipated performance period, and to assess performance accordingly, and to waive the continuation of the holding period or to shorten its application, but would do so only in compassionate circumstances. – Vested awards which are subject to a holding period will ordinarily continue to be subject to the holding period, although the Committee retains discretion to waive the continuation of the holding period or to shorten its application but would do so only in compassionate circumstances. <p>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.</p>
Other payments	<p>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:</p> <ul style="list-style-type: none"> – 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. <p>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.</p>

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

Part A: The Directors' Remuneration Policy 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 deferred bonus awards 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 vest having regard to the extent to which performance conditions have been met and unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the date of the change of control or winding-up.

Employee context

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

Dialogue with shareholders

The views of our shareholders on remuneration matters are important to the Committee and prior to making any material changes to remuneration arrangements the Committee consults with major shareholders and their representative bodies to obtain their views. The Company remains committed to engaging with shareholders in relation to remuneration issues. We consulted with shareholders and discussed the proposed Policy before finalising it, and there was widespread general support for our proposals. We made changes to the proposed Policy having regard to the feedback received, in particular in relation to our phased approach to increases in incentive opportunities, as further described on page 89.

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.

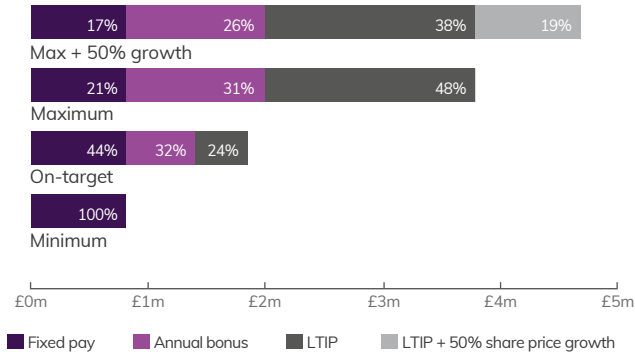
The table and charts below and opposite show hypothetical values of the remuneration package for the current Executive Directors under four assumed performance scenarios.

In each scenario, fixed remuneration is the most recently known salary (£718,200 in the case of the CEO and £513,000 in the case of the CFO), the value of benefits included in the single total figure of remuneration table for FY20, and a pension contribution based on 10% of the most recently known salary.

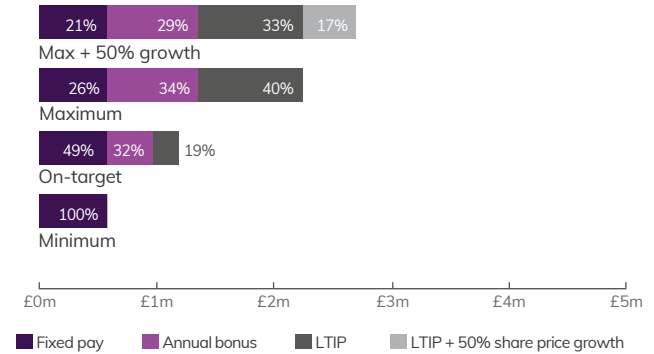
Other than in the "Maximum performance plus share price" scenario, no share price growth has been assumed. Potential benefits under all employee share schemes and dividend or distribution equivalents have not been included for any scenario.

		Awards as a % of salary	
		CEO	CFO
Maximum performance plus share price	Annual bonus scheme (full pay-out)	165%	150%
	LTIP (maximum vesting plus assumed 50% share price growth)	375%	262.5%
	Total	540%	412.5%
Maximum performance	Annual bonus scheme (full pay-out)	165%	150%
	LTIP (maximum vesting)	250%	175%
	Total	415%	325%
On-target performance	Annual bonus scheme (50% pay-out)	82.5%	75%
	LTIP (25% vesting)	62.5%	43.75%
	Total	145%	118.75%
Minimum performance	Annual bonus scheme (nil pay-out)	0%	0%
	LTIP (nil vesting)	0%	0%
	Total	0%	0%

Craig Hayman



James Kidd



Remuneration Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. Fees are normally paid in cash. 	<ul style="list-style-type: none"> Non-Executive Directors do not receive incentive pay or share awards. Non-Executive Directors do not currently receive any benefits or 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 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 2019	30 June 2022	3
Christopher Humphrey	8 July 2016	27 June 2019	26 June 2022	3
Ron Mobed	1 March 2017	1 March 2020	28 February 2023	3
Peter Herweck	1 March 2018	1 March 2018	28 February 2021	3
Paula Dowdy	1 February 2019	1 February 2019	31 January 2022	3
Olivier Blum	24 April 2020	30 April 2020	29 April 2023	3

All Non-Executive Directors submit themselves for re-election at each Annual General Meeting.

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

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

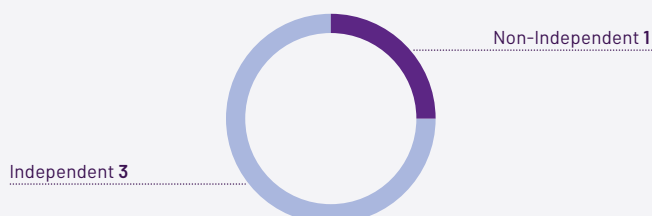
Remuneration Committee Report continued

Part B: The Implementation Report



Jennifer Allerton
Remuneration
Committee Chair

Independence split



Membership and attendance

Chair	
Jennifer Allerton	6/6
Committee members	
Ron Mobed	6/6
Paula Dowdy	6/6
Emmanuel Babeau ¹	6/6
Olivier Blum ²	0/0
Attending by invitation	
CEO	
CFO	
CHRO	

The Committee usually meets six times a year.

¹ Resigned 30 April 2020.

² Appointed 30 April 2020.

The Remuneration Committee membership, role and remit

The Remuneration Committee is appointed by the Board. The current members are Jennifer Allerton (Chair), Ron Mobed, Paula Dowdy and Olivier Blum. Emmanuel Babeau served during the year and resigned on 30 April 2020. All the Committee members except for Olivier are regarded by the Board as independent Non-Executive Directors. Jennifer has been a member of the Remuneration Committee since 2013 and became Chair in July 2017. Committee meetings are also regularly attended by the CEO, CFO and Chief Human Resources Officer (CHRO) at the invitation of the Chair, to provide company insight and advice to help the Committee consider appropriate remuneration. No Committee member or invited attendee is present during the discussion of their own remuneration.

The role of the Committee is set out in its Terms of Reference which are available on the Company's website at www.aveva.com. The Committee's primary responsibility is to develop and determine the remuneration framework, policy and pay levels for the Executive Directors, the Chair and the Executive Leadership Team in overall alignment with the general workforce. The Committee also has visibility of our employee engagement activities and overall Human Resource strategy which affects all AVEVA employees.

The remuneration framework includes establishing stretching performance-related targets for rewards to support AVEVA's long-term growth strategy in alignment with the Company's purpose, values and culture. This has been achieved by:

- Determining the remuneration and benefits of the Executive Directors, including fixed pay, annual bonus, long-term incentives and pensions
- Determining the remuneration for Executive Leadership below Board level
- Reviewing the wider workforce remuneration and related policies and taking these into account when setting the policy for Executive Director remuneration
- Providing remuneration recommendations to the Board based upon AVEVA's remuneration framework
- Approving share awards

The principles of our Remuneration Policy

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

A considerable part of the total reward is determined by the Company's success over both the short and the long term. Failure to achieve threshold levels of performance results in no payout for these elements. A key focus of the Committee is to ensure a suitable level of stretched performance is determined in order to align with maximum levels of potential rewards.

Advice and auditors

In FY20 the Committee conducted a market review of our remuneration advisors and after assessing a number of firms we are pleased to have partnered with Deloitte from 1 October 2019. Advice up until this date was provided by FIT Remuneration Consultants. Deloitte's role is to provide the Committee with independent advice on comparator information and general remuneration trends and, most recently, to advise on the new Remuneration Policy which shareholders will be asked to approve at the 2020 AGM including engagement with shareholders. Fees are charged on a time spent basis and the fees paid during the year to Deloitte and FIT in relation to the advice provided to the Committee were £60,710 and £18,060 respectively (FY19 fees to FIT: £39,685). In addition, Deloitte also provide tax advisory, due diligence and other consultancy services to the company. The Committee are content that their advice is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to Executive remuneration consulting in the UK.

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

Shareholder voting and engagement

The table below shows the results of the most recent votes on the Policy (July 2018) and Implementation Report (July 2019).

	Votes for	Percentage	Votes against	Percentage	Votes withheld
Directors Remuneration Policy – 2018 AGM	140,852,022	96.31	5,402,475	3.69	2,247,992
Directors Remuneration Report – 2019 AGM	117,496,525	78.97	31,296,986	21.03	1,002,830

The Committee was disappointed with the vote against the Directors' Remuneration Report ('DRR') in FY19 and undertook an engagement exercise with shareholders to understand their views, for the Committee to listen and address their concerns, which in turn provides an opportunity for actions to be taken in the formation of the FY20 revised DRR. The feedback provided from shareholders detailed key concerns falling into two main categories:

- Legacy use of retention arrangements, which were related to the successful completion of a transformational merger that has driven exceptional returns for shareholders. This is now an historical item and the Committee is aware of investors' strong views in this area should similar circumstances arise again. Having said that, we have the larger final tranche of retention payments due to vest this year. We acknowledge the need for increased transparency on the payout, but would like to highlight that the retention payments were approved in advance by the shareholders as part of approving the merger in 2017, and also that they have been successful in retaining key executives who have been instrumental in driving the growth of the business over the last two years.
- Disclosure and increased transparency. We are committed to providing more detail on the strategic objectives and Total Shareholder Return comparators under both our short-term and long-term incentives. This will be evidenced by enhanced disclosures in this year's FY20 DRR.

Implementation of policy for the year ended March 2020

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 current and previous financial years.

	Salary £'000	Taxable benefits ¹ £'000	Pension ² £'000	Annual bonus £'000	LTIPs ³ £'000	One-off awards ⁴ £'000	Non-taxable benefits ¹ £'000	Total £'000
Craig Hayman FY20	718	14	62	635	581	3,408	9	5,427
Craig Hayman FY19	700	20	60	857	—	5,708	—	7,345
James Kidd FY20	513	20	44	454	1,521	1,038	—	3,590
James Kidd FY19	500	20	43	613	1,651	550	—	3,377

1 Craig Hayman changed tax jurisdiction in the year and his benefits altered on 1 September. From this date he is in receipt of a (taxable) mobility allowance of £10,000 per annum and (non-taxable) US family medical cover. For more information please see page 98.

2 See page 98 for further information on pensions.

3 For FY20, the 2017 LTIP has been valued based on the number of options (Craig 16,621; James 43,550) multiplied by the closing share price at 31 March 2020 of 3,494p and a vesting outcome of 100%, as referred to on page 100. Of the estimated vested amount of £1,521k, 44% (£675k) relates to a 100% performance achievement, 24% (£364k) relates to the return of value adjustment, and 32% (£482k) relates to share price appreciation over the performance period. The 2016 LTIP value for FY19 has been restated from the year-end share price at 31 March 2019 of 3,226p to reflect the share price at the date of vesting of 3,954p, and a vesting outcome of 89.9%. This increased the single figure of total remuneration for James Kidd by £304k. Of the vested amount of £1,651k, 29% (£472k) relates to a 89.9% performance achievement, 15% (£255k) relates to the return of value adjustment, and 56% (£924k) relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to share price changes for the 2016 LTIP or the 2017 LTIP. The 2016 award is due to be released at the end of the two year holding period on 13 July 2021. Craig Hayman's FY20 LTIPs were awarded in FY18, and pro-rated for his term of service in that year.

4 For Craig Hayman, these are the value of his buy-out awards, 97,537 options vested, and have been valued using the year end share price of 3,494p. For James Kidd, these are the value of his performance and retention awards, calculated as £500k for the retention element and £538k for the performance element (see page 101).

Remuneration Committee Report continued

Part B: The Implementation Report continued

Additional information on the amounts which make up the Single Total Figure of Remuneration

Base salary

As set out in the DRR last year, Craig Hayman joined AVEVA as CEO on 19 February 2018 with a salary of £700,000 and his salary remained unchanged for FY19. James Kidd's salary was £500,000 for FY19. Salaries for Craig Hayman and James Kidd were increased by 2.6% in line with the UK workforce average on 1 April for FY20.

Benefits

In FY20, Executive Directors were provided with a car and fuel allowance totalling £19,200, and a £600 annual allowance towards a range of flexible benefits. In September 2019, the payroll for Craig Hayman was agreed to be split between the UK and the US. This was created to better reflect the travel patterns and time spent in both jurisdictions. Included in the change was the inclusion of a US medical plan. Craig Hayman agreed to relinquish the UK car and fuel allowance in return for a new mobility allowance of £10,000 per annum and US medical coverage for himself and US-based family totalling £15,500 per annum.

Pension

The Company's defined benefit scheme is not open to new members, and neither of the Executive Directors in the year are or have ever been a member. Craig Hayman and James Kidd are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). Both Directors receive a cash in lieu allowance equivalent to 10% of salary, reduced for the effect of employers' National Insurance contributions. During FY20, James Kidd received cash in lieu of contributions of £44,221 (FY19: £43,100), and Craig Hayman received cash in lieu of contributions of £61,909 (FY19: £60,340).

How is pay linked to performance for the year ended 31 March 2020

Annual Incentive Scheme

For FY20, the maximum opportunity for Executive Directors under the annual incentive was 125% of base salary, requiring a stretch level of performance for full payout.

The performance targets were based on:

- (1) adjusted Earnings Before Interest and Tax (EBIT) targets, with a maximum weighting of 50% of salary;
- (2) total revenue, with a maximum weighting of 12.5% of salary;
- (3) recurring revenue, with a maximum weighting of 37.5% of salary; and
- (4) key performance objectives, with a maximum of 25% of salary available. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 12.5% of salary should the Group adjusted EBIT target not be met.

In line with best practice, 50% of the maximum bonus is payable for delivering an on-target level of performance.

For FY20, 40% of any award made under the Annual Incentive Scheme, irrespective of the amount, is payable in deferred shares, and is subject to a three-year vesting period, but with no further performance conditions. Deferred awards 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.

Performance against the targets set and the total annual incentive earned based on performance for the year ended 31 March 2020 is set out below. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

Metric	Thresholds (Min), Budget (Mid) and Targets (Max)	Actual	% of Max achieved	Craig Hayman		James Kidd	
				Max	Actual	Max	Actual
Group revenue	Min: £800.0m	£833.8m	100%	12.5%	12.5%	12.5%	12.5%
	Mid: £821.5m						
	Max: £821.5m						
Recurring revenue proportion	Min: 54.0%	62.2%	100%	37.5%	37.5%	37.5%	37.5%
	Mid: 56.0%						
	Max: 58.0%						
Group adjusted EBIT	Min: £200m	£216.8m 26.0%	26.9% ¹	50.0%	13.5%	50.0%	13.5%
	Mid: £213.5m						
	Max: 26% margin						
Strategic objectives	see opposite	see opposite	100%	25.0%	25.0%	25.0%	25.0%
Totals as a % of salary				125.0%	88.5%	125.0%	88.5%
Bonus receivable					£635,320		£453,800
Granted in cash (60%)					£381,192		£272,280
Granted in shares (40%)					£254,128		£181,520

¹ The 26% margin underpin must be maintained net of paying all bonuses.

Further details on the key individual and strategic objectives and performance outcomes for both Directors are detailed below:

Craig Hayman

Objective	Evaluation
1. Establish a baseline for employee engagement and deliver increases across the Company, by:	
a. Delivery of new employee engagement baseline.	All employee engagement survey implemented across 4,708 employees. Over 30,000 comments made by employees and over 5,000 interactions with line managers. Baseline engagement score established.
b. Greater than 10x improvement in AVEVA Action for Good program employee participation (disclosed in annual report)	AVEVA Action for Good employee participation across 1,546 employees (34%) vs 44 employees (1%) in FY19. Represents one day of charitable work by each participating employee together with AVEVA financial support aligned around UN SDGs.
c. Lead evolution of company culture with an increased focus on learning.	Lead cultural transformation across the Group, establishing baseline and change management to drive increased focus on learning. Reinforced across facilitated culture cafe workshops across the company by team and by location, eight in person meet and greet sessions around the world, six videos/podcasts, two ELT live session, press releases and customer wins.
2. Deliver a competitively compelling Cloud portfolio with customer verification and market traction plus establish a Cloud 'heatmap' and demonstrate clear momentum covering:	
a. Product portfolio.	Established a new Cloud business unit, and a new Cloud product portfolio launched: https://sw.aveva.com/cloud-computing .
b. Development operations capacity.	Development operations capacity in place and publicly reported: https://status.connect.aveva.com/ .
c. New customer wins and substantial growth in orders.	Three-fold increase in Cloud Total Contract Value (TCV), including 14 deals over £1 million. Cloud customer demonstrations were delivered at our new 30 Cannon Street, London customer centre.

James Kidd

Objective	Evaluation
1. Value creation programme:	
a. Ensure that the value creation projects are on track vs plan and deliver value as planned.	The value creation programme is on plan and has generated revenue from the initiatives in excess of the in-year target. These initiatives are aligned to the overall company strategy and included customer care, channel excellence, pricing, global services transformation and the company's transition to subscription.
b. Communication to ELT, Board and investors (as appropriate).	These initiatives have been reported monthly to the ELT and Board as required. Progress against plan has been tracked by the integration organisation, working with the functional leaders with updates and actions at the monthly steering committee meetings.
2. Establish M&A process. Includes process from target identification to assessment and execution including:	
<ul style="list-style-type: none"> - Approvals process; - Minimum criteria to assess candidates; - Stage gates; - Business case template; - Valuation methodology; and - Diligence checklists. 	<p>In the first half following the appointment the Head of Strategy, the M&A process was updated to reflect the structure and operations of the enlarged AVEVA. This has been used during the course of the second half of the year to screen and select targets. There is consistent reporting of the status of the pipeline to the Board and the ELT.</p> <p>Business cases have been brought to the Board for various projects during the year.</p>
3. Performance metrics for the business:	
Develop metrics for the business which are aligned with our strategic objectives which measure progress against those objectives and underlying performance. Help improve ELT, Board and investors' understanding of the underlying past and future performance, including subscription transition, Cloud, services, customer growth, and market share.	<p>From an internal perspective, Annualised Recurring Revenue (ARR), TCV, and Annual Contract Value have begun to be reported during the year and are included in the relevant monthly report pack. Analysis of the impact of multi-year contracts has also been included in the Board papers in October 2019 and March 2020, and factored into the budget for FY21.</p> <p>Net Retention Rate (NRR) is reported each month to the ELT as part of the Global Customer Support review.</p>

Remuneration Committee Report continued

Part B: The Implementation Report continued

Long-Term Incentives vesting in respect of the year ended 31 March 2020

The LTIP awards granted under the Long-Term Incentive Plan in 2017 that were capable of vesting based on performance over the three-year period ended 31 March 2020 were subject to the following performance targets:

- delivery of diluted adjusted EPS growth performance targets (50% of maximum);
- relative Total Shareholder Return (TSR) against the comparator group as detailed below (25% of maximum); and
- strategic objectives – Total Revenue Growth (25% of maximum).

A summary of the LTIP targets and actual performance is provided below:

LTIP performance element	Weighting	Threshold	Maximum	Actual performance	Vesting (% of maximum)
Diluted EPS (CAGR) ¹	50%	5% p.a.	15% p.a.	17.4%	100%
TSR vs peer group ²	25%	Median	Upper quartile	Upper quartile	100%
Total revenue growth ³	25%	£735m	£794m	£834m	100%
Overall % vesting					100%

1 For LTIPs granted in 2017 and beyond, non-linear vesting applies: threshold (25% vesting), mid (80% vesting for 10% p.a. EPS growth) and maximum (100% vesting).

2 Straight-line vesting applies between threshold (25% vesting) and maximum (100% vesting). The TSR comparator group for these awards was the FTSE 250 (excluding Investment Trusts, Financial Services and Real Estate sector companies).

3 Straight-line vesting applies between threshold (25% vesting) and maximum (100% vesting).

Buy-out awards for Craig Hayman

As disclosed in previous Annual Reports, in order to secure Craig Hayman as CEO the Company had to commit to compensate him by way of a 'buy-out' for the loss of significant outstanding equity awards on leaving PTC which had a maximum potential value of over £9 million. The maximum value of the awards granted to Craig Hayman was £5.5 million, using the share price on his date of appointment, and the structure of the awards was detailed in the FY19 Remuneration Report. The table below summarises the awards vesting for FY20 as disclosed in the single figure table.

Basis of award	Performance outturn	Number of shares vesting	Value of award vesting ¹
Retention award: Fair value equivalence with awards forgone in previous employment. Subject to continued employment to 15 November 2019.	n/a	66,238	£2,314,356
Performance award: AVEVA Group plc's relative TSR performance is measured against the 'modified' FTSE 250 index as used for the 2017 LTIP grant. It is measured over the performance period 1 October 2016 to 30 September 2019.	Upper quartile performance: 100% vesting	31,299	£1,093,587
25% vesting for median performance increasing to 100% vesting for upper quartile performance).			
Overall vesting FY20		97,537	£3,407,943

1 Based on the year end share price of 3,494p.

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

Revaluing the awards using the year-end share price of 3,494p, the total value of the awards is estimated at £10.3 million, with £3.4 million (FY19: £5.7 million) having vested in FY20. None of the vested awards were exercised in the year.

Performance and Retention Awards (PRAs) for James Kidd

As noted above, the value of the PRA awards included in the single figure for James Kidd relates to the final tranche of legacy retention arrangements approved by shareholders at the 2018 AGM. A one-off performance and retention award was put in place for James Kidd relating to the successful completion of a transformational merger that has driven exceptional returns for shareholders. This is now an historic item and the Committee is aware of its investors' strong views in this area should similar circumstances arise again.

As previously disclosed, the gross initial grant value was £1.5 million. The award was divided into two equal parts: (i) the retention award, subject to continued employment within AVEVA Group, as well as the satisfaction of a performance underpin; and (ii) the performance award, 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 was also subject to a performance underpin, and the Remuneration Committee could, at its absolute discretion, reduce the amount payable if it determined that, in its opinion, the amounts payable did not reflect the underlying performance of the Group or of James Kidd during the relevant vesting period.

One-third of the total award vested and became payable from the first anniversary of the date of completion (i.e. 1 March 2019) and the remaining two-thirds vested and became payable on the second anniversary (i.e. 1 March 2020).

We acknowledge the need for increased transparency on the payout and accordingly further details on the payout and performance measures and achievements for the awards vesting on the second anniversary of completion (1 March 2020) are detailed below.

	Performance measures	Performance evaluation over the period to 1 March 2020	Value vested
Retention award (50%)	Performance underpin – based on assessment of personal KPIs (see below) and the underlying performance of the Group.	The Committee reviewed performance against the personal KPIs outlined below and took into account the strong underlying performance of the Group and concluded the retention award would vest in full.	£500,000
Performance award (50%)	APM Revenue (40% of the award)	APM Revenue: targets: Base: £115m Stretch: £132.5m Actual: £118.8m Vesting level: Between base and target: 86%	£172,000 (i.e. £500,000 x 40% x 86%)
	Cost synergies (40% of the award)	Cumulative cost saving targets: Base: £18.75m Stretch: £31.25m Actual: £32.9m Vesting level: Above stretch: 125%	£250,000 (i.e. £500,000 x 40% x 125%)
	Personal KPIs (20% of the award)	The progress against, and details of, the integration-related metrics are as follows: <ul style="list-style-type: none"> – Delivery of a clear and integrated technology strategy. Implementation on track and costs in line with forecast for entire project. Overall on-target performance. – Communication of our strategic plan for the enlarged Group, second highest performing stock in FTSE All Share during 2019. Entered FTSE 100 in June 2019 and retained position between 60 and 70 in the Index. Overall stretch performance. – Real estate strategy plan. Executed successfully, FY20 costs below budget. Overall stretch performance. Overall vesting level: Above stretch: 116%	£116,000 (i.e. £500,000 x 20% x 116%)
Overall value			£1,038,000

In the DRR last year, the revenue synergy targets and the cost synergy targets for the awards vesting on the first anniversary of completion (1 March 2019) were regarded as commercially sensitive. Further details of these targets and performance evaluation are set out below.

Revenue synergies, valued (40% of the award)	Revenue synergy: targets: Base: £3.75m Stretch: £6.25m Actual: £10.2m Vesting level: Above stretch: 125%
Cost synergies (40% of the award)	Cost saving targets: Base: £5.625m Stretch: £9.375m Actual: £19.8m Vesting level: Above stretch: 125%

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

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

Remuneration Committee Report continued

Part B: The Implementation Report continued

Other information in relation to FY20

Scheme interests awarded in the year (audited)

The following tables set out details of the LTIP and deferred share awards made to the Executive Directors during FY20:

Executive Director	Date of grant	Basis of award	Face value of awards ¹	Performance period
Craig Hayman	19 July 2019	250% of base salary	£1,795,500	1 April 2019 –
James Kidd	19 July 2019	175% of base salary	£897,750	31 March 2022

1 To determine the number of shares over which these awards were made, a share price was used of 3,980p for Craig Hayman and James Kidd's July 2019 grant, being the average share price of the five days prior to the award.

The structure of the LTIP granted during the year are as summarised below:

LTIP performance element	Weighting	Minimum performance	Mid performance	Maximum performance
EPS growth	50%	25% vesting for growth of 5% p.a.	80% pays out for growth of 10% p.a.	100% vesting for growth of 15% p.a.
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 (75th percentile)
Total revenue growth	25%	25% vesting at threshold	Linear vesting between min and max performance	100% vesting at maximum

For the 2018 LTIP awards, the relative TSR comparison group is a combination of the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies. This group has been chosen to provide alignment with technology companies and to better reflect the global scale of the company. For the 2019 award, this resulted in a group of 25 companies, 16 of which are based in the UK, and 9 of which in the USA. Of the TSR element, 25% of this element will vest at median, with 100% vesting at the upper quartile.

Name	Country	Sector	Subsector
Alfa Financial Software Holdings	UK	Technology	Software & Computer Services
Avast	UK	Technology	Software & Computer Services
Batm Advanced Communications	UK	Telecommunications	Telecommunications Equipment
Computacenter	UK	Technology	Software & Computer Services
Fdm Group	UK	Technology	Software & Computer Services
Funding Circle Holdings	UK	Technology	Software & Computer Services
Kainos Group	UK	Technology	Software & Computer Services
Micro Focus Intl	UK	Technology	Software & Computer Services
Aptitude Software Group	UK	Technology	Software & Computer Services
Nanoco Group	UK	Technology	Technology Hardware & Equipment
NCC Group	UK	Technology	Software & Computer Services
Sage Group	UK	Technology	Software & Computer Services
SDL	UK	Technology	Software & Computer Services
Softcat	UK	Technology	Software & Computer Services
Sophos Group	UK	Telecommunications	Telecommunications Equipment
Spirent Communications	US	Technology	Software & Computer Services
ACI Worldwide	US	Technology	Software & Computer Services
Blackbaud	US	Technology	Software & Computer Services
CDK Global	US	Technology	Software & Computer Services
Commvault Systems	US	Technology	Software & Computer Services
Fortinet	US	Technology	Software & Computer Services
J2 Global	US	Technology	Software & Computer Services
Manhattan Associates	US	Technology	Software & Computer Services
PTC	US	Technology	Software & Computer Services
Ultimate Software Group			

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

Deferred Share Awards

Executive Director	Date of grant	Basis of award	Face value of awards ¹	Performance period
Craig Hayman	26 July 2019	Deferred element of FY19 annual bonus	£301,986	No performance period. Awards vest in equal tranches on the date of announcement in May 2020, May 2021 and May 2022
James Kidd	26 July 2019		£215,685	

1 This is calculated as the amount of deferred annual bonus divided by year end share price (3,494 pence)

Remuneration policy implementation for the year ended 31 March 2021

As referred to in the statement from the Remuneration Committee's Chairman on page 80, in accordance with applicable legislation we are seeking shareholder approval for a new Directors' Remuneration Policy at the 2020 Annual General Meeting. We intend to implement the 2020 policy as follows.

Base salary FY21

In line with the wider UK workforce, there are no proposed increases to the base salaries of either Craig Hayman or James Kidd for FY21.

Base salary with effect from	Craig Hayman	Increase	James Kidd	Increase
1 April 2019	£718,200		£513,000	
1 April 2020	£718,200	0.0%	£513,000	0.0%

Our market positioning on salaries remains modest compared to the size of the Company we have become (in particular for our CEO). We recognise that we may need to address this competitiveness in future cycles if our significant growth and strong performance continues to be sustained. However, the focus of our new policy is to address the variable and performance-related elements of the packages as discussed below. This will ensure alignment to shareholders' objectives.

Benefits and pension FY21

As part of the harmonisation of both heritage AVEVA and Schneider Electric industrial software business employees in the UK, employees have been offered a revised set of terms and conditions which contain key changes to their employee benefits. All UK employees (including Executive Directors) received an invitation to update their terms and conditions. Part of the change included a maximum 9% pension contribution being applied from 1 April 2020 with an increase in flexible benefits from £600 to £1,080 plus three additional vacation days. Acceptance of the new terms and conditions is voluntary. Both Executive Directors have chosen to remain on the existing terms and conditions and therefore there will be no changes to either the benefits structure or quantum for FY21.

In line with best practice, as we have aligned the terms and conditions of AVEVA and SES in the UK, the pension benefits for both Executive Directors are now aligned to all other UK employees who remained on existing terms and conditions.

Annual incentive scheme FY21

Under the proposed changes to the Remuneration Policy there is a proposed change to the annual bonus quantum for FY21 from 125% of base salary for both Executive Directors to 165% of base salary for the CEO and 150% of base salary for the CFO. As described in more detail on page 81, this reflects the fact that we are a very different business post the combination of AVEVA with the Schneider Electric industrial software business in March 2018, in terms of size, geographic coverage, complexity and scale. The Committee considers that this increase is essential to ensuring appropriate internal relativities across all levels and to maintaining our market competitiveness against the FTSE 31–100 and AVEVA's US peers.

The level of deferred bonus is also being increased from 40% to 50%, although per the new Policy this will immediately fall to 25% for both Directors as the shareholding guidelines are met. This means that the increase in the cash value of the CEO's on-target annual bonus for FY21 would be £175,000 (£350,000 at maximum) and the value of the deferred shares would fall by £31,000 (£62,000 at maximum). For the CFO, the result of increasing the CFO opportunity to 150% of salary would be an increase in on-target cash bonus for FY21 of £96,000 (£192,000 at maximum), and the value of the deferred shares would fall by £32,000 (£64,000 at maximum). Alignment with shareholders' interests is considered met given the significant shareholding held by both Directors.

The Committee also acknowledges that increased quantum requires additional stretch so that more pay is delivered only for the achievement of more stretching performance targets taking into account our internal budgets, forecasts and external market conditions. This will be borne out in the targets set and disclosed and is totally aligned with the philosophy of the Company and with the changes we have made to the broader workforce annual bonus plans. For FY21, despite the uncertain economic backdrop the proposed targets reflect absolute growth and improved business quality. The maximum bonus will only be earned for materially improved year-on-year performance.

Remuneration Committee Report continued

Part B: The Implementation Report continued

The Committee has reviewed the performance measures for FY21 to ensure they are appropriately aligned with the Group's strategic plan for the coming year. It is proposed that performance for FY21 will be measured against the following performance measures.

Measure	Weight (% of maximum)
Short-term financial measures (including operating cash flow before tax)	30%
Adjusted EBIT	25%
Recurring revenue	25%
Personal KPIs	20%

For the short-term financial measures it is proposed that H1 and H2 half year targets will be set focused on priorities for those periods. The H1 target will be based on operating cash flow before tax. As the position regarding Covid-19 develops further consideration to the H2 target will be given to ensure that the measures and targets are appropriate in the context of all relevant factors. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 12.5% of salary should the Group adjusted EBIT target not be met. At year end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience.

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

Long-term incentive plan FY21

There are no proposed increases in LTIP opportunity for FY21 for the CEO or CFO. The maximum LTIP award will remain unchanged at 250% of base salary for the CEO and 175% of salary for the CFO. No changes are proposed to the structure or performance measures which will remain as set out on page 102 for the 2020 LTIP awards.

Shareholding guidelines

The shareholding guidelines are being increased to market leading levels to flexibly and directly include both annual bonus and LTIPs and are proposed to increase from 200% of annual salary to 415% for the CEO (FY21 annual bonus opportunity of 165% plus 250% LTIP opportunity) and from 200% of annual salary to 325% for the CFO (FY21 annual bonus opportunity of 150% plus 175% LTIP opportunity). The increased shareholding requirements will apply to any deferred bonus awards and newly-issued LTIPs granted in respect of FY21 and later years. Once these increased shareholding guidelines are met, as is the case with both Executive Directors, the bonus deferral will be relaxed to half the usual amount i.e. 25%. The deferral will continue to be subject to the existing three-year holding period.

A new two year post-employment shareholding guideline is being introduced, following feedback from investors, which will apply to shares acquired through awards granted under the new Policy. With 100% of the increased shareholding guidelines (or actual shareholding, if lower) retained for the first year post employment and 50% for the second year post employment.

Shareholding guidelines and interests in shares (audited)

Executive Director share ownership guidelines are set out in the Remuneration Policy on page 90. The interests of the Executive Directors in office at 31 March 2020 in the share capital of the Company as a percentage of base salary were as follows. Shares are valued for these purposes at the financial year-end price, which was 3,494p at 31 March 2020.

	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary)		Shareholding for the purposes of meeting guidelines ¹	
			FY20	FY19	FY20	FY19
Craig Hayman	200%	Yes	845%	0%	173,791	–
James Kidd	200%	Yes	523%	154%	76,847	23,809

¹ Shares subject to deferred bonus arrangements, shares subject to LTIP awards which are in a holding period, and shares subject to other share awards which are no longer subject to any performance condition (including any exercisable but unexercised deferred bonus awards and LTIP awards) count towards the requirement, on a net of assumed tax basis of 45% income tax and 2% national insurance. Methodology amended from FY19, which only counted shares owned outright towards the shareholding guidelines.

Interests in shares (audited)

The interests (both beneficial and their connected person) of the Executive Directors in office at the date of this report in the share capital of the Company as at 31 March 2020 were as follows:

	Shares owned outright at 31 March 2020	Shares owned outright at 31 March 2019	LTIP unvested and subject to performance conditions	Deferred bonus unvested and subject to holding period	Buy-out retention awards unvested and subject to continued employment	Vested and not exercised	Total interests
Craig Hayman	–	–	110,293	9,414	22,433	296,061	438,201
James Kidd	47,056	23,809	54,936	12,660	–	43,550	158,202

Outstanding scheme interests (audited)

	As at 1 April 2019 Number ¹	Normal grants during the year	Dividend equivalent	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2020	Exercise price (p)	Gain on exercise of share options
Craig Hayman								
LTIP	80,413	45,113	971	–	–	126,497	3.556	n/a
Deferred shares	767	8,618	29	–	–	9,414	nil	n/a
Buy-out awards ²	300,990	–	1,300	–	–	302,290	nil	n/a
James Kidd								
LTIP	121,762	22,556	848	(41,982)	(4,698)	98,486	3.556	n/a
Deferred shares	10,080	6,155	84	(3,659) ³	–	12,660	nil	147,019 ³

1 Opening balances adjusted to reflect dividend equivalents granted in February 2019.

2 During the year, 97,537 shares vested.

3 Market value at exercise date was 4,018p.

Summary of LTIP targets for all LTIPs in issue

Existing AVEVA LTIPs

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

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

Adjusted EPS growth targets p.a.	Proportion of vesting	
	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 growth achieved	Achievement
13 July 2016	86,712	FY17 – FY19	5%	10%	15%	13.7%	Target partially met; 89.9% of award vested
8 September 2017 (James Kidd)	43,550	FY18 – FY20	5%	10%	15%	17.4%	100% of award vested
6 March 2018 (Craig Hayman)	16,621						
28 September 2018	95,454	FY19 – FY21	5%	10%	15%		Performance period not yet completed
31 July 2019	67,669	FY20 – FY22	5%	10%	15%		Performance period not yet completed

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

Dilution

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

Payments made to past Directors (audited)

Richard Longdon exercised vested shares granted in a previous period, which vested as per the scheme rules in the outgoing Remuneration Policy.

Consistent with the PRA calculation on page 96 for the CFO James Kidd, David Ward received the final element of the 2019 PRA award in FY20 – a £283,333 retention award and a £300,333 performance award totalling £583,666. David Ward continues to be employed with the Group and was rewarded in line with the terms and conditions of his employment.

No other payments were made during FY20.

Remuneration Committee Report continued

Part B: The Implementation Report continued

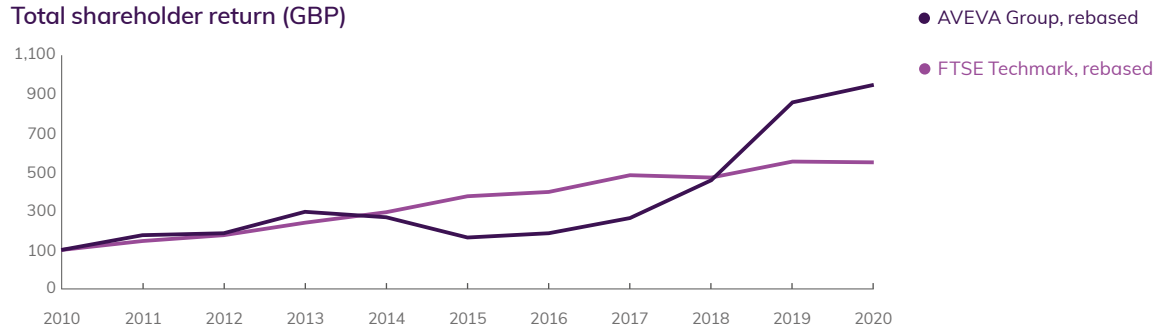
Payments for loss of office (audited)

No payments were made for loss of office during FY20.

Total shareholder return vs. techMARK All-Share Index 2010–2020

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

Total shareholder return (GBP)



CEO single figure ten-year history

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

£000	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Richard Longdon (to 31 December 2016)	695	1,003	963	1,163	517	561	395	–	–	–
James Kidd (1 January 2017 to 18 February 2018)	–	–	–	–	–	–	127	949	–	–
Craig Hayman (19 February 2018 onwards)	–	–	–	–	–	–	–	137	7,346	5,427
CEO single figure of total remuneration	695	1,003	963	1,163	517	561	522	1,086	7,346	5,427
Annual incentive pay-out (% of maximum)	100%	68%	94%	50%	8%	8%	18%	91%	98%	71%
LTIP pay-out (% of maximum)	0%	100%	33%	94%	0%	0%	0%	0%	n/a ¹	100%

1 The relevant payout for LTIPs vesting in FY19 was 90%, but Craig Hayman had no LTIPs that vested in the year.

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

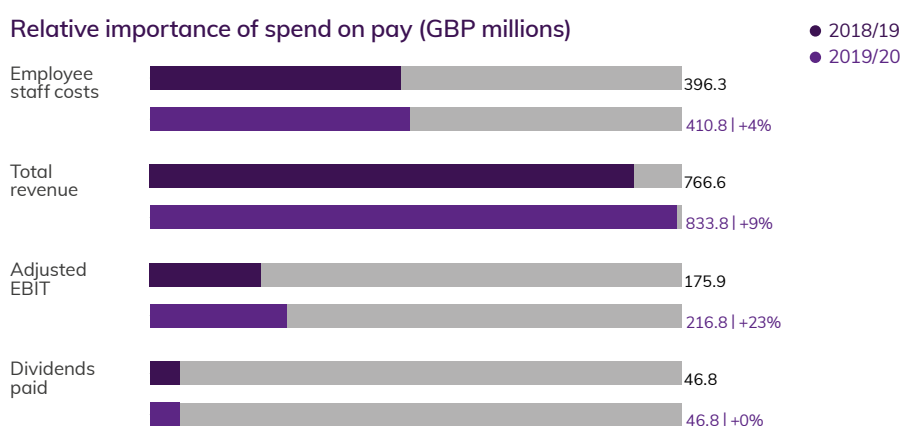
The table below illustrates the percentage change in salary, benefits and annual incentive for the Group CEO and two selected subsets of employees (including only those employees who were employed at the start of FY19 through to the end of FY20). The UK and US employee base have been chosen because the Group offices of heritage AVEVA and SES are headquartered in these countries respectively, and together employ approximately one-third of its workforce. Typical salary inflation in some other AVEVA locations is materially higher than the UK and US, which would distort the comparison.

% change (FY19 to FY20)	CEO	ELT	UK & USA employees
Base salary	3%	4%	3%
Benefits	17% ¹	0%	0%
Annual bonus	(28)%	(28)%	(33)%

1 From 1 September 2019, the payroll for Craig Hayman was agreed to be split between the UK and the US. This was created to better reflect the travel patterns and time spent in both jurisdictions. Included in the change was the inclusion of a US medical plan. Craig Hayman agreed to relinquish the (taxable) UK car and fuel allowance worth £19,800 in return for a new (taxable) mobility allowance of £10,000 per annum and (non-taxable) US medical coverage for himself and US-based family totalling £15,500 per annum. For more information please see page 98.

Relative importance of spend on pay

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



CEO pay ratio

The table below discloses the ratio of the Chief Executive Officer's pay for FY20. The CEO total remuneration is his FY20 total single figure as disclosed on page 84. The calculation uses total remuneration on a consistent basis for the 25th (lower), 50th (median) and 75th (upper) percentiles against the UK employee total remuneration (calculated on a full-time equivalent basis). The 25th, 50th and 75th UK employees were selected from the UK employee population as at 31 March 2020. The employees identified were subsequently reviewed and deemed to be a true reflection of the UK workforce. The total pay, benefits and salary of each employee who is the best equivalent of the 25th, 50th, and 75th ranked employee is as follows:

	Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Total pay and benefits	FY20	Option A	119:1	85:1	62:1
As above, excluding buy-out awards			44:1	32:1	23:1
Salary only			18:1	13:1	10:1

Movements in ratio from FY19 are mainly due to the vesting of the buy-out awards granted to the CEO on joining as well as the inclusion and performance of the LTIPs which are offered to senior executives within the business. As performance fluctuates between years the level of performance-linked remuneration becomes a larger factor in the movements of the ratio and impacts those employees with higher proportions of performance-linked pay. The employment model and proportion of 'employed' versus 'contracted' has remained consistent and is not a significant factor in the ratio movement.

We chose Option A as it is felt this is the most accurate, consistent and robust method to identify the 25th, 50th and 75th ranked UK employee. In line with this Option, the ratios are calculated using single figure valuation methodology. The company applied the same Option A calculation as FY19.

The total remuneration in respect of FY20 for the employees identified at 25th, 50th and 75th is £45k, £64k, and £87k, respectively. The base salary in respect of FY20 for the employees identified at 25th, 50th and 75th is £40k, £56k, and £72k, respectively.

The Committee has reviewed the FY20 pay ratios and is satisfied that the overall picture is consistent with the remuneration policies of the Group's UK employees.

- Salaries are set annually using a range of factors including role scope, experience, market benchmarks, impact of role (including the Executive Directors).
- Benefit entitlement and level of benefit depending upon role and level of seniority is consistently applied.
- Participation in the annual bonus scheme and level of opportunity varies by level of seniority with all participants measured against the same strategically-aligned financial metrics together with personal KPI achievement.
- None of the comparator employees participated in the 2019 long-term incentive scheme. Executive Directors and senior executives receive a greater proportion of performance related variable pay plus share-based awards reflecting their greater influence over performance outcomes.

Whilst the CEO is based in the UK, AVEVA is a global company with the UK representing less than 15% of the entire workforce.

Outside appointments

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

Remuneration Committee Report continued

Part B: The Implementation Report continued

Non-Executive Directors

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

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

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

	FY20 fees £	FY19 fees £
Philip Aiken (Chairman)	277,000	270,000
Jennifer Allerton	73,750	71,500
Christopher Humphrey	85,550	83,000
Ron Mobed	61,500	60,000
Paula Dowdy ¹	61,500	10,000
Emmanuel Babeau ²	–	–
Peter Herweck ²	–	–
Olivier Blum ²	–	n/a

1 Paula Dowdy was appointed on 1 February 2019. FY19 fees were pro-rated for period of service.

2 Emmanuel Babeau, Peter Herweck and Olivier Blum have waived their fees for their first three-year term.

Implementation of Remuneration Policy for NEDs in FY21

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. 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. For FY21, it has been decided not to increase the fees of the Chairman or NEDs at this point but we reserve the right to review them later in the year, once the impact of Covid-19 is clearer. The table below shows the annual fees payable for each of the NED roles held in the year.

Role	FY21 fees £	FY20 fees £
Chairman	277,000	277,000
Basic Non-Executive Director fee	61,500	61,500
Vice Chairman	40,000	40,000
Committee Chairman fee (Audit and Remuneration)	12,250	12,250
Senior Independent Director	11,800	11,800

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 2020	Shares owned outright at 31 March 2019
Philip Aiken (Chairman)	2,337	2,337
Jennifer Allerton	6,000	10,300
Christopher Humphrey	4,000	4,000
Ron Mobed	3,000	3,000
Paula Dowdy	–	–
Olivier Blum	–	–
Peter Herweck	2,500	–

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
9 June 2020

Other Statutory Information

Results and dividends

The Directors' Report for the year ended 31 March 2020 comprises pages 1 to 113 of this report, together with the other sections of the Annual Report incorporated by reference to page numbers referred to below. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Specifically, these are:

- operations during the year and future business developments (throughout the Strategic Report); and
- risk management and internal control on pages 40 to 47.

The Group made a profit for the year after taxation of £69.8 million (FY19: £33.8 million). Revenue was £833.8 million (FY19: £766.6 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 29.0 pence per ordinary share (FY19: 29.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 11 August 2020 to shareholders on the register at close of business on 10 July 2020.

Business review and future developments

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

The financial KPIs used by AVEVA to measure its own performance at the Group level include total revenue, recurring revenue, adjusted EBIT margin, adjusted diluted earnings per share and cash conversion. The figures for the year ended 31 March 2020 are set out on pages 22 to 23, together with figures for the previous year, and a discussion of the principal risks and uncertainties facing the Group is included on pages 40 to 47.

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 25 to the consolidated financial statements.

Directors and their interests

Directors' share and share option holdings are disclosed in the Remuneration Committee Report on pages 104 and 105.

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

Conflicts of interest

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

Share capital

Details of the issued share capital can be found in note 29 to the consolidated financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

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

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

Voting rights

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

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

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

Other Statutory Information continued

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

Dividends, distributions and liquidation

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

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

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

Change of control

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

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

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

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

Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act 2006 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 2006, shares may be issued by Board resolution. At the Company's last Annual General Meeting, powers were granted to the Directors (subject to limits set out in the resolutions) to issue and to buy back its own shares; similar powers are proposed to be granted at the forthcoming Annual General Meeting. The buy-back authority was limited to 10% of the Company's issued share capital. No shares have been bought back under this authority.

Substantial shareholdings

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

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

Name of holder	As at 31 March 2020		As at 30 April 2020	
	Number	Percentage held %	Number	Percentage held %
Schneider Electric SE	97,169,655	60.2	97,169,655	60.2
Aberdeen Standard Investments	7,126,338	4.4	7,360,274	4.6
Artisan Partners	5,444,669	3.4	5,498,960	3.4
BlackRock	5,064,014	3.1	5,064,014	3.1

In the period from 1 May 2020 to the date of this report, we have received no further notifications of any changes to holdings in accordance with the DTR 5.

Appointment of Directors

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

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at each of the preceding two Annual General Meetings and who was not appointed or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2020 to stand for re-election.

Listing Rules disclosures

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

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

Annual General Meeting

The Annual General Meeting will be held on 21 July 2020 at AVEVA, 30 Cannon Street, London EC4M 6AH. 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 421,054 ordinary shares in AVEVA Group plc representing 0.26% (FY19: 350,270 shares representing 0.22%) 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.

Majority shareholder and the Relationship Agreement

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

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

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

- Schneider Electric may appoint up to two Non-Executive Directors (depending on the level of its shareholding);
- after a period of two years from completion of the combination, for so long as Schneider Electric has the right to appoint at least one Non-Executive Director, it will have the right (but not the obligation) to appoint such Non-Executive Director as the Chairman;

- so long as Schneider Electric is entitled to appoint at least one Non-Executive Director, each of the Remuneration Committee and Nomination Committee will comprise a total of three members, one of whom will be the (or a) Non-Executive Director appointed by Schneider Electric and the other two members will be independent Non-Executive Directors; and
- for the period of five years from completion of the combination and provided Schneider Electric holds more than 50% of the voting rights in AVEVA, AVEVA shall give Schneider Electric reasonable notice of certain specified transactions.

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

- (a) all transactions, agreements and arrangements between the Schneider Electric Group and any member of the enlarged AVEVA Group are conducted at arms' length basis and on normal commercial terms;
- (b) neither Schneider Electric nor any of its Associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- (c) neither Schneider Electric nor any of its Associates will take any action that would have the effect of preventing AVEVA from complying with its obligations under the Listing Rules or the terms of the Relationship Agreement; and
- (d) it will abstain and will cause its Associates to abstain from voting on any resolution to approve a 'related party transaction' (as defined in the Listing Rules) involving Schneider Electric or any of its Associates as the related party.

Other Statutory Information continued

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

- (a) announce or make a general offer under the Takeover Code for the remaining shares in the Company;
- (b) vote in favour of a delisting of the Company; or
- (c) increase the aggregate shareholding of Schneider Electric and its Associates above its percentage shareholding immediately after completion.

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

- (a) to announce or make a general offer under the Takeover Code for the remaining shares in the Company (subject to certain requirements as to the offer price and to recommendation by a majority of the independent Non-Executive Directors); and
- (b) otherwise to acquire additional shares in the Company in the market or otherwise, up to an aggregate shareholding below 75% of AVEVA's issued share capital.

After this further 18-month period, Schneider Electric will be under no restrictions as to further acquisitions of shares or making offers. Further details of the Relationship Agreement are set out in the Prospectus published on 5 September 2017, Part XII, paragraph 3.7.

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

Disabled employees

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

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

Employee involvement

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

Directors' indemnity

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. 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 on page 38 of the Strategic Report and form part of the Directors' Report disclosures.

Auditor

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

Statement of Directors' responsibilities in relation to the financial statements

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

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

- select and apply accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that

- provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 62–63. Each of these Directors confirms that:

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

Fair and balanced reporting

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

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

Each Director of the Company (whose names and functions appear on pages 62–63) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

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

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

David Ward
Finance Director and Company Secretary
9 June 2020

Financial Statements



Strong financial

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performance

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 2020 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 2020	Balance sheet as at 31 March 2020
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 32 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 40–49 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on pages 40–49 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 40–49 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 page 40–49 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	<ul style="list-style-type: none"> – Impact of Covid-19 – Revenue recognition
Audit scope	<ul style="list-style-type: none"> – We performed an audit of the complete financial information of four (2019: four) components and audit procedures on specific balances for a further twelve (2019: ten) components. – The components where we performed full or specific audit procedures accounted for 91% of adjusted Profit before tax, 75% of Revenue and 84% of Total assets.
Materiality	– Overall Group materiality of £5.5 million which represents 5% of adjusted Profit before tax.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Impact of Covid-19</p> <p>Refer to Financial Review (pages 50–54); Refer to the Audit Committee Report (pages 74–79); Accounting policies; and note 2a of the Consolidated financial statements (pages 128–129)</p> <p>Going concern</p> <p>Note 2a in the financial statements outlines the uncertainties arising from the recent Covid-19 outbreak and their impact on the Group's ability to continue as a going concern.</p> <p>Given the unprecedented impact of Covid-19 on all businesses and the macro-economic environment, accurate forecasting of prospective financial information and the development of credible future scenarios is challenging and may have a wide range of potential impacts on the Group's ability to continue as a going concern.</p> <p>Management have revised their forecasts to reflect the impact of Covid-19, which serves as the base case for the going concern assessment. Further severe but plausible scenarios have been run based on the principal risks and uncertainties facing the Group and their potential impact on revenue, profitability and cashflows. The results of this analysis has been compared to the available liquidity and financial covenant compliance, during the going concern period. Based upon this assessment management consider the going concern assumption remains appropriate.</p> <p>Other areas</p> <p>Given the significance of Covid-19 on the economy, management's impact assessment was expanded to consider other accounting implications. Note 2 of the financial statements includes significant accounting estimates relating to the impairment of assets and provision for impairment of financial assets, where the level of estimation uncertainty has increased as a result of the Covid-19 pandemic. There is a risk that given the current challenges in establishing accurate forecasts, as a result of Covid-19, asset impairments are not identified and recorded in a timely manner.</p>	<p>We have confirmed our understanding and walked through the process followed by management to prepare the revised forecasts. We assessed the reasonableness of all key assumptions, namely revenue performance per revenue stream, adjusted EBIT margin and working capital collection. This has been performed by:</p> <ul style="list-style-type: none"> – checking the arithmetical accuracy of management's model; – assessing the historical forecasting accuracy of the group by comparing actual revenue and adjusted EBIT to forecast for the previous five accounting periods; – comparing the revenue forecasts to the revenue backlog and revenue pipeline against the forecast and previous conversion rates; – assessing the feasibility of cost reductions assumed within the model, including the timing and quantum, by comparing them to operational actions taken by management; – reconciling the working capital assumptions with the risk assumed within the expected credit loss calculation; and – checked for consistency of the forecasts with other areas of the audit including impairment assessment. <p>Compared the reduction in revenues assumed in the most severe scenario presented by management, to the revenue declines demonstrated during recent economic crises. We have also compared the forecast result to reports from analysts and expected revenue trends to industry forecasts for industrial software including the impact of Covid-19;</p> <p>Confirmed the availability of the RCF by comparing to the underlying agreement and reperformed management's forecast covenant ratio compliance calculations to check for breaches of each covenant ratio throughout the going concern period under each scenario presented by management;</p> <p>Compared current trading performance to management's Covid-19 forecast by obtaining the latest available management accounts and latest available weekly Group cash report to identify any issues with current trading and cashflows;</p> <p>Recalculated the results of the sensitivity testing performed by management to determine the impact of reasonably possibly fluctuations in key assumptions on the Group's available liquidity and covenant compliance;</p> <p>Performed reverse stress testing to establish the level of change in revenue and adjusted EBIT margin necessary to cause a liquidity or financial covenant breach and considered the likelihood of such a change;</p> <p>Considered the further mitigating actions available to the Group, such as not paying the interim dividend, and further cost mitigations, and the feasibility of management being able to execute such mitigating actions, when considering the likelihood of the reverse stress testing scenario; and</p> <p>Reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for a period of at least 12 months from the date of our Auditor's Report.</p> <p>Other areas</p> <p>We read management's paper outlining the potential accounting implications of the Covid-19 impact and assessed the completeness of areas identified using our understanding of the business and broader industry knowledge, prior year audit conclusions and results-to-date.</p> <p>We audited management's impairment of assets analysis, confirming that the forecasts were consistent with those audited as part of the going concern assessment. We performed additional sensitivity testing using the sensitivity analysis performed in the going concern assessment, when determining whether a reasonably possible change could give rise to an impairment adjustment.</p> <p>We compared the forward looking information used by management to calculate the risk matrix overlay, in their provision for impairment of financial assets, to changes in economic data since the outbreak of the Covid-19 pandemic.</p> <p>The remainder of our planned audit procedures prior to the outbreak of Covid-19, were executed as intended in these areas.</p>	<p>We reported to the Audit Committee that, based on the testing performed, we believed that the going concern assumption adopted in the 2020 financial statements remains appropriate based upon management's Covid-19 base case forecast.</p> <p>We confirmed that management's disclosure appropriately describes the risks associated with AVEVA's ability to continue to operate as a going concern.</p> <p>Other areas</p> <p>We agree that the key other areas of accounting impact of Covid-19 have been appropriately disclosed in the financial statements and accounting entries recorded accordingly.</p>

Independent Auditor's Report continued

To the Members of AVEVA Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of inappropriate revenue recognition – £833.8 million (2019: £766.6 million)</p> <p>Refer to the Audit Committee Report (pages 74–79); Accounting policies (pages 164–168); and note 2b of the Consolidated Financial Statements (page 129–130)</p> <p>In particular, the risks are:</p> <ul style="list-style-type: none"> – Inappropriate application of the group revenue recognition policy and IFRS 15 'Revenue' for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and – Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on Percentage of Completion (POC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete. 	<p>We performed walkthroughs of significant classes of revenue transactions to understand significant processes, including the central group revenue approval process, and to identify and assess the design effectiveness of key management controls over data input and IT.</p> <p>A summary of our key procedures performed are:</p> <p>We have performed licence revenue transaction testing at a local and group level to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IFRS 15 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts and:</p> <ul style="list-style-type: none"> – agreeing licence revenues to signed contracts or software licence agreements; – agreeing the revenue to subsequent payment as evidence of collectability; – checking evidence such as licence keys to support that software has been delivered to customers prior to revenue recognition; – reviewing contract terms to establish whether all performance obligations have been identified and for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities; – ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract; and – We selected a sample of revenue journals and assessed the appropriateness of the journal by checking to supporting evidence such as revenue contracts and ensuring compliance with the Group's revenue recognition policy and IFRS 15. The sample selected was based on risk based criteria including but not limited to manual journal entries, those close to period end and postings that appeared inconsistent with roles and responsibilities. <p>We have performed an independent assessment using our industry knowledge to establish 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.</p> <p>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.</p> <p>We have performed a test of detail including reviewing the terms and conditions of the contract and recalculating the amount of revenue to be recognised in comparison to amounts billed, for a sample of contract liability and contract asset revenue items to ensure it is in accordance with the revenue recognition principles.</p> <p>We have performed analytical review by revenue stream and geography in comparison to the prior year to assess unexpected trends and patterns that could be indicative of incorrect revenue recognition.</p> <p>We have performed cut-off testing for a sample of revenue items booked either side of year end by agreeing to supporting documentation 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.</p> <p>For projects accounted for under 'Percentage of Completion' (PoC), we evaluated judgements made by management regarding the expected costs to complete and the timing and recognition of variation orders. We also tested the cut-off of project costs. This testing focussed on:</p> <ul style="list-style-type: none"> – Low margin/loss making projects, including ensuring losses are appropriately recognised; – Risk reserves included in the project accounting, including enquiring of the operational status of the project to establish whether an additional reserve is required/existing risk reserves should be released; – Change requests issued by the customer and the impact on the project accounting; – The estimated costs to complete, including changes during the life of the project and historical forecast accuracy; and – The status of billings, achievement of milestones and the recoverability of contract assets/ shipped not billed balances. <p>Where detailed procedures were performed by component teams, the primary team exercised oversight of the testing and performed additional testing of contracts over £1.8 million or containing non-standard terms.</p> <p>For related party transactions between AVEVA and the Schneider Electric business, we obtained evidence that the performance obligations had been fulfilled and that they form part of the related party disclosures.</p> <p>We performed full and specific scope audit procedures over this risk area in 13 locations, which covered 75% of the risk amount.</p>	<p>Based on our procedures performed both at group and by component audit teams, we conclude that revenue recognised in the year, and revenue deferred as at 31 March 2020, is materially correct.</p>

An overview of the scope of our audit

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 100 reporting components of the Group, we selected 16 components covering entities within the Group in the following countries: UK, US, Canada, Germany, France, Korea, China, India, Japan, Netherlands and Malaysia, which represent the principal business units within the Group.

Of the 16 components selected, we performed an audit of the complete financial information of four components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 12 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 91% (2019: 86%) of the Group's adjusted Profit before tax, 75% (2019: 70%) of the Group's Revenue and 84% (2019: 84%) of the Group's Total assets. For the current year, the full scope components contributed 67% (2019: 71%) of the Group's adjusted Profit before tax, 48% (2019: 48%) of the Group's Revenue and 79% (2019: 78%) of the Group's Total assets. The specific scope components contributed 24% (2019: 15%) of the Group's adjusted Profit before tax, 27% (2019: 22%) of the Group's Revenue and 5% (2019: 6%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 84 components that together represent 9% of the Group's adjusted Profit before tax, none are individually greater than 1% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany elimination and foreign currency translation recalculation to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

For the current year we have designated the components in Netherlands, Malaysia, and Japan as specific scope compared to review scope in the comparative period, as part of our rotational audit scoping strategy. We have designated Australia as review scope compared to specific scope in the comparative period, as part of this rotational audit 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 four full scope components, audit procedures were performed on two of these directly by the primary audit team. For the 12 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 or senior members of the audit team visits at least two (2019: 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 the US and Netherlands (2019: US, Canada, China and Germany). 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, and reviewing key audit working papers on risk areas. One planned visit to the US was cancelled due to the travel restrictions associated with Covid-19, however the primary audit team, including the Senior Statutory Auditor, had already performed one visit during the year and were able to perform the planned procedures remotely, including remote review of working papers and attendance at key meetings. 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. In addition, the Senior Statutory Auditor attended each of the component closing meetings via video conference. In concluding on the appropriateness of the level of involvement with component teams during the Covid-19 pandemic, the Senior Statutory Auditor has also considered the consistency of key team members at component team locations, the results of rotational site visits performed in recent years and the quality of key audit working paper reviews performed remotely in the current year. This, together with the 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.

Independent Auditor's Report continued

To the Members of AVEVA Group plc

We determined materiality for the Group to be £5.5 million (2019: £3.8 million), which is 5% (2019: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax provides us with the most relevant measure of the underlying financial performance of the Group, as it removes the impact of one-off transactions. For both years, we have used Profit before tax adjusted for exceptional items as reported in note 7, however have not made adjustment for recurring items, such as amortisation of intangibles, share-based payments and gain/loss on forward exchange contracts.

We determined materiality for the Parent Company to be £29 million (2019: £26.7 million), which is 2% (2019: 2%) of total assets. We believe that total assets is the most relevant measure, given the primary activity of the Parent Company is to hold investments in subsidiaries.

Starting basis	– Profit before tax – £92.0m
Adjustments	– Exceptional items (note 7) – £18.8m
Materiality	– Totals £110.8m – Materiality of £5.5m (5% of materiality basis)

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £4.1 million (2019: £2.9 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 £0.8 million to £2.2 million (2019: £0.5 million to £1.6 million).

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 £0.3 million (2019: £0.2million), 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 1–113, including the Strategic Report and the Corporate Governance Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 113** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 74–79** – 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 59** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 112–113, 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.

Independent Auditor's Report continued

To the Members of AVEVA Group plc

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

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

Our approach was as follows:

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

Other matters we are required to address

We were appointed by the company on 25 September 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 18 years, covering the years ending 31 March 2003 to 31 March 2020.

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

The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Ernst & Young LLP

Marcus Butler (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

London

9 June 2020

Notes:

1. The maintenance and integrity of the AVEVA Group plc website 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 website.
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 2020

	Notes	2020 £m	2019 £m
Revenue	3,4	833.8	766.6
Cost of sales		(190.7)	(193.2)
Gross profit		643.1	573.4
Operating expenses			
Research & Development costs		(184.6)	(178.0)
Selling and administrative expenses	5	(367.8)	(341.9)
Net impairment loss on financial assets		(7.6)	(6.3)
Other income	7	11.9	–
Total operating expenses		(548.1)	(526.2)
Profit from operations	6	95.0	47.2
Finance revenue	8	0.3	0.2
Finance expense	9	(3.3)	(0.7)
Profit before tax from continuing operations		92.0	46.7
Income tax expense	11	(22.2)	(12.9)
Profit for the year attributable to equity holders of the parent		69.8	33.8
Profit from operations		95.0	47.2
Amortisation of intangibles (excluding other software)	16	90.6	88.1
Share-based payments	28	12.0	11.2
Loss on fair value of forward foreign exchange contracts		0.4	0.5
Exceptional items	7	18.8	28.9
Adjusted EBIT		216.8	175.9
Earnings per share (pence)			
– basic	13	43.35	20.97
– diluted	13	43.13	20.90

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 2020

	Notes	2020 £m	2019 £m
Profit for the year		69.8	33.8
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain arising on translation of foreign operations		4.2	8.4
Total of items that may be reclassified to profit or loss in subsequent periods		4.2	8.4
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/(loss) on defined benefit plans	27	6.2	(0.5)
Deferred tax effect	11(a)	(1.2)	(0.4)
Total of items that will not be reclassified to profit or loss in subsequent periods		5.0	(0.9)
Total comprehensive income for the year, net of tax		79.0	41.3

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

Consolidated Balance Sheet

31 March 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Goodwill	15	1,295.7	1,285.3
Other intangible assets	16	514.8	599.5
Property, plant and equipment	17	27.6	17.1
Right-of-use assets	24	79.5	–
Deferred tax assets	26	19.1	11.8
Trade and other receivables	19	4.4	2.2
Retirement benefit surplus	27	14.9	7.1
		1,956.0	1,923.0
Current assets			
Trade and other receivables	19	242.2	238.7
Contract assets	3	142.4	100.5
Treasury deposits	20	0.1	0.6
Cash and cash equivalents	20	114.5	127.2
Current tax assets		20.2	10.8
		519.4	477.8
Total assets		2,475.4	2,400.8
Equity			
Issued share capital	29(a)	5.7	5.7
Share premium		574.5	574.5
Other reserves	29(b)	1,180.3	1,178.8
Retained earnings		181.2	165.5
Total equity		1,941.7	1,924.5
Current liabilities			
Trade and other payables	21	149.4	156.8
Contract liabilities	3	177.0	174.6
Lease liabilities	24	16.6	–
Financial liabilities	23	0.4	0.1
Provisions		0.1	1.9
Current tax liabilities		5.5	12.8
		349.0	346.2
Non-current liabilities			
Lease liabilities	24	53.3	–
Deferred tax liabilities	26	119.9	111.3
Other liabilities		0.7	3.1
Provisions		–	2.6
Retirement benefit obligations	27	10.8	13.1
		184.7	130.1
Total equity and liabilities		2,475.4	2,400.8

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 9 June 2020. They were signed on its behalf by:



Craig Hayman
Chief Executive Officer



James Kidd
Deputy CEO and CFO

Company number
2937296

Consolidated Statement of Changes in Shareholders' Equity

31 March 2020

	Notes	Share capital £m	Share premium £m	Other reserves					Treasury shares £m	Total other reserves £m	Retained earnings £m	Total equity £m
				Merger reserve £m	Cumulative translation adjustments £m	Capital contribution reserve £m	Capital redemption reserve £m	Reverse acquisition reserve £m				
At 31 March 2018		5.7	574.5	615.6	9.9	–	101.7	452.5	(0.3)	1,179.4	195.1	1,954.7
Profit for the year		–	–	–	–	–	–	–	–	–	33.8	33.8
Other comprehensive income		–	–	–	8.4	–	–	–	–	8.4	(0.9)	7.5
Total comprehensive income		–	–	–	8.4	–	–	–	–	8.4	32.9	41.3
Share-based payments	28	–	–	–	–	–	–	–	–	–	11.2	11.2
Tax arising on share options		–	–	–	–	–	–	–	–	–	1.3	1.3
Investment in own shares	29	–	–	–	–	–	–	–	(9.3)	(9.3)	–	(9.3)
Capital contribution		–	–	–	–	0.1	–	–	–	0.1	–	0.1
Transactions with Schneider Electric		–	–	–	–	–	–	–	–	–	(8.8)	(8.8)
Cost of employee benefit trust shares issued to employees	29	–	–	–	–	–	–	–	0.2	0.2	(0.2)	–
Equity dividends	12	–	–	–	–	–	–	–	–	–	(66.0)	(66.0)
At 31 March 2019		5.7	574.5	615.6	18.3	0.1	101.7	452.5	(9.4)	1,178.8	165.5	1,924.5
Profit for the year		–	–	–	–	–	–	–	–	–	69.8	69.8
Other comprehensive income		–	–	–	4.2	–	–	–	–	4.2	5.0	9.2
Total comprehensive income		–	–	–	4.2	–	–	–	–	4.2	74.8	79.0
Share-based payments	28	–	–	–	–	–	–	–	–	–	12.0	12.0
Tax arising on share options		–	–	–	–	–	–	–	–	–	1.0	1.0
Investment in own shares	29	–	–	–	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Cost of employee benefit trust shares issued to employees	29	–	–	–	–	–	–	–	0.4	0.4	(0.4)	–
Equity dividends	12	–	–	–	–	–	–	–	–	–	(71.7)	(71.7)
At 31 March 2020		5.7	574.5	615.6	22.5	0.1	101.7	452.5	(12.1)	1,180.3	181.2	1,941.7

The accompanying notes are an integral part of this Consolidated statement of changes in shareholders' equity. Details of other reserves are contained in note 29.

Consolidated Cash Flow Statement

for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the year		69.8	33.8
Income tax expense	11(a)	22.2	12.9
Net finance expense	8, 9	3.0	0.5
Amortisation of intangible assets	16	91.7	88.8
Depreciation of property, plant and equipment and right-of-use assets	17, 24	24.4	5.4
Loss on disposal of property, plant and equipment	6	0.7	0.1
Gain on disposal of pension scheme	27	(0.4)	–
Gain on disposal of subsidiaries	7	(7.7)	–
Share-based payments	28	12.0	11.2
Difference between pension contributions paid and amounts charged to operating profit	27	(1.2)	0.1
Research & Development expenditure tax credit		(2.3)	(2.0)
Changes in working capital:			
Trade and other receivables		(12.2)	(18.6)
Contract assets		(43.8)	(32.8)
Trade and other payables		(5.8)	36.1
Contract liabilities		10.7	33.1
Changes to fair value of forward foreign exchange contracts		0.3	0.5
Cash generated from operating activities before tax		161.4	169.1
Income taxes paid		(39.3)	(32.4)
Net cash generated from operating activities		122.1	136.7
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(18.5)	(7.4)
Purchase of intangible assets	16	(0.6)	(0.2)
Payment on disposal of pension scheme		(2.0)	–
Acquisition of subsidiaries, net of cash acquired	14	(25.1)	–
Consideration paid on completion of business combination	30	–	(19.4)
Proceeds from sale of subsidiaries, net of cash	14	5.5	–
Sale/(purchase) of treasury deposits		0.5	(0.4)
Interest received	8	0.3	0.2
Net cash flows used in investing activities		(39.9)	(27.2)
Cash flows from financing activities			
Interest paid	9	(3.3)	(0.7)
Purchase of own shares	29(b)	(3.1)	(9.3)
Repayment of borrowings	22	–	(10.0)
Payment of principal element of lease liability	24	(15.5)	–
Dividends paid to shareholders of the parent	12	(71.7)	(66.0)
Net cash flows used in financing activities		(93.6)	(86.0)
Net increase in cash and cash equivalents		(11.4)	23.5
Net foreign exchange difference		(1.3)	(1.9)
Opening cash and cash equivalents	20	127.2	105.6
Closing cash and cash equivalents	20	114.5	127.2

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

Notes to the Consolidated Financial Statements

1 Corporate information

AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 172. AVEVA Group plc's shares are publicly traded on the Official List of the London Stock Exchange. The parent Company financial statements of AVEVA Group plc are included on pages 159 to 163.

2 Key accounting policies

Explained below are the key accounting policies of the AVEVA Group plc and all its subsidiaries ('the Group'). The full Statement of Group accounting policies is included on pages 164 to 168.

a) Basis of preparation

The Consolidated financial statements of the Group have been prepared in accordance with IFRS, as adopted by the European Union, and with the Companies Act 2006.

The accounting policies which follow set out those policies applied in preparing the financial statements, which have been consistently applied to all the years presented, unless otherwise stated. The Group applies for the first time IFRS 16 'Leases' and IFRIC interpretation 23 'Uncertainty over Income Tax Treatments'. Details of the impact of adoption of these standards are set out in note 32. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest £0.1 million except when otherwise stated.

In accordance with IFRS 3, the consolidated financial information has been prepared as a reverse acquisition of the AVEVA Group by the Schneider Electric industrial software business ('the Combination'), which occurred on 1 March 2018.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes possible impacts of the global Covid-19 pandemic on the Group and reviews of liquidity and covenant forecasts.

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

The Directors have considered sensitivities in respect of potential downside scenarios over and above the Covid-19 base case going concern model and the mitigating actions available in concluding that the Group is able to continue in operation for a period of at least twelve months from the date of approving the financial statements.

The sensitivities are designed to model potential downside scenarios relating to Covid-19, whereby the Group experiences:

- A period of depressed economic activity across the entire going concern period, with resulting reduction in revenues as a result of reduced conversion of the revenue pipeline, lower new customer demand and impacts on pricing;
- Business disruption including the impact of stay-at-home orders on the ability to operate efficiently as well as the ability to deliver project services and work remotely; and
- Delays in the working capital cycle, including the impact of customer failures, credit defaults and delays in customers making contractual payments.

The specific scenarios modelled are as follows:

Scenario 1 stresses the base going concern model further with materialisation of principal risks linked to continued pandemic disruption.

Scenarios 2–4 also use the Covid-19 adjusted business plans as a base model, upon which further materialisation of a combination of various of the principal risks identified on pages 42 to 47 are considered. Each scenario assumes delays in the working capital cycle, including the impact of customer failures, credit defaults and delays in customers making contractual payments, as well as the following other assumptions:

Scenario 1: Given the current risk environment in relation to the global Covid-19 pandemic, this Scenario incorporates the impact of the following three principal risks as outlined on pages 46 to 47, reducing base model revenue by circa 9% across the three-year forecast period.

- (10) Dependency on cyclical markets;
- (11) Global economic disruption and declined GDPs; and
- (13) Extended period of remote working.

Scenario 2: A 'severe but plausible' scenario which models materialisation of all the following principal risks as outlined on pages 44 to 45, being applied to the Covid-19 adjusted financial forecasts, reducing base model revenues by circa 15–20% across the three-year forecast period.

- (2) Move to subscription model;
- (3) Cloud; and
- (5) Sustainability.

Scenario 3: A 'severe but plausible' scenario which models materialisation of all the following principal risks as outlined on pages 44 to 46, being applied to the already Covid-19 adjusted financial forecasts, which also reduces base model revenues by circa 15–20% across the three-year forecast period.

- (2) – Move to subscription model;
- (3) – Cloud; and
- (9) – Cyberattack.

Scenario 4: A further scenario was created to model circumstances required to breach AVEVA's credit facilities. This scenario assumes severe cash collection delays and does not include any mitigating actions that the Group would take. It is overall considered very unlikely.

Under the base case scenario, there is no expected requirement to drawdown on the Revolving Credit Facility ('RCF') across the going concern period. Under the four downside scenarios, the Group would utilise the RCF, however within the current liquidity levels available.

Throughout all the four downside scenarios, the Group continues to have liquidity headroom on existing facilities and against the RCF financial covenants during the period under assessment. Should a more extreme downside scenario occur, additional mitigating actions could be taken such as the cancellation or deferral of dividend payments and reductions in other discretionary operating costs. The financial statements for the year ended 31 March 2020 have therefore been prepared under the going concern basis of accounting.

b) Revenue

The Group generates its revenue principally through the supply of:

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

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

Subscription

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

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

SaaS subscriptions are agreements with customers to provide the right to access software. The software, maintenance and support, and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the subscription period.

Perpetual licences

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

Maintenance

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

Services

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

Notes to the Consolidated Financial Statements continued

2 Key accounting policies continued

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

c) Adoption of IFRS 16 'Leases'

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 April 2019. In accordance with this approach, prior year balances have not been restated and are presented as historically disclosed under IAS 17. Set out below are the new accounting policies of the Group:

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

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

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

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

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The effect on the income statement for the year ended 31 March 2020 was to reduce profit after tax by £1.2 million. The full impact on the amounts recognised in the primary statements as a result of the adoption of IFRS 16 are summarised in note 32.

d) Non-GAAP measures

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

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

Normalised items

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

These items relate to:

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

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

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

Exceptional items

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

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

e) Significant accounting judgements

Allocation of goodwill

The unallocated carrying value of the goodwill arising from the reverse acquisition of the AVEVA business by the Schneider Electric industrial software business was allocated to the appropriate cash generating units ('CGUs') during the prior financial year. The two businesses were largely integrated on a regional basis shortly after the completion of the merger, and judgement was applied in the conclusion that Asia Pacific, EMEA and Americas are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation was performed by applying the respective proportions of the cumulative return based on the value in use model of aggregated discounted cash flows. The Group applied significant judgement in forecasting future cash flows for the value in use model. The results of this allocation are set out in note 15.

f) Significant accounting estimates

Revenue recognition

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

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

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. Management used judgement in calculating this estimate by using a combination of historical data, cost to the business of providing services, and annual fees as a proportion of initial. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17–18%.

Impairment of assets

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows, which are independent of other CGUs. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment, right-of-use assets and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount is the greater of net selling price and 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 CGU to which the asset belongs. Impairment losses are recognised in the income statement in the selling and administrative expenses line item. Further details about the assumptions used and sensitivity analysis performed in the impairment review are set out in note 15.

Provision for impairment of financial assets

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Loss allowances are calculated using historical account payment profiles and the corresponding historical credit losses experienced and adjusted for forward looking factors specific to the debtor and the economic environment. In assessing the impact of the forward looking information available, management have considered the risk factors most likely to impact customers in light of the Covid-19 pandemic. Trade receivables were grouped based on industry and type of customer, and a further overlay applied to the risk matrix.

Notes to the Consolidated Financial Statements continued

2 Key accounting policies continued

Provisions for the impairment of receivables have also been made on a customer-specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers. In making this assessment, management considers a number of factors, including:

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

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Therefore, the significant estimates made relating to the provision for impairment of trade receivables are also applicable to impairment of contract assets.

The provision for impairment of trade receivables at 31 March 2020 was £7.6 million (2019: £7.2 million) and contract assets £5.4 million (2019: £0.4 million). Details of the provision for impairment of receivables are contained in note 19.

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.

Retirement benefits

The determination of the Group's surplus, obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 27 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension surplus and obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. In mitigation of significant changes in assumptions affecting the Group's future pension obligations, the pension scheme operates a liability-driven investment strategy, which means as inflation and interest rates change, the value of the asset portfolio will rise and fall, offsetting the impact on the net position. The carrying amount of retirement benefit surplus at 31 March 2020, net of obligations, was £4.1 million (2019: obligations net of surplus of £6.0 million).

3 Revenue

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

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

Year ended 31 March 2019	Services transferred at a point in time £m	Services transferred over time £m	Total £m
Subscription	145.7	72.5	218.2
Maintenance	–	194.4	194.4
Perpetual licences	211.6	–	211.6
Services	–	142.4	142.4
	357.3	409.3	766.6

Contract balances are as below:

	2020 £m	2019 £m	2018 £m
Trade receivables (non-current)	2.0	–	–
Trade receivables (current)	181.2	174.9	146.9
Contract assets	142.4	100.5	67.6
Contract liabilities	177.0	174.6	141.7

Contract assets have increased year-on-year predominantly due to the recognition of a number of multi-year subscription licences, resulting in the cumulative revenue recognised for these contracts to be greater than the cumulative amounts invoiced. Contract assets

are stated net of a provision of £5.4 million (2019: £0.4 million). The provision has increased year-on-year due to forward looking considerations in light of Covid-19.

Revenue for the year ended 31 March 2020 includes £157.1 million (2019: £127.6 million) which was included in contract liabilities at the beginning of the year. Revenue of £3.1 million recognised in the year ended 31 March 2020 related to performance obligations satisfied in previous years (2019: £nil).

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

	2020 £m	2019 £m
Within one year	323.8	248.0
More than one year	178.0	164.6

4 Segment information

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

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

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

	Year ended 31 March 2019				
	Asia Pacific £m	EMEA £m	Americas £m	Corporate £m	Total £m
Revenue					
Subscription	49.4	107.2	61.6	–	218.2
Maintenance	45.0	71.7	77.7	–	194.4
Perpetual licences	57.3	86.6	67.7	–	211.6
Services	27.8	48.8	65.8	–	142.4
Regional revenue total	179.5	314.3	272.8	–	766.6
Cost of sales	(28.8)	(42.6)	(66.2)	(53.7)	(191.3)
Selling and administrative expenses	(36.6)	(65.9)	(60.9)	(115.2)	(278.6)
Net impairment loss on financial assets	(4.0)	(1.6)	(0.7)	–	(6.3)
Regional contribution	110.1	204.2	145.0	(168.9)	290.4
Research & Development costs					(114.5)
Adjusted EBIT					175.9
Exceptional items, other normalised adjustments ¹ and net interest					(129.2)
Profit before tax					46.7

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

Notes to the Consolidated Financial Statements continued

4 Segment information continued

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £37.8 million and £796.0 million (2019: £31.5 million and £735.1 million) respectively. The USA accounted for 25.0% of the Group's revenue (2019: 26.8%). No other individual country accounted for more than 10% of the Group's total revenue (2019: none). Revenue is allocated to countries on the basis of the location of the customer. No single external customer accounted for 10% or more of the Group's total revenue (2019: none).

Non-current assets (excluding deferred tax assets and retirement benefits) held in the UK and all foreign countries amounted to £1,702.2 million and £219.8 million (2019: £1,755.3 million and £148.8 million) respectively. There are material non-current assets (excluding deferred tax assets) located in the USA amounting to £128.9 million (2019: £113.7 million). There are no material non-current assets located in any other individual country outside of the UK (2019: none).

5 Selling and administrative expenses

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

	2020 £m	2019 £m
Selling and distribution expenses	240.1	235.6
Administrative expenses	127.7	106.3
	367.8	341.9

6 Profit from operations

Profit from operations is stated after charging:

	2020 £m	2019 £m
Depreciation of right-of-use assets	17.1	–
Depreciation of owned property, plant and equipment	7.3	5.4
Amortisation of intangible assets:		
– included in Research & Development costs	63.5	61.8
– included in selling and distribution expenses	27.1	26.3
– included in administrative expenses	1.1	0.7
Operating lease rentals – minimum lease payments under IAS 17	–	16.7
Loss on disposal of property, plant and equipment	0.7	0.1
Net foreign exchange losses	1.3	0.5

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

	2020 £m	2019 £m
Fees payable to the Group auditor for the audit of parent Company and Consolidated financial statements	1.0	0.9
Fees payable to the Group auditor and its associates for other services:		
– the audit of the Group's subsidiaries pursuant to legislation	0.7	0.6
	1.7	1.5

7 Exceptional items

	2020 £m	2019 £m
Acquisition and integration activities	29.0	23.0
Restructuring costs	1.7	5.9
Other income	(11.9)	–
	18.8	28.9

Acquisition and integration costs incurred related principally to consultancy fees paid to advisers and the costs of additional temporary resources required for the integration of heritage AVEVA and the Schneider Electric industrial software business ('SES'). Key integration activities included work undertaken to exit the Transitional Service Agreements ('TSA') provided by Schneider Electric; costs incurred in the initial design and build phases of a new harmonised global ERP system for the enlarged Group; and assistance from consultants to the Group in running programmes designed to deliver revenue and cost synergies from the Combination. Projections relating to the TSA exits and global ERP system continue into the financial year ending 31 March 2021.

Restructuring costs related to severance payments in a number of global office locations. The costs incurred for the year ended 31 March 2020 are a continuation of the project started in the prior year, following the Combination, which is now completed.

Other income includes a £7.7 million gain on sale of three wholly owned distributor businesses. Wonderware Italy was disposed of on 30 April 2019, Wonderware Scandinavia on 1 January 2020, and Schneider Electric Software Germany GmbH on 31 January 2020. Total consideration of £12.4 million was recognised, with £1.4 million of net assets disposed. Goodwill of £3.1 million was allocated to the three entities disposed of on sale. The gain on sale was recognised net of selling costs of £0.2 million.

Also included in other income is £3.8 million received from Schneider Electric in reimbursement for capital expenditure incurred as part of the Company's migration from activities covered by TSAs following the Combination.

The total cash net outflow during the year as a result of exceptional items was £23.3 million (2019: £18.9 million).

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

	2020 £m	2019 £m
Cost of sales	0.6	1.9
Research & Development costs	0.4	1.7
Selling and distribution expenses	3.9	12.6
Administrative expenses	25.8	12.7
Other income	(11.9)	–
	18.8	28.9

8 Finance revenue

	2020 £m	2019 £m
Bank interest receivable and other interest earned	0.3	0.2

9 Finance expense

	2020 £m	2019 £m
Net interest on pension scheme liabilities	0.2	0.2
Bank interest payable and similar charges	0.6	0.5
Interest on lease liabilities	2.5	–
	3.3	0.7

10 Staff costs

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

	2020 £m	2019 £m
Wages and salaries	350.9	339.5
Social security costs	28.7	28.1
Pension costs	19.2	17.5
Share-based payments	12.0	11.2
	410.8	396.3

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

	2020 Number	2019 Number
Project delivery and customer support	1,678	1,780
Research, development and product support	1,336	1,329
Sales and marketing	1,018	1,001
Administration	523	481
	4,555	4,591

Directors' remuneration

The Directors of AVEVA Group plc received remuneration as follows:

	2020 £m	2019 £m
Directors' remuneration	9.0	10.4
Aggregate gains on the exercise of share options	0.2	–
	9.2	10.4

	2020 Number	2019 Number
Number of Directors accruing benefits under defined contributions	2	2

Notes to the Consolidated Financial Statements continued

11 Income tax expense

a) Tax on profit

The major components of income tax expense are as follows:

	2020 £m	2019 £m
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	11.1	5.8
Foreign tax	26.3	29.8
Adjustments in respect of prior periods	(9.6)	(0.5)
	27.8	35.1
Deferred tax		
Origination and reversal of temporary differences (note 26)	(9.9)	(22.0)
Adjustments in respect of prior periods	4.3	(0.2)
	(5.6)	(22.2)
Total income tax expense reported in Consolidated income statement	22.2	12.9
	2020 £m	2019 £m
Tax relating to items charged directly to Consolidated statement of comprehensive income		
Deferred tax on actuarial remeasurements on retirement benefits	1.2	0.4
Tax charge reported in Consolidated statement of comprehensive income	1.2	0.4

b) Reconciliation of the total tax charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of US (2019: US) corporation tax to the profit before tax are as follows:

	2020 £m	2019 £m
Tax on Group profit before tax at standard US (2019: US) corporation tax rate of 24% (2019: 24%)	22.1	11.2
Effects of:		
– expenses not deductible for tax purposes	2.0	1.9
– Research & Development incentives	(5.8)	(4.1)
– UK rate change impact on deferred tax	8.9	–
– irrecoverable withholding tax	1.2	0.7
– movement on unprovided deferred tax balances	(1.1)	1.4
– differing tax rates	0.2	2.5
– adjustments in respect of prior years	(5.3)	(0.7)
Income tax expense reported in Consolidated income statement	22.2	12.9

The Group's effective tax rate for the year was: 24.1% (2019: 27.6%). The Group's effective tax rate for the year before exceptional items was 24.2% (2019: 22.9%). The Group's effective tax rate before exceptional and other normalised adjustments was 18.1% (2019: 20.2%).

12 Dividends paid and proposed on equity shares

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

	2020 £m	2019 £m
Declared and paid during the year		
Interim 2019/20 dividend paid of 15.5 pence (2018/19: 14.0 pence) per ordinary share	25.0	22.5
Final 2018/19 dividend paid of 29.0 pence (2017/18: 27.0 pence) per ordinary share	46.7	43.5
	71.7	66.0
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2019/20 of 29.0 pence (2018/19: 29.0 pence) per ordinary share	46.8	46.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 21 July 2020 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 11 August 2020 to shareholders on the register at the close of business on 10 July 2020.

13 Earnings per share

	2020 Pence	2019 Pence
Earnings per share for the year:		
– basic	43.35	20.97
– diluted	43.13	20.90
Adjusted earnings per share for the year:		
– basic	108.70	86.91
– diluted	108.15	86.60
	2020 Number	2019 Number
Weighted average number of ordinary shares for basic earnings per share	161,046,059	161,081,559
Effect of dilution: employee share options	826,621	589,978
Weighted average number of ordinary shares adjusted for the effect of dilution	161,872,680	161,671,537

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 £69.8 million (2019: £33.8 million). 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.

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. Details of the terms and conditions of share options are provided in note 28.

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

	2020 £m	2019 £m
Profit after tax for the year	69.8	33.8
Intangible amortisation (excluding software)	90.6	88.1
Share-based payments	12.0	11.2
Loss on fair value of forward foreign exchange contracts	0.4	0.5
Exceptional items	18.8	28.9
Tax effect on exceptional items	(4.6)	(4.4)
Tax effect on other normalised adjustments (excluding net finance expense)	(12.0)	(18.1)
Adjusted profit after tax	175.0	140.0

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

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

14 Business combinations

Acquisition of AssetPlus

On 17 April 2019, the Group acquired 100% of the voting shares of AssetPlus. This represented the software assets of MaxGrip, a pioneer in optimising asset performance with Reliability Centred Maintenance ('RCM') solutions. This acquisition enhances the Group's Asset Performance Management ('APM') offering by providing a templated approach to asset strategy optimisation and RCM software for risk-based maintenance. Additionally, MaxGrip's rich library of asset fault codes and remediations strengthens the Group's predictive asset analytics capabilities and accelerates the deployment of artificial intelligence for prescriptive maintenance.

AssetPlus revenues are predominantly subscription fees, recognised in the EMEA operating segment.

Notes to the Consolidated Financial Statements continued

14 Business combinations continued

The fair values of the identifiable assets and liabilities of AssetPlus as at the date of acquisition were:

	Carrying value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible assets	2.4	11.5	13.9
Trade receivables	1.4	–	1.4
Contract assets	0.2	–	0.2
Cash and cash equivalents	(0.6)	–	(0.6)
Trade and other payables	(0.9)	–	(0.9)
Contract liabilities	(0.6)	0.3	(0.3)
Deferred tax	–	(3.4)	(3.4)
Net assets acquired	1.9	8.4	10.3
Goodwill			11.3
Total consideration			21.6

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of AssetPlus with those of the Group.

The consideration of £21.6 million was settled in cash. The associated transaction costs of £0.3 million were expensed and are included in Selling and administrative expenses.

Revenue and contributed net profit before tax from the date of acquisition are immaterial to the Group. If the acquisition had taken place at the beginning of the year, revenue and contributed net profit before tax would also be immaterial.

Acquisition of ErrorSolver assets

In January 2020, the Group completed the acquisition of the trade and assets of MESSer Co. Ltd. The acquisition included the software and IP pertaining to ErrorSolver, a production accounting and hydrocarbon loss management tool developed by MESSer Co. Ltd. The total consideration of £2.9 million was settled in cash, and allocated to intangibles in full, as there were no other separately identifiable assets nor goodwill.

Disposal of Wonderware distributor businesses

During the year, the Group disposed of three wholly owned distributor businesses, recognising a gain on sale of £7.7 million. Further details are included in note 7.

15 Goodwill

	2020 £m	2019 £m
At 1 April	1,285.3	1,283.5
Acquisitions ¹	11.3	–
Disposals ¹	(3.1)	–
Exchange adjustment	2.2	1.8
At 31 March	1,295.7	1,285.3

¹ Acquisitions and disposals have been allocated to the EMEA CGU.

Goodwill and indefinite life intangible asset impairment review

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

	Goodwill		Purchased brands	
	2020 £m	2019 £m	2020 £m	2019 £m
Asia Pacific	283.4	282.9	16.0	16.0
EMEA	624.2	615.1	34.7	34.7
Americas	388.1	387.3	25.3	25.3
	1,295.7	1,285.3	76.0	76.0

The Group tests goodwill and purchased brands 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 CGUs that are expected to benefit from that business combination. In 2019/20 the goodwill impairment testing was carried out on a VIU basis using the most recently approved management budgets for the year ending 31 March 2021 together with the most recent three-year business plan extrapolated to a duration of five years in total by applying medium-term growth rates to year three forecasts.

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

Key assumptions

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

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

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

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

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

Covid-19

The full impact of Covid-19 on the Group's future cash flows and the global economy is still uncertain. In response, management budgets and three-year business plans were revised. Future revenue growth was reduced by over 50% and improvements in operating margins decreased. This revision assumes a significant, ongoing economic impact from the pandemic, and that this impact is spread proportional to revenue in the year ending 31 March 2020 across all CGUs. The cash flows used in the VIU model represent the Group's best estimate using the information available as at 31 March 2020.

Medium and long-term growth rates are obtained from the OECD, an independent intergovernmental economic organisation. These growth rates had not been revised for the potential impact of Covid-19 as at 31 March 2020. No evidence was identified to support a longer term, sustained decline in GDP growth. It was concluded these growth rates still represented the best estimate of medium and long-term economic performance, based on the information available.

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

	Discount rate			Long-term growth rate			Average operating margin		
	2020	2019	Break-even ¹	2020	2019	Break-even ¹	2020	2019	Break-even ¹
Asia Pacific	15.4%	16.3%	21.4%	1.9%	1.7%	(10.3%)	31.0%	32.6%	21.7%
EMEA	12.6%	12.9%	15.9%	1.9%	1.9%	(3.6%)	30.3%	35.2%	23.4%
Americas	11.7%	13.1%	14.5%	1.9%	1.9%	(2.5%)	25.6%	24.0%	20.2%

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

Summary of results

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

Sensitivity to changes in key assumptions

The Group has considered the impact of changes in future cash flows and key assumptions on the base case VIU model, to create a sensitised VIU model. In response to a potentially more severe impact from Covid-19 than presented in the base case, future revenue and operating margins were significantly reduced. This represents a 'worst case' scenario, and is based upon Scenario 1 as presented in the Group's going concern statement in note 2a. The considerations in creating this scenario included:

- severe business disruption as a result of stay-at-home orders being in place almost globally for 12–18 months;
- the global economy suffering a major recession; and
- oil prices remaining depressed for the next financial year.

In addition, long-term growth rates were decreased to model a potential long-term impact upon GDP growth.

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

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

	2020		2019	
	Base case ¹	Sensitised ²	Base case ¹	Sensitised ²
Asia Pacific	44%	17%	57%	43%
EMEA	31%	6%	56%	40%
Americas	28%	3%	23%	11%

1 The excess of the recoverable amount over the carrying amount of the CGU before applying sensitivities.

2 Headroom after adjusting future cash flows and key assumptions to create a sensitised 'worst case' VIU model.

Notes to the Consolidated Financial Statements continued

16 Intangible assets

	Developed technology £m	Customer relationships £m	Purchased brand and trademarks £m	Other software £m	Purchased software rights £m	Favourable lease £m	Capitalised Research & Development £m	Total £m
Cost								
At 1 April 2018	140.5	234.2	102.3	6.7	323.6	14.9	47.5	869.7
Additions	–	–	–	0.2	–	–	–	0.2
Disposals	–	(0.3)	–	–	(0.3)	–	(11.4)	(12.0)
Exchange adjustment	10.6	6.2	2.0	0.1	1.1	–	1.8	21.8
At 31 March 2019	151.1	240.1	104.3	7.0	324.4	14.9	37.9	879.7
Reclassification to right-of-use asset ¹	–	–	–	–	–	(14.9)	–	(14.9)
At 1 April 2019	151.1	240.1	104.3	7.0	324.4	–	37.9	864.8
Additions	–	–	–	0.6	–	–	–	0.6
Acquisition of business	16.2	0.6	–	–	–	–	–	16.8
Disposals	–	–	–	(0.5)	(0.2)	–	–	(0.7)
Transfer ²	308.9	–	–	–	(308.9)	–	–	–
Exchange adjustment	8.2	4.7	1.5	0.3	0.8	–	(0.1)	15.4
At 31 March 2020	484.4	245.4	105.8	7.4	16.1	–	37.8	896.9
Amortisation and impairment								
At 1 April 2018	73.8	47.4	14.0	4.4	12.3	0.1	38.9	190.9
Charge for the year	18.7	22.5	3.3	0.7	39.5	0.5	3.6	88.8
Disposals	–	(0.3)	–	–	(0.3)	–	(11.4)	(12.0)
Exchange adjustment	5.7	3.8	1.1	0.1	0.3	–	1.5	12.5
At 31 March 2019	98.2	73.4	18.4	5.2	51.8	0.6	32.6	280.2
Reclassification to right-of-use asset ¹	–	–	–	–	–	(0.6)	–	(0.6)
At 1 April 2019	98.2	73.4	18.4	5.2	51.8	–	32.6	279.6
Charge for the year	59.7	23.5	3.6	1.1	1.6	–	2.2	91.7
Disposals	–	–	–	(0.5)	(0.2)	–	–	(0.7)
Transfer ²	41.9	–	–	–	(41.9)	–	–	–
Exchange adjustment	5.7	3.5	1.1	0.2	1.0	–	–	11.5
At 31 March 2020	205.5	100.4	23.1	6.0	12.3	–	34.8	382.1
Net book value								
At 31 March 2018	66.7	186.8	88.3	2.3	311.3	14.8	8.6	678.8
At 31 March 2019	52.9	166.7	85.9	1.8	272.6	14.3	5.3	599.5
At 1 April 2019	52.9	166.7	85.9	1.8	272.6	–	5.3	585.2
At 31 March 2020	278.9	145.0	82.7	1.4	3.8	–	3.0	514.8

1 The Group adopted the modified retrospective approach on the transition to IFRS 16 on 1 April 2019. Under this methodology opening balances as at 1 April 2019 are adjusted to reflect IFRS 16, whilst prior year numbers are not restated and are as historically presented under IAS 17. Consequently, the favourable lease asset has been added to the value of its respective right-of-use asset at the transition date.

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

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £1.1 million (2019: £0.7 million).

17 Property, plant and equipment

	Long leasehold buildings and improvements £m	Computer equipment £m	Fixtures, fittings and office equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 April 2018	8.0	17.2	7.6	0.9	33.7
Additions	1.6	4.9	0.6	0.3	7.4
Disposals	–	(1.1)	(0.2)	(0.1)	(1.4)
Exchange adjustment	0.2	0.7	0.4	–	1.3
At 31 March 2019	9.8	21.7	8.4	1.1	41.0
Additions	6.5	6.8	5.2	–	18.5
Disposals	(1.0)	(2.6)	(1.6)	(0.7)	(5.9)
Exchange adjustment	–	0.3	0.3	(0.1)	0.5
At 31 March 2020	15.3	26.2	12.3	0.3	54.1
Depreciation					
At 1 April 2018	3.5	10.9	4.3	0.2	18.9
Charge for the year	1.0	3.2	0.9	0.3	5.4
Disposals	–	(1.0)	(0.2)	(0.1)	(1.3)
Exchange adjustment	0.1	0.5	0.3	–	0.9
At 31 March 2019	4.6	13.6	5.3	0.4	23.9
Charge for the year	1.6	4.4	1.0	0.3	7.3
Disposals	(1.0)	(2.3)	(1.5)	(0.4)	(5.2)
Exchange adjustment	0.1	0.2	0.2	–	0.5
At 31 March 2020	5.3	15.9	5.0	0.3	26.5
Net book value					
At 31 March 2018	4.5	6.3	3.3	0.7	14.8
At 31 March 2019	5.2	8.1	3.1	0.7	17.1
At 31 March 2020	10.0	10.3	7.3	–	27.6

18 Investments

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

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

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

At 31 March 2020, the Group held the following principal investments. The addresses of all subsidiaries, principal or dormant, are provided on pages 169 to 171.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Financing Limited	United Kingdom	Schneider Electric Software Italia S.p.A	Italy
AVEVA Solutions Limited	United Kingdom	AVEVA KK	Japan
Schneider Electric Software GB Limited	United Kingdom	Schneider Electric Software Japan Inc	Japan
Schneider Electric Software Argentina S.A.	Argentina	AVEVA Korea Limited	Korea
AVEVA Pty Ltd	Australia	Schneider Electric Software Korea Ltd	Korea
AVEVA Software Australia Holdings Pty Ltd	Australia	AVEVA Sendirian Berhad	Malaysia
Schneider Electric Software Australia Pty Ltd	Australia	AVEVA Asia Pacific Sendirian Berhad	Malaysia
AVEVA do Brasil Informática Ltda.	Brazil	Schneider Electric Software Mexico SA de CV	Mexico
Schneider Electric Software Brasil Ltda.	Brazil	Asset+ Solutions BV	Netherlands
Schneider Electric Software Canada Inc.	Canada	Schneider Electric Software Holdings Netherlands BV	Netherlands
Schneider Electric Software Chile SpA	Chile	Schneider Electric Software Netherlands BV	Netherlands
AVEVA (Shanghai) Consultancy Co. Limited	China	AVEVA AS	Norway
AVEVA Solutions (Shanghai) Co. Limited	China	AVEVA Limited Liability Company	Russia
Telvent Control System (China) Co. Limited	China	Schneider Electric Software RU	Russia
Schneider Electric Software Colombia S.A.S.	Colombia	AVEVA Pte Limited	Singapore

Notes to the Consolidated Financial Statements continued

18 Investments continued

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Denmark A/S	Denmark	Schneider Electric Software Holdings Singapore PTE Ltd	Singapore
AVEVA SA	France	Schneider Electric Software Spain S.L.	Spain
Schneider Electric Software France SAS	France	AVEVA AB	Sweden
AVEVA GmbH	Germany	Schneider Electric Software (Thailand) Co. Ltd	Thailand
AVEVA East Asia Limited	Hong Kong	Schneider Electric Software Middle East FZE	United Arab Emirates
AVEVA Solutions India LLP	India	AVEVA Inc.	United States of America
AVEVA Information Technology India Private Limited	India	AVEVA Software, LLC	United States of America
Schneider Electric Software India Private Limited	India		

19 Trade and other receivables

	2020 £m	2019 £m
Current		
Amounts falling due within one year:		
Trade receivables	181.2	174.9
Amounts owed from related parties (note 30)	28.4	35.5
Prepayments and other receivables	32.6	28.3
	242.2	238.7

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.

	2020 £m	2019 £m
Non-current		
Trade and other receivables	4.4	2.2
	4.4	2.2

As at 31 March 2020, the provision for impairment of receivables was £7.6 million (2019: £7.2 million) and an analysis of the movements during the year was as follows:

	£m
At 1 April 2018	1.8
Charge for the year	6.3
Utilised	(0.7)
Exchange adjustment	(0.2)
At 31 March 2019	7.2
Charge for the year	2.9
Utilised	(2.2)
Disposals	(0.3)
As at 31 March 2020	7.6

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

	Total £m	Neither past due nor impaired £m	Past due not impaired			
			Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
2020						
Trade receivables	181.2	121.1	52.5	3.0	4.6	–
Amounts owed from related parties	28.4	18.1	5.8	1.5	0.4	2.6
	209.6	139.2	58.3	4.5	5.0	2.6
2019						
Trade receivables	174.9	122.4	45.6	5.1	1.8	–
Amounts owed from related parties	35.5	29.0	4.5	0.5	1.5	–
	210.4	151.4	50.1	5.6	3.3	–

Further disclosures relating to the credit quality of trade receivables are included in note 25.

20 Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	112.8	126.5
Short-term deposits	1.7	0.7
Net cash and cash equivalents per cash flow	114.5	127.2
Treasury deposits	0.1	0.6
	114.6	127.8

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

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

Further disclosures relating to credit quality of cash and cash equivalents and treasury deposits are included in note 25.

21 Trade and other payables

	2020 £m	2019 £m
Current		
Trade payables	20.1	20.3
Amounts owed to related parties (note 30)	7.6	10.5
Social security, employee taxes and sales taxes	18.5	22.6
Accruals	99.1	100.5
Other payables	4.1	2.9
	149.4	156.8

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.

Notes to the Consolidated Financial Statements continued

22 Loans and borrowings

As at 31 March 2020 the Group had access to £100.0 million under a revolving credit facility (2019: £100.0 million), of which none was drawn down (2019: none).

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 three-year revolving credit facility was entered into in March 2018. During the second half of the year, the option to extend on the same terms was exercised. The facility expires on 1 March 2023.

23 Financial liabilities

	2020 £m	2019 £m
Current		
Fair value of forward foreign exchange contracts	0.4	0.1

24 Leases

a) Background

As at 31 March 2020, the Group was entered into lease contracts as a lessee for various properties, vehicles, and items of office equipment for use in its operations. The Group does not operate as a lessor. For details of accounting policies refer to note 2c, and note 32 for the transitional impact of the change from IAS 17 and IFRIC 4 to IFRS 16.

b) Right-of-use assets

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Long leasehold buildings £m	Office equipment £m	Motor vehicles £m	Total £m
As at 1 April 2019	73.2	0.2	2.7	76.1
Additions	18.6	0.2	2.4	21.2
Remeasurement ¹	(0.3)	–	(0.2)	(0.5)
Depreciation expense	(15.4)	(0.1)	(1.6)	(17.1)
Exchange adjustment	0.4	–	–	0.4
Disposal of subsidiary	(0.1)	–	(0.5)	(0.6)
As at 31 March 2020	76.4	0.3	2.8	79.5

1 Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and rates on variable lease payments, and changes in the lease term. The carrying value of the corresponding right-of-use asset is also remeasured to reflect this change in lease liabilities.

c) Lease liabilities

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

	Long leasehold buildings £m	Office equipment £m	Motor vehicles £m	Total £m
As at 1 April 2019	62.0	0.2	2.7	64.9
Additions	18.6	0.2	2.4	21.2
Remeasurement ¹	(0.3)	–	(0.2)	(0.5)
Accretion of interest	2.4	–	0.1	2.5
Payments	(16.2)	(0.1)	(1.7)	(18.0)
Exchange adjustment	0.4	–	–	0.4
Disposal of subsidiary	(0.1)	–	(0.5)	(0.6)
As at 31 March 2020	66.8	0.3	2.8	69.9
Current	15.1	0.1	1.4	16.6
Non-current	51.7	0.2	1.4	53.3

1 Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and rates on variable lease payments, and changes in the lease term.

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

A maturity analysis of lease liabilities is included within note 25c.

d) Income statement impact

The following items have been recognised in the Consolidated income statement:

	2020 £m
Depreciation expense on right-of-use assets	17.1
Interest on lease liabilities	2.5
Expense relating to short-term leases	5.4
Expense relating to leases of low-value assets	–
	25.0

Following the combination with SES in 2018, the Group entered into TSAs with Schneider Electric for central support services and office sharing. These were scheduled to end in February 2020, and were accounted for as short-term leases on transition to IFRS 16. A total expense in the year ended 31 March 2020 of £1.9 million was recognised within short-term leases.

These leases were reassessed in early 2020, and it was determined several of these TSAs would require extending into the year ending 31 March 2021. It is expected that an additional £0.1 million will be incurred. The remaining short-term lease portfolio is expected to remain consistent year-on-year.

The Group had total cash outflows for leases of £23.4 million.

25 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% decrease in the Sterling and US Dollar interest rates would not have had any impact on interest income (2019: no impact) or profit after tax (2019: no impact).

Foreign currency risk

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

The Group manages exchange risks, where possible, by using forward foreign exchange contracts. 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 2020, the Group had outstanding currency exchange contracts to sell of \$21.9 million (2019: \$8.2 million) and €5.6 million (2019: €3.1 million).

Notes to the Consolidated Financial Statements continued

25 Financial risk management continued

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

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

Foreign currency sensitivity analysis

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

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

A 10% change in the US Dollar and Euro against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. Our analysis indicates that a 10% change in other currencies would not have a significant impact. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2018/19.

	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
31 March 2020			
US Dollar	10% (10%)	(5.8) 5.4	(5.8) 5.4
Euro	10% (10%)	(0.7) 0.6	(0.7) 0.6
31 March 2019			
US Dollar	10% (10%)	(2.2) 2.4	(2.2) 2.4
Euro	10% (10%)	(2.4) 2.6	(2.4) 2.6

b) Credit risk

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

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

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

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

c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. As at 31 March 2020 the Group has access to undrawn borrowing facilities of £100.0 million (2019: £100.0 million).

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

	Less than three months £m	Between three months and six months £m	Between six months and one year £m	Greater than one year £m
As at 31 March 2020				
Trade and other payables	20.2	1.1	0.4	2.5
Amounts owed to related parties	5.7	0.9	0.6	0.4
Lease liabilities	5.1	4.9	8.8	59.3
	31.0	6.9	9.8	62.2
	Less than three months £m	Between three months and six months £m	Between six months and one year £m	Greater than one year £m
As at 31 March 2019				
Trade and other payables	19.0	0.4	1.2	2.6
Amounts owed to related parties	5.6	3.0	1.6	0.3
	24.6	3.4	2.8	2.9

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 'm	Between three months and six months 'm	Between six months and one year 'm	Greater than one year 'm
As at 31 March 2020				
Forward foreign exchange contracts (GBP/EUR)				
Outflow	€2.5	€2.1	€1.0	–
Inflow	£2.2	£1.9	£0.9	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	\$10.9	\$3.0	\$8.0	–
Inflow	£8.4	£2.3	£6.6	–
	Less than three months 'm	Between three months and six months 'm	Between six months and one year 'm	Greater than one year 'm
As at 31 March 2019				
Forward foreign exchange contracts (GBP/EUR)				
Outflow	€1.6	€1.0	€0.5	–
Inflow	£1.4	£0.9	£0.4	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	\$3.2	\$4.0	\$1.0	–
Inflow	£2.4	£3.0	£0.7	–

d) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £114.5 million (2019: £127.2 million) and treasury deposits of £0.1 million (2019: £0.6 million). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

Notes to the Consolidated Financial Statements continued

25 Financial risk management continued

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 2020, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts was £0.4 million at 31 March 2020 (2019: £0.1 million).

The resulting loss of £0.4 million (2019: loss of £0.5 million) 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.

26 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 £m	Intangible assets £m	Share options £m	Losses £m	Other temporary differences ¹ £m	Total £m
At 1 April 2018	0.6	(120.8)	0.7	0.6	(2.6)	(121.5)
Credit to income statement	(0.4)	15.9	1.3	(0.6)	6.0	22.2
Charge to other comprehensive income	(0.4)	–	–	–	–	(0.4)
Credited to equity	–	–	1.2	–	–	1.2
Exchange adjustment	–	(2.0)	–	–	1.0	(1.0)
At 31 March 2019	(0.2)	(106.9)	3.2	–	4.4	(99.5)
Acquired	–	(3.4)	–	–	–	(3.4)
Credit to income statement	(0.4)	9.8	1.2	1.5	(6.5)	5.6
Charge to other comprehensive income	(1.2)	–	–	–	–	(1.2)
Credited to equity	–	–	0.2	–	–	0.2
Exchange adjustment	–	(1.4)	–	(0.2)	(0.9)	(2.5)
At 31 March 2020	(1.8)	(101.9)	4.6	1.3	(3.0)	(100.8)

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

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

	2020 £m	2019 £m
Deferred tax liabilities	(119.9)	(111.3)
Deferred tax assets	19.1	11.8
	(100.8)	(99.5)

At the balance sheet date, the Group has unused tax losses of £45.4 million (2019: £28.3 million) available for offset against future profits. Losses of £1.9 million (2019: no losses) expire after ten years and losses of £9.4 million (2019: £9.5 million) expire after 20 years. All other losses may be carried forward indefinitely.

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £48.3 million (2019: £39.5 million) of the undistributed earnings of overseas subsidiaries may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which they operate. A deferred tax liability of £0.5 million (2019: £nil) has been provided for withholding tax that is expected to be incurred on the payment of intra-Group dividends. No liability has been recognised for the remaining overseas earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27 Retirement benefits

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

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

	UK £m	Germany £m	Italy £m	South Korea £m	Other £m	Total £m
At 31 March 2018	(5.6)	2.9	1.8	1.6	4.5	5.2
Current service cost	–	0.1	0.3	0.2	1.1	1.7
Past service cost	0.8	–	–	0.3	–	1.1
Net interest on pension scheme liabilities	2.0	–	–	–	0.2	2.2
Return on pension scheme assets	(1.9)	–	–	–	–	(1.9)
Actuarial remeasurements	(0.8)	–	0.7	0.4	0.2	0.5
Employer contributions	(1.6)	(0.1)	(0.2)	(0.1)	(0.9)	(2.9)
Exchange adjustment	–	–	–	–	0.1	0.1
At 31 March 2019	(7.1)	2.9	2.6	2.4	5.2	6.0
Additions	–	–	0.3	–	–	0.3
Current service cost	–	0.3	0.2	0.2	1.0	1.7
Net interest on pension scheme liabilities	1.9	–	–	–	0.2	2.1
Return on pension scheme assets	(1.8)	–	–	–	(0.1)	(1.9)
Actuarial remeasurements	(6.3)	(0.1)	(0.2)	–	0.4	(6.2)
Employer contributions	(1.6)	(0.1)	(0.4)	(0.1)	(0.7)	(2.9)
Disposal	–	–	(0.8)	(2.4)	–	(3.2)
Exchange adjustment	–	0.1	0.1	(0.1)	(0.1)	–
At 31 March 2020	(14.9)	3.1	1.8	–	5.9	(4.1)

During the year to 31 March 2020, the defined benefit scheme operated in South Korea was converted to a defined contribution scheme. A gain on disposal of £0.4 million is recognised in other income. A retirement benefit scheme held in Italy was disposed of on sale of the Wonderware Italy subsidiary.

The 2018/19 past service cost recognised in the UK defined benefit scheme relates to the amendment of certain historical pension schemes to equalise benefits for men and women. This adjustment was made as a result of the judgement issued by the High Court of Justice of England and Wales on 26 October 2018 regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits.

The following is the analysis of the retirement benefit balances:

	2020 £m	2019 £m
Retirement benefit surplus	(14.9)	(7.1)
Retirement benefit obligations	10.8	13.1
	(4.1)	6.0

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. The most recent completed triennial actuarial assessment of the Scheme was performed on 31 March 2020.

Notes to the Consolidated Financial Statements continued

27 Retirement benefit obligations continued

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

	2020 %	2019 %
Main assumptions:		
Discount rate	2.2	2.5
Inflation assumption – RPI	2.9	3.6
Rate of salary increases	4.9	5.6
Rate of increase of pensions in payment	2.8	3.3
Rate of increase of pensions in deferment	2.2	2.6
Cash commutation	20% of pension	20% of pension

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

For the years ended 31 March 2020 and 2019, the mortality assumptions adopted imply the following weighted average life expectancies at age 65:

	2020 Years	2019 Years
Male currently aged 65	22.6	22.5
Female currently aged 65	23.7	23.5
Male currently aged 45	23.6	23.5
Female currently aged 45	24.9	24.7

Company contributions were £1.6 million (2019: £1.6 million), comprising deficit contributions totalling £1.4 million (2019: £1.4 million) per annum plus an administration charge of £0.2 million (2019: £0.2 million). The total contributions in 2020/21 is expected to be approximately £0.2 million.

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

	Impact on liabilities increase/(decrease)	
	2020 £m	2019 £m
0.25 percentage point increase to:		
– discount rate	(2.9)	(3.2)
– inflation (including pension increases linked to inflation)	2.0	2.3
Additional one-year increase to life expectancy	3.0	3.2

The assets and liabilities of the scheme at 31 March 2020 and 2019 were as follows:

	2020 £m	2019 £m
Equities	18.5	31.0
Bonds	28.2	28.7
Other	43.3	25.1
Total fair value of assets	90.0	84.8
Present value of scheme liabilities	(75.1)	(77.7)
Net pension asset	14.9	7.1

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

	2020 £m	2019 £m
Selling and administrative expenses		
Past service cost	–	0.8
Finance revenue		
Interest income on pension scheme assets	(1.9)	(1.9)
Finance costs		
Interest on pension scheme liabilities	1.9	2.0
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	5.4	3.7
Less: interest income on pension scheme assets	(1.9)	(1.9)
	3.5	1.8
Changes in assumptions and experience adjustments on liabilities	2.7	(1.0)
Remeasurement gain on defined benefit plan	6.2	0.8

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

	2020 £m	2019 £m
At 1 April	77.7	77.8
Interest on pension scheme liabilities	1.9	2.0
Benefits paid	(1.8)	(3.9)
Actuarial loss due to experience	(1.7)	0.1
Actuarial loss due to changes in the economic assumptions	(1.2)	2.2
Actuarial gain due to changes in the demographic assumptions	0.2	(1.3)
Past service cost	–	0.8
At 31 March	75.1	77.7

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

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

	2020 £m	2019 £m
At 1 April	84.8	83.4
Interest income	1.9	1.9
Contributions by employer	1.6	1.6
Benefits paid	(1.8)	(3.9)
Actual return less interest in income	3.5	1.8
At 31 March	90.0	84.8

b) German defined benefit schemes

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

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

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

	2020	2019
Rate of increase of pension in payment	1.8–2.5%	1.8–2.5%
Discount rate	0.2–1.8%	1.3%
Mortality	13–20 years	13–20 years
Retirement age	60–63	60–63

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

Notes to the Consolidated Financial Statements continued

27 Retirement benefit obligations continued

c) Italy defined benefit scheme

Several employees have an accrued entitlement to a defined benefit termination indemnity payment ('TFR'). The plan is unfunded.

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

	2020	2019
Discount rate	1.6%	1.2%
Inflation rate	0.8%	1.3%
Rate of salary increases	1.3%	1.8%

Some employees have chosen to have some (or all) of their benefit externally funded through the Italian Social Security ('INPS'). Where this is the case, these benefits are accounted for on a defined contribution basis.

d) Other retirement and employee benefit schemes

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

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

1 Unused annual leave can be used to purchase an additional retirement benefit.

2 Multi-employer, industry defined benefit scheme providing benefits above the state pension. Accounted for as a defined contribution scheme.

e) Defined contribution schemes

The Group also operates defined contribution retirement schemes. The assets of the schemes are held separately from those of the Group. The total cost charged to the income statement of £18.2 million (2019: £15.6 million) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

28 Share-based payment plans

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

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

	LTIP	Restricted share plan	Deferred share scheme	Total
Outstanding at 1 April 2018	950,144	302,532	19,171	1,271,847
Exercisable at 1 April 2018	4,069	1,248	–	5,317
Granted during year	358,111	122,156	44,620	524,887
Forfeited during the year	(299,258)	(32,390)	–	(331,648)
Exercised during the year	(1,145)	(79,237)	(7,262)	(87,644)
Outstanding at 31 March 2019	1,007,852	313,061	56,529	1,377,442
Exercisable at 31 March 2019	2,924	6,212	–	9,136
Granted during year	301,748	166,059	85,358	553,165
Forfeited during the year	(29,100)	(6,225)	–	(35,325)
Exercised during the year	(157,414)	(67,108)	(21,162)	(245,684)
Outstanding at 31 March 2020	1,123,086	405,787	120,725	1,649,598
Exercisable at 31 March 2020	250,355	3,870	257	254,482

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

Year ended 31 March 2020	LTIP	Restricted share plan	Deferred share scheme
Weighted average exercise price	0.00 – 3.56p	0.00 – 3.56p	–
Expected volatility	27%	27%	32%
Risk-free interest rate	0.4%	0.4%	0.6%
Expected life of option	3 to 5 years	3 years	2 to 4 years
Weighted average share price	37.94	39.94	32.20
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes
Year ended 31 March 2019	LTIP	Restricted share plan	Deferred share scheme
Weighted average exercise price	0.00 – 3.56p	0.00 – 3.56p	–
Expected volatility	32%	32%	32%
Risk-free interest rate	0.8% to 0.9%	0.8% to 0.9%	0.8%
Expected life of option	3 to 5 years	3 years	3 years
Weighted average share price	27.58	26.51	25.71
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

The weighted average remaining contractual life for the options outstanding at 31 March 2020 is 6.7 years (2019: 7.3 years).

The average fair value of options granted during the year was £37.61 (2019: £25.31). 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 2020 the Group recognised an expense of £12.0 million related to equity-settled share-based payment transactions (2019: £11.2 million).

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

The performance conditions attached to the options awarded in 2019/20, 2018/19 and 2017/18 are based on EPS growth (50%), Total Shareholder Return (TSR) (25%) against a comparator group combining the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies, and strategic objectives (25%), with the precise measures to be set and measured by the Remuneration Committee.

Further information about the performance conditions are provided in the Remuneration Committee report on page 102.

b) Deferred annual bonus share plan

The AVEVA Group Management Bonus Deferred Share Scheme 2008 (the Deferred Share Scheme) is participated in by Directors and senior management. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash and partly in ordinary shares in the Company to be delivered on a deferred basis.

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

c) AVEVA Group plc Senior Employee Restricted Share Plan 2015

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

Notes to the Consolidated Financial Statements continued

29 Share capital and reserves

a) Share capital

	2020 £m	2019 £m
Allotted, called-up and fully paid		
161,512,219 (2019: 161,287,697) ordinary shares of 3.56 pence each	5.7	5.7

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

	2020 Number	2020 £m	2019 Number	2019 £m
At 1 April	161,287,697	5.7	161,207,315	5.7
Exercise of share options	224,522	–	80,382	–
At 31 March	161,512,219	5.7	161,287,697	5.7

During the year the Company issued 224,522 (2019: 80,382) ordinary shares of 3.56 pence each with a nominal value of £7,968 (2019: £2,858) pursuant to the exercise of share options. The total proceeds were £7,968 (2019: £2,858), which included a premium of £nil (2019: £nil).

b) Other reserves

Other reserves consist of the following:

Merger reserve

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

Cumulative translation adjustment reserve

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

Capital contribution reserve

Capital contributions represent the reimbursement by Schneider Electric Group of capital expenditure incurred in relation to the carve out of SES following the Combination.

Capital redemption reserve

This represents the return of value to shareholders from AVEVA Group plc insofar as made out of distributable reserves.

Reverse acquisition reserve

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

Treasury shares

Treasury share reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 ('EBT') to satisfy deferred shares under the Group's deferred annual bonus share plan, and options granted after 1 April 2018 under the Group's Long-Term Incentive Plan and Restricted Share Plan. During the year, 85,127 (2019: 342,774) shares were purchased by the EBT at a price of £36.13 (2019: £27.07) and 21,162 shares (2019: 7,262) with an attributable cost of £468,499 (2019: £150,028) were issued to employees in satisfying share options that were exercised.

	£m
At 1 April 2018	0.3
Own shares purchased	9.3
Shares issued to employees	(0.2)
At 31 March 2019	9.4
Own shares purchased	3.1
Shares issued to employees	(0.4)
At 31 March 2020	12.1

30 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:

	2020 £m	2019 £m
Sales of goods and services	69.1	80.1
Purchases of goods and services	(11.2)	(19.7)
Completion accounts adjustment	–	(19.4)
Other non-trading transactions	13.4	4.3

Other non-trading transactions related to amounts received from Schneider Electric in reimbursement for expenditure incurred as part of the Company's migration from activities covered by TSAs following the Combination. Of these transactions, £9.6 million (2019: £4.3 million) related to operating expenses incurred, and £3.8 million (2019: £nil) to capital expenditure.

During the year ended 31 March 2019, the Group paid £17.4 million to Schneider Electric SE, the parent company of the Schneider Electric Group. All other transactions were with subsidiary companies within the Schneider Electric Group.

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

	2020 £m	2019 £m
Trade and other receivables	23.6	34.1
Trade and other payables	(7.6)	(10.5)
Non-trading receivables	4.8	1.4

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

Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2020 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 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: £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'. Key management personnel are considered to be the Board and the ELT of AVEVA Group plc. In addition to their salaries, the Group also provides non-cash benefits and contributes to defined contribution pension schemes on their behalf. Key management personnel also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 80 to 108.

	2020 £m	2019 £m
Short-term employee benefits	7.9	7.2
Share-based payments	6.0	8.2
	13.9	15.4

31 Commitments and contingencies

	2020 £m	2019 £m
Guarantees	8.0	5.0

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

Notes to the Consolidated Financial Statements continued

32 Changes in accounting policies

a) Background

The Group adopted IFRS 16 'Leases' using the modified retrospective method of adoption with the date of initial application of 1 April 2019. IFRS 16 replaces IAS 17 'Leases' and related interpretations.

The Group has lease contracts for various items of property, computer equipment and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. At the date of transition, no finance leases were held, and all leases were classified as operating. Leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and accruals, respectively.

b) Transition

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. Right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid, accrued lease payments and onerous lease provision previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liabilities was 3.6%.

In accordance with the modified retrospective method of adoption, the Group has restated the opening balances as at 1 April 2019. Comparative financial information has not been restated.

c) Practical expedients and exemptions

The Group has elected to use the following practical expedients and recognition exemptions available under IFRS 16:

- the recognition exemption for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases);
- accounting for leases ending within 12 months of the date of transition as short-term leases;
- the recognition exemption for lease contracts for which the underlying asset is of low value (low-value assets);
- reliance on the previous assessment of a lease, when applying IAS 17 and IFRIC 14, for all contracts that existed on the date of initial application;
- to use hindsight in determining the lease term where contracts contained options to extend or terminate the lease;
- exclusion of initial direct costs from the measurement of the right-of-use asset recognised on initial adoption of the standard;
- adjustment of the right-of-use asset on transition by the amount of any previously recognised onerous lease provision, as an alternative to performing an impairment review;
- where appropriate, and by class of underlying asset, arrangements containing both lease and non-lease components being accounted for as though they comprise a single lease component; and
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics. This principally applies to motor vehicles.

d) Financial impact

Impact on the Consolidated balance sheet (increase/(decrease)) as at 1 April 2019:

	31 March 2019 £m	IFRS 16 £m	1 April 2019 £m
Other intangible assets	599.5	(14.3)	585.2
Right-of-use assets	–	76.1	76.1
Non-current assets	1,923.0	61.8	1,984.8
Lease liabilities	–	15.0	15.0
Provisions	1.9	(0.5)	1.4
Current liabilities	346.2	14.5	360.7
Lease liabilities	–	49.9	49.9
Provisions	2.6	(2.6)	–
Non-current liabilities	130.1	47.3	177.4

The impact of the transition on the Consolidated income statement (increase/(decrease)) is:

	2020 Per IAS 17 £m	IFRS 16 £m	2020 As reported £m
Selling and administrative expenses	(368.7)	0.9	(367.8)
Total operating expenses	(549.0)	0.9	(548.1)
Profit from operations	94.1	0.9	95.0
Finance expense	(0.8)	(2.5)	(3.3)
Profit before tax from continuing operations	93.6	(1.6)	92.0
Income tax (expense)/credit	(22.6)	0.4	(22.2)
Profit for the year attributable to equity holders of the parent	71.0	(1.2)	69.8

Adjusted earnings			
Profit from operations	94.1	0.9	95.0
Amortisation of intangibles (excluding other software)	91.0	(0.4)	90.6
Exceptional items	19.1	(0.3)	18.8
Adjusted EBIT	216.6	0.2	216.8

Earnings per share (pence)			
Earnings per share for the year			
– basic	44.09	(0.74)	43.35
– diluted	43.87	(0.74)	43.13
Adjusted earnings per share for the year			
– basic	109.86	(1.16)	108.70
– diluted	109.31	(1.16)	108.15

Impact on Consolidated statement of cash flows (increase/(decrease)):

	2020 Per IAS 17 £m	IFRS 16 £m	2020 As reported £m
Cash flows from operating activities:			
Profit for the year	71.0	(1.2)	69.8
Income tax expense	22.6	(0.4)	22.2
Net finance expense	0.5	2.5	3.0
Amortisation of intangible assets	92.1	(0.4)	91.7
Depreciation of property, plant and equipment and right-of-use assets	7.3	17.1	24.4
Changes in working capital:			
Trade and other payables	(6.2)	0.4	(5.8)
Cash generated from operating activities before tax	143.4	18.0	161.4
Net cash generated from operating activities	104.1	18.0	122.1
Cash flows from financing activities:			
Interest paid	(0.8)	(2.5)	(3.3)
Payment on principal element of lease liability	–	(15.5)	(15.5)
Net cash used in financing activities	(75.6)	(18.0)	(93.6)
Closing cash and cash equivalents	114.5	–	114.5

Notes to the Consolidated Financial Statements continued

32 Changes in accounting policies continued

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	£m
Operating lease commitments as at 31 March 2019	46.3
Less:	
Impact of discounting ¹	(5.9)
Discounted operating lease commitments as at 31 March 2019	40.4
Commitments relating to short-term leases ²	(3.3)
Commitments relating to leases of low-value assets ²	(0.1)
Add:	
Service charges ³	5.7
Payments in optional extension periods not recognised as at 31 March 2019 ⁴	22.2
Lease liabilities as at 1 April 2019	64.9

- 1 Previously disclosed lease commitments were undiscounted, whilst IFRS 16 obligations are discounted based on the incremental borrowing rate at the transition date.
- 2 Under IAS 17 lease commitments included short-term leases and leases where the value of the underlying asset was low. The Group has taken the recognition exemptions available relating to these leases under IFRS 16, and has consequently not recognised a lease liability.
- 3 As the Group has elected to use the practical expedient to view certain arrangements containing both lease and non-lease components as a single lease component, service charges are included within the assessment of lease liability under IFRS 16. Under IAS 17, only rental expense was included within operating lease commitments.
- 4 Under IAS 17 lease commitments included non-cancellable periods in the lease agreement only. Under IFRS 16 the lease term includes periods covered by an option to extend the lease where the Group is reasonably certain that such options will be exercised.

e) IFRIC interpretation 23 'Uncertainty over income tax treatment'

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The adoption of this interpretation did not have a material impact on the Consolidated financial statements.

Company Balance Sheet

31 March 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investments	5	1,334.1	1,325.0
Deferred tax assets		1.7	1.3
		1,335.8	1,326.3
Current assets			
Trade and other receivables	6	130.1	121.0
Cash and cash equivalents		–	0.2
		130.1	121.2
Total assets		1,465.9	1,447.5
Equity			
Issued share capital	8	5.7	5.7
Share premium		574.5	574.5
Capital redemption reserve		101.7	101.7
Merger reserve		619.6	619.6
Retained earnings		157.4	127.9
Total equity		1,458.9	1,429.4
Current liabilities			
Trade and other payables	7	5.3	17.0
Current tax liabilities		1.7	1.1
		7.0	18.1
Total equity and liabilities		1,465.9	1,447.5
Profit for the year		89.0	108.8

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

The financial statements on pages 159 to 163 were approved by the Board of Directors on 9 June 2020 and signed on its behalf by:



Craig Hayman
Chief Executive Officer



James Kidd
Deputy CEO and CFO

Company number
2937296

Company Statement of Changes in Shareholders' Equity

31 March 2020

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 1 April 2018	5.7	574.5	101.7	619.6	73.3	1,374.8
Profit for the year	–	–	–	–	108.8	108.8
Share-based payments	–	–	–	–	6.6	6.6
Share options granted to employees of subsidiary companies	–	–	–	–	4.7	4.7
Tax arising on share options	–	–	–	–	0.5	0.5
Dividends paid	–	–	–	–	(66.0)	(66.0)
At 31 March 2019	5.7	574.5	101.7	619.6	127.9	1,429.4
Profit for the year	–	–	–	–	89.0	89.0
Share-based payments	–	–	–	–	6.7	6.7
Share options granted to employees of subsidiary companies	–	–	–	–	5.3	5.3
Tax arising on share options	–	–	–	–	0.2	0.2
Dividends paid	–	–	–	–	(71.7)	(71.7)
At 31 March 2020	5.7	574.5	101.7	619.6	157.4	1,458.9

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 2020 were authorised for issue by the Board of Directors on 9 June 2020 and the balance sheet was signed on the Board's behalf by Craig Hayman, the CEO, and James Kidd, the Deputy CEO & CFO. AVEVA Group plc is a limited company incorporated and domiciled in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal activity of the Company is that of a holding company.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020. The financial statements are presented in Pounds Sterling (£), rounded to the nearest £0.1 million except when otherwise indicated.

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

The Directors believe that the Company is well placed to manage its business risks successfully despite macroeconomic and geopolitical uncertainties. It has considerable financial resources and no 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 164 to 168.

a) Basis of accounting

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

- the requirements of IAS 7: Statement of Cash Flows;
- the requirements of IAS 8: IFRSs issued but not effective;
- the requirements of IFRS 2: Share-based Payments;
- the requirements of IFRS 7: Financial Instruments: Disclosures;
- the requirements of IFRS 13: Fair Value Measurements; and
- the requirements of IAS 24: Related Party Disclosures.

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

b) Significant accounting estimates

Impairment of investments in subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the investments in subsidiaries are written down to their recoverable amount. The recoverable amount is the greater of net selling price and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement. Further details about the assumptions used and sensitivity analysis performed in the impairment review are set out in note 5.

c) Taxation

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

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

d) Share-based payments

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

e) Investments in subsidiaries

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

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 2020 of £89.0 million (2019: £108.8 million).

Audit fees of £7,000 (2019: £7,000) are borne by another Group company.

The Company had an average of two employees during the year (2019: two).

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 80 to 108. The Company bears the remuneration expense for Executive and Non-Executive Directors.

4 Dividends

	2020 £m	2019 £m
Declared and paid during the year		
Interim 2019/20 dividend paid of 15.5 pence (2018/19: 14.0 pence) per ordinary share	25.0	22.5
Final 2018/19 dividend paid of 29.0 pence (2017/18: 27.0 pence) per ordinary share	46.7	43.5
	71.7	66.0
Proposed for approval by shareholders at the Annual General Meeting		
Final 2019/20 proposed dividend of 29.0 pence (2018/19: 29.0 pence) per ordinary share	46.8	46.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 21 July 2020 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 11 August 2020 to shareholders on the register at the close of business on 10 July 2020.

5 Investments

	£m
Cost and net book value	
At 1 April 2019	1,325.0
Additions	9.1
At 31 March 2020	1,334.1

The Company has identified the economic impact of Covid-19 as an event indicating that the carrying value of investments in subsidiaries may be impaired. Impairment testing was carried out on a VIU basis using the most recently approved management budgets for the year ending 31 March 2021, together with the most recent three-year business plan extrapolated to a duration of five years in total by applying medium-term growth rates to year three forecasts. Projected cash flows beyond five years have been assumed at the long-term growth rate for the region in which the subsidiary is based, and these have been used to formulate a terminal value for the discounted cash flow calculation in perpetuity. No impairment was identified in any investment.

This VIU model was sensitised, to create a 'worst case' view of the potential impact of Covid-19, resulting in significantly reduced revenue and cash flows. The considerations in creating this sensitised model included:

- severe business disruptions as a result of stay-at-home orders being in place almost globally for 12–18 months;
- oil prices remaining depressed in the next financial year; and
- the global economy suffering a major recession.

Under the sensitised model, the recoverable amount was still sufficiently greater than the carrying value of the investments such that no impairment was identified.

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

	2020 £m	2019 £m
Amounts owed by Group undertakings	130.1	121.0

7 Trade and other payables

	2020 £m	2019 £m
Social security, employee taxes and sales taxes	0.4	3.0
Accruals	3.0	0.2
Amounts owed to Group undertakings	1.9	13.8
	5.3	17.0

8 Share capital

	2020 £m	2019 £m
Allotted, called-up and fully paid		
161,512,219 (2019: 161,287,697) ordinary shares of 3.56 pence each	5.7	5.7

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

	2020 Number	2020 £m	2019 Number	2019 £m
At 1 April	161,287,697	5.7	161,207,315	5.7
Exercise of share options	224,522	–	80,382	–
At 31 March	161,512,219	5.7	161,287,697	5.7

During the year the Company issued 224,522 (2019: 80,382) ordinary shares of 3.56 pence each with a nominal value of £7,968 (2019: £2,858) pursuant to the exercise of share options. The total proceeds were £7,968 (2019: £2,858), which included a premium of £nil (2019: £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' Remuneration Report. Note 28 of the Consolidated financial statements for the Group includes details of share option awards made during the year.

9 Related party transactions

During the year ended 31 March 2019, the Company made a payment of £17.4 million to Schneider Electric, a related party, in relation to the finalised completion accounts following the acquisition of SES.

There are no related party balances held at 31 March 2020 (2019: £nil).

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 2020. 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 159 to 163.

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.

Business combinations

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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

Adoption of new and revised standards

The Group has applied IFRS 16 'Leases' for the first time for the annual reporting period commencing 1 April 2019. For further detail regarding the adoption of these accounting standards, please refer to note 32. No other standards or interpretations came into force during the year which had a significant impact on the Group's financial statements.

New standards and interpretations not yet effective

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

Foreign currencies

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

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

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

Goodwill

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

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

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

Intangible assets

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

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

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

	Years
Developed technology	3–12
Customer relationships	5–20
Purchased brands ¹	n/a
Trademarks	5–15
Other software	3–7
Purchased software rights	3–10
Favourable leases	Length of lease
Capitalised Research & Development	3–5

¹ Brands held are considered to have indefinite lives, therefore no amortisation is charged.

Research expenditure

Research expenditure is written off in the year of expenditure.

Government grants

Grants in respect of specific Research & Development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related Research & Development costs for which the grant is compensating. The grant income is presented as a deduction from the related expense.

Property, plant and equipment

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

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

	Years
Computer equipment	3–5
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, or useful economic life, if shorter.

Statement of Group Accounting Policies continued

Impairment of assets

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

Contract assets and liabilities

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

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

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are typically held within a business model with the objective to hold in order to collect contractual cash flows. As such, trade receivables are recorded initially at fair value, and at amortised cost thereafter. This results in their recognition and subsequent measurement at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

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

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

Cash and cash equivalents

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

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 – IAS 17

Comparative balances are presented as historically disclosed under IAS 17.

Under IAS 17, leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term.

Taxation

The Group is subject to income tax in numerous jurisdictions. The Group recognises provisions for tax based on estimates of taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determinations are made.

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

The UK Research & Development Credit (RDEC) is recognised in the income statement and netted off 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 the Consolidated income statement as they become payable.

Statement of Group Accounting Policies continued

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 28 of the Notes to the consolidated financial statements.

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

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

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
Maddingley Road
Cambridge
CB3 0HB
UK

EMEA

AVEVA Denmark A/S
Sofiendalsvej 5A
9200 Aalborg SV
Denmark

AVEVA SA
Schneider Electric Software France SAS
5 Square Felix Nadar
Bat C, 94300 Vincennes
France

AVEVA GmbH
Otto-Volger-Street 7c
65843 Sulzbach (Taunus)
Germany

Schneider Electric Software Italia S.p.A
Viale Milano no. 177
Gallarate
Milan
Italy

Asset+ Holding BV
Asset+ RDS BV
Asset+ Solutions BV
Asset+ Solutions IP BV
Papendorpseweg 100
3528BJ
Utrecht
Netherlands

AVEVA (The Netherlands) BV
Schneider Electric Software Holdings Netherlands BV
Schneider Electric Software Netherlands BV
Baarnsche dijk 10 B
3741LS
Baarn
Netherlands

AVEVA AS
Golf Tower
Kanalsletta 2
N-4033 Stavanger
Norway

AVEVA Limited Liability Company
3rd Floor, Office 9, Lit 4
Pavlovskaya Street 7
115093
Moscow
Russia

Schneider Electric Software RU
Moika Embankment 58
lit. A, of. 504 190 000
St. Petersburg
Russia

Schneider Electric Software Spain S.L.
Avda Manoteras, Num 44
Puerta 1
28050
Madrid
Spain

AVEVA AB
PO Box 50555, Drottninggatan 18
SE-202 15
Malmo
Sweden

AVEVA Yazilim VE Hizmetleri A.S.
Kurtköy Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı
No:11 Kat 5 A/28
Pendik
İstanbul
34912
Turkey

Schneider Electric Software Middle East FZE
Plot. No. S10809
P.O. Box 61495
Jebel Ali
Dubai
UAE

8over8 Limited (in liquidation)
Northern Ireland Science Park
Fort George, Bay Road
Derry
BT48 7TG
UK

AVEVA Consulting Limited
AVEVA Engineering IT Limited
AVEVA Finance Limited
AVEVA Financing Limited
AVEVA Limited
AVEVA Managed Services Limited
AVEVA Solutions Limited
CadCentre Engineering IT Limited
CadCentre Limited
CadCentre Pension Trustees Limited
CadCentre Property Limited
Fabtrol Systems, UK Limited (in liquidation)
LFM Software Limited
Tribon Solutions (UK) Limited
High Cross
Maddingley Road
Cambridge
CB3 0HB
UK

Full List of Addresses and Subsidiaries continued

Schneider Electric Software GB Limited
101 Science Park
Milton Road
Cambridge
CB4 0FY
UK

Americas

Schneider Electric Software Argentina S.A.
Suipacha 1111, Floor 11
Buenos Aires
C1008AAW
Argentina

AVEVA do Brasil Informática Ltda.
Edifício Internacional Rio
Praia do Flamengo 154
Rio de Janeiro
Brazil

Schneider Electric Software Brasil Ltda.
Rua Alves Guimaraes
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.
Schneider Electric Software Chile S.p.A.
Avda. Andres Bello
No 2711 Of. 1701
Las Condes
Santiago
Chile

AVEVA Colombia S.A.S
Schneider Electric Software Colombia S.A.S.
Cento Empresarial Colpatria
Torre 3, Piso 6
Calle 127A 53A-45
Bogota
Colombia

AVEVA Software and Services S.A de C.V.
AVEVA de Mexico S. de R.L. de C.V.
AV. Insurgentes Sur No. 863, Piso 7
Col. Napoles, Deleg Benito Juarez
D.F. CP 06600
Mexico

Schneider Electric Software Mexico SA de C.V.
111 Presidente Masarik
Polanco
Miguel Hidalgo
11560 Ciudad de México
Mexico

AVEVA Inc.
10350 Richmond Avenue, Suite 400
Houston
77042
USA

AVEVA Software, LLC
Wonderware de Mexico, Inc.
Wonderware of Venezuela, Inc.
251 Little Falls Drive
Wilmington
DE 19808
USA

Asia Pacific

8over8 Pty Ltd
L25, 108 St Georges Terrace
Perth
WA 6000
Australia

AVEVA Pty Ltd
The Forrest Centre
Suite 5, Level 29
221 St Georges Terrace
Perth
WA 6000
Australia

AVEVA Software Australia Holdings Pty Ltd
Schneider Electric Software Australia Pty Ltd
78 Waterloo Road
Macquarie Park
New South Wales 2113
Australia

AVEVA (Shanghai) Consultancy Co. Limited
AVEVA Solutions (Shanghai) Co. Limited
37F, 88 Yincheng Rd
Pudong
Shanghai
China

Telvent Control Systems (China) Co. Limited
Middle Zone, 2/F, No.1 Building
No. 2, 2nd Liangshuihe River Street
Beijing Economic & Technological Development Area
100176 Beijing
China

AVEVA East Asia Limited
Room 1501
Grand Millennium Plaza (lower block)
181 Queens Road
Central Hong Kong
Hong Kong

AVEVA Information Technology India Private Limited
Unit No 202, Wing A, 2nd Floor
Supreme Business Park, Supreme City, Powai
Mumbai – 400 076
India

AVEVA Software India Private Limited
 Plot Nos. 488 and 489 1st Floor Sai Ganesh Towers
 Y.S.R. Hills, Sro Swamy Ayyappa Society
 Madhapur
 Hyderabad
 Telangana – 500081
 India

AVEVA Solutions India LLP
 Tower 2.1, 2nd/4th Floor, WaveRock
 Sy.no 115 APIIC IT/ITE SEZ
 Nanakramguda
 Gachibowli
 Hyderabad – 50008
 India

Schneider Electric Software 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 7, Menara Milenium
 Jalan Damanlela, Pusat Bandar
 Damansara Heights
 50490, Kuala Lumpur
 Malaysia

AVEVA Korea Limited
 Schneider Electric Software Korea Limited
 25 F, West Tower
 Mirae Asset Center 1 Building
 26 Eulji-ro 5-gil, Jung-gu
 Seoul
 Republic of Korea

AVEVA Pte. Ltd
 Schneider Electric Software Holdings Singapore Pte. Ltd
 15 Changi Business Park
 Central 1
 #03-01/05
 Singapore 486057
 Singapore

Schneider Electric Software (Thailand) Co., Ltd
 No. 46 Rungrojthanakul Building
 1st, 10th – 11th Floors
 Ratchadapisek Road
 Huaykwang Subdistrict
 Huaykwang District
 Bangkok
 Thailand

Company Information and Advisers

Directors

Philip Aiken	Chairman
Craig Hayman	Chief Executive
James Kidd	Deputy CEO and CFO
Christopher Humphrey	Senior Independent Non-Executive Director
Jennifer Allerton	Independent Non-Executive Director
Ron Mobed	Independent Non-Executive Director
Paula Dowdy	Independent Non-Executive Director
Peter Herweck	Non-Executive Director
Olivier Blum	Non-Executive Director (appointed 30 April 2020)
Emmanuel Babeau	Non-Executive Director (resigned 30 April 2020)

Company secretary

David Ward

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
London Fruit & Wool Exchange
1 Duval Square
London, E1 6PW

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

Stockbrokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London, EC4M 7LT

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London, E14 5JP

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham, BR3 4TU

Financial PR

FTI Consulting
200 Aldersgate Street
London, EC1A 4HD

Glossary

AGM	Annual General Meeting	NED	Non-Executive Director
APM	Asset Performance Management	NRR	Net Retention Rate
AQR	Audit Quality Review	PRA	Performance & Retention Awards
ARR	Annualised Recurring Revenue	R&D	Research & Development
AVEVA LIFE	AVEVA's values	RCF	Revolving Credit Facility
CEO	Chief Executive Officer	RDEC	Research & Development Expenditure Credit
CFO	Chief Financial Officer	SaaS	Software as a Service
CGU	Cash Generating Unit	SDGs	Sustainable Development Goals
CHRO	Chief Human Resources Officer	SES	Schneider Electric industrial software business
DRR	Directors' Remuneration Report	STEM	Science, Technology, Engineering and Mathematics
EBIT	Earnings Before Interest and Taxes	TCV	Total Contract Value
EBT	Employee Benefit Trust	TSA	Transitional Services Agreement. An arrangement where Schneider Electric continues to provide infrastructure support and back office resource for legal entities transferred in the sale to AVEVA for a monthly fee, for an agreed time period
ED	Executive Director	TSR	Total Shareholder Return
ELT	Executive Leadership Team	VIU	Value in Use
EMEA	Europe, Middle East and Africa	WISE	Women in Science and Engineering
EPS	Earnings Per Share		
ERP	Enterprise Resource Planning		
ESG	Environmental, Social and Governance		
EY	Ernst & Young		
FCA	Financial Conduct Authority		
FRC	Financial Reporting Council		
GAAP	Generally Accepted Accounting Practice		
IFRSs	International Financial Reporting Standards		
ISAs (UK)	International Standards on Auditing (UK)		
KPI	Key Performance Indicator		
LTIP	Long-Term Incentive Plan		

AVEVA

www.aveva.com

