AVEVA

Annual Report 2004

18 OF THE 26 CHINESE
POWER DESIGN INSTITUTES

30 MILLION TONNES
OF SHIPS PER YEAR AND
A MASSIVE 7 OF THE TOP 10
SHIPBUILDERS INCLUDING THE TOP 3

A PLANT THAT PRODUCES ENOUGH
TEXTILE TO CARPET AN AREA THE SIZE
OF SWITZERLAND EVERY 36 MONTHS

A FLOATING PRODUCTION
FACILITY BIGGER THAN
LONDON'S CANARY WHARF

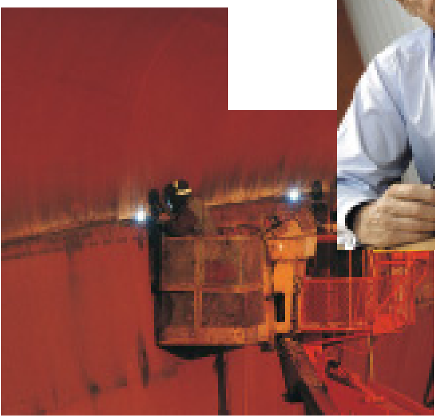
A HISTORY OF INNOVATION THAT
DOMINATES TODAY'S ENGINEERING IT
TERMINOLOGY AND PRODUCTION
METHODS

NO NONSENSE:
IT'S AN AVEVA PROJECT

FINANCIAL HIGHLIGHTS

	31-Mar-04 £000's	31-Mar-03 £000's	Growth
Profit and loss account highlights			
Turnover			
Recurring revenues	23,000	20,946	10%
Initial licence fees	10,060	9,196	9%
Other sales	5,053	5,866	-14%
Total	38,113	36,008	6%
Europe, Middle East & Africa	19,531	17,375	12%
Asia Pacific	8,720	8,531	2%
Americas	9,862	10,102	-2%
Total	38,113	36,008	6%
Gross profit	25,525	22,961	11%
Gross margin	67.0%	64.0%	
Amortisation of intangible assets	267	267	
software rights	352	352	
Operating profit	6,137	5,618	9%
Operating margin	16.1%	15.6%	
Profit before taxation	6,109	5,580	
Earnings per share – pence	22.63	21.46	
Total dividend per share, paid and proposed – pence	5.8	5.6	
Balance sheet highlights			
Intangible assets and software rights (net)	3,290	3,909	
Cash and liquid resources	8,713	4,930	
Shareholders' funds: all equity	21,570	18,582	

Contents



I am pleased to report another year of good performance with increased revenue, profit and cash generation. Of equal importance are developments during the year, and more recently, which have positioned AVEVA for sustained growth in the future.

PERFORMANCE AND DIVIDEND

During the year, turnover increased 6% with recurring revenues contributing 60% of the total compared with 58% in 2003. Operating margins were increased with the result that profit before tax and intangible asset amortisation increased by 9% These results were achieved despite the adverse effect of the £/US$ exchange rate and, as already announced, the slippage of a material contract which was expected to be signed during the fourth quarter.

An increased final dividend of 4.0p is proposed, making a total for the year of 5.8p (2003: 5.6p). The increased final dividend will be paid on the enlarged share capital.

BUSINESS DEVELOPMENT

On 21 April 2004, AVEVA announced the proposed acquisition of Tribon Solutions AB ("Tribon") for £19.0 million, financed mainly by a £17.2 million Placing and Open Offer. Tribon is a leader in the market for engineering software for designing ships and complements AVEVA's existing products and services. I am pleased to note that the necessary approvals have been given by shareholders at the recent EGM and that the funding has been well supported. This acquisition completes today.

Detailed plans for integrating Tribon into AVEVA will be implemented over the next few months; a reduction in annualised operating costs of some £2.4 million is expected to be achieved at an estimated one-off cost of about £2.1 million. Tribon is expected to be earnings enhancing during the year to 31 March 2006 (before amortising goodwill and other intangible assets).

The acquisition of Tribon, together with the partnership alliance with Autodesk signed during our second half year, places AVEVA in an excellent position within its marketplace. The Group now has a range of products which is unrivalled at a time when customers increasingly demand a 'single supplier solution' to their engineering IT needs. At the same time, we have been able to strengthen our international footprint and achieve greater scale in a global market.

BOARD

In July 2003, Tony Christian left the company and the Board, having previously played an important role in broadening AVEVA's product offering.

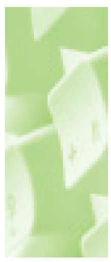
OUTLOOK

As in recent years, we anticipate a seasonal bias in our results and there will be short-term distortions arising from the merging of the two businesses. The large contract delayed in March with an Asian consortium of engineering companies is still progressing and we expect this to be closed in the near future.

We believe the enlarged group will have a greater international presence and improved prospects for growth, giving us confidence in our ability to achieve satisfactory results in the current year. Already AVEVA have made some joint visits to customers and prospects regarding opportunities for both expansion and new licence sales in the Asia Pacific region where news of the acquisition has been very positively received.

Richard A King CBE
Chairman

19 May 2004



THE BIGGEST OPEN-FACED COPPER MINE ON THE

OVERVIEW

The past year has seen sustained progress on all fronts for AVEVA. Our rental licence model, introduced in 2002, has become an essential sales tool in times that see capital expenditure increasingly under pressure within the engineering industry. This has now settled into a more predictable pattern, which will be covered in more detail below.

Growth has been supported by continuing investment in products, resulting in a good flow of new releases over the last twelve months. We have achieved improved consistency against delivery schedules and reliability of product. Our investment in product development has been increased this year and we have some significant new products scheduled for launch in 2004/5.

The acquisition of Tribon Solutions AB was a major project for much of the second half of the year, with this deal being announced and completed following the year-end.

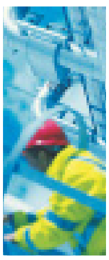
TRIBON ACQUISITION

For many years AVEVA has had a small amount of business in the marine market with our systems being used to design the internal layout for ships – essentially as a spill-over from the process plant sector. In order to capitalise on these opportunities, a serious hull design solution was needed. The acquisition of Tribon Solutions, the leading global provider of design software and services to the marine industry, will allow us to combine the technology from both companies and will allow AVEVA to extend its business into the adjacent and complementary sector of shipbuilding.

In addition to achieving operational synergies, the enlarged group with be able to offer an unrivalled range of engineering IT products and services. Further, the companies' presence in the important Asia Pacific market will be significantly enhanced.

MORE THAN 50% OF UK NORTH SEA OIL PRODUCED IS BY VANTAGE-DESIGNED PLATFORMS

PLANET



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OPERATIONS

Trends

In a marketplace affected by global unrest, AVEVA has a solid bedrock of established customers built over a long period across multiple industries.

One significant trend is the exporting engineering man-hours, often for design, into the country in which a plant is to be constructed. AVEVA has in place a global licensing policy and with our enlarged network of offices we are better placed than most to capitalise on the relocation of design work, often to the Asia Pacific region.

Geographic

Americas

26% of group revenue:
£9.9 m (2003: £10.1m)

The North American market has been affected by project migration to lower cost economies. In part this has been a business driver for AVEVA as we sell global licenses to North American based customers and local licenses direct to the lower cost economies via our network of international offices. The adverse movement in the £/US$ exchange rate resulted in a reduction in revenues although in constant currencies the revenue increased during the year.

With many of the world's largest full service engineering, procurement and contracting (EPCs) companies based in North America we are delighted to have concluded major license agreements with Jacobs, AMEC, Fluor and Technip. In addition we have implemented some of our latest technology in these companies, generating both rental licence income and long term services revenue.

In the North American market the business has become predominantly rental based.

South America has performed consistently well and our long established third party distribution channel is working closely with staff from our Houston office to secure both new and extension business.

We expect the alliance with Autodesk to open further opportunities in the American market once we have a product to deliver at the end of 2004.

Asia Pacific

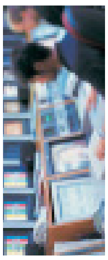
23% of group revenue:
£8.7 m (2003: £8.5m)

As with the Americas, revenues were adversely affected by the US$ exchange rate.

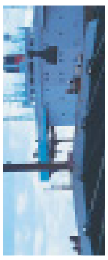
Asia Pacific now has a fully developed sales and support office network following the opening this year of an office in Perth, Australia. In this region, the bulk of business is initial licence fee with only a small number of customers choosing the rental model.

Our most recent investment in the office network has been China where we have been very successful selling into the power industries, both nuclear and fossil fuelled. We now have a dominant position in the growing power segment, with 19 of the 26 fossil fuelled design institutes using our design systems along with half of the 18 nuclear design institutes.

Korea has been a very strong market for AVEVA with significant expansion in business on the back of the booming market for offshore semi submersible structures being fabricated by the Korean shipyards. Daewoo Shipbuilders and Marine Engineering selected AVEVA systems for use on the BP Angola Project for which they will be one of the major designers and constructors.



27 OF THE WORLD'S LARGEST 30 QUOTED CHEMICAL COMPANIES



THE WORLD'S BIGGEST PERMANENTLY-MOORED

In Japan, after a slow start to the year, activity picked up in the last two quarters and we expect this to continue into the current year.

The combination of Tribon and AVEVA will give us a significantly increased presence across the Asia Pacific region. We already have a number of customers using both systems and are already actively promoting the combined company to customers and prospects.

EMEA

51% of group revenue:
£19.5 m (2003: £17.4m)

AVEVA operates the Europe Middle East and Africa (EMEA) region in two streams, one covering Western EMEA the other covering Central and Southern Europe.

Business within the core markets and including the large European based EPCs has been good with some important new business wins in a very competitive market. The business in Europe is a mix of rental and initial licence fee in broadly equal proportion.

In Western EMEA we have further developed our Middle East operations with a head office in Dubai, providing sales and support to customers throughout Bahrain, Egypt, Iran, Kuwait, Oman, Pakistan, Qatar, Saudi Arabia and the UAE.

In Central and Southern Europe the business has been made up of some very large deals, most notably a contract with Framatome to supply the full product range for use on the new generation of European Reactor.

In the first half-year we started direct sales activity in Russia and have already been successful with a large sale to Lukoil.

The enlarging of the EU will help alleviate some of the critical shortages of skilled engineers and overcome some of the problems of the past few years in trying to tap into the overcapacity of the eastern EU engineers. Presently AVEVA sells to the eastern EU through an established agent channel and we expect this remain the case for the coming year.

Products

The latest 'Next Generation' version of PDMS was delivered during the year, providing a major upgrade in usability (PDMS sales still drive the majority of the revenue and we continue to invest heavily for the future). In line with our policy of always maintaining the integrity of the customer's data we have provided tools to migrate up to the new version without any loss of productivity, a facility not open to many users of competitor systems.

The next version of PDMS is already close to being finalised and will contain much of the functionality designed as part of the alliance with AutoDesk, combining the best in 2D drafting and 3D database driven technologies in one product with a seamless interface between the two.

As a spin out of work started by the AVEVA consulting group we have developed skills in providing interfaces to ERP systems. SAP is widely used within our customer base and over the last year we have implemented interfaces between a number of AVEVA products and various parts of SAP. With the AVEVA VNET product being implanted at a corporate level we expect to see demand for SAP interfaces continue as we roll our further VNET installations.

FLOATING PRODUCTION PLATFORM
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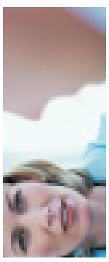

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2003/4 PERFORMANCE

AVEVA Engineering IT

Oil & gas and power (both contributing some 35% of revenue) have been strong performers during the past year. We have seen a steady rise in the number of deep water platforms and floating production facilities being committed to construction. These highly complex projects lend themselves well to AVEVA solutions and, in the longer term to the combined Tribon hull system with AVEVA outfitting.

The much expected increase in project activity in the chemical and pharmaceutical business in North America has been slow to materialise, although in Germany and France we have been making steady progress into these industries.

Petrochemical plant has seen an increase over the last 12 months with owner operators using AVEVA's new technology (VNET) to reduce plant maintenance costs and make engineering data available to a wider audience at low cost. Onshore petrochemical plant is likely to be an area of fierce competition as customers evaluate new technologies.

The shipbuilding, or marine, market has been approximately 5% of AVEVA business for a number of years with the majority of the orders coming from Korea, China and Taiwan. With the combination of the 800 Tribon customers and revenue, this sector will rank equally in importance to oil & gas and power.

AVEVA Managed Services

Our multi year contract to provide services to DuPont is performing well and the team, based in Wilmington, has given excellent service on both AVEVA and third party solutions within our scope of work. User surveys conducted regularly have consistently rated our service close to 100% satisfaction. During the year we have taken on responsibility for the Bentley Microstation products within DuPont engineering groups as well as several additional projects to upgrade applications.

In the second half we have concluded managed service contracts with three large engineering contractors, all providers of services to DuPont under the Full Service Design Contractor (FSDC) program. Over the next year we plan to put more emphasis on the AVEVA Managed Service proposition building on the success of DuPont and the new signings in the second half year.

PEOPLE AND ORGANISATION

AVEVA enjoys a low staff turnover by operating a devolved management structure - one in which developers can apply their skills, our finance and administrative staff can monitor the business and our sales, marketing and support people can serve customers, develop new markets and win new business.

I'd like to thank all AVEVA staff for their responsiveness and flexibility during periods of continuous change.

Richard Longdon
Chief Executive

19 May 2004

A MASSIVE 7 OF THE TOP 10
SHIPBUILDERS INCLUDING THE TOP 3

FINANCIAL REVIEW

Overview of the year

The group results for the year show continued growth in revenues of 6% from £36.0m to £38.1m and growth in profit before tax of 9% from £5.6m to £6.1m and a strong year end cash position of £8.7m.

RESULTS OF OPERATIONS

Turnover

Reported group turnover for the year was £38.1m (2003: £36.0m), an increase of approximately 6% from 2003 with the strongest region being Europe (including the UK), Middle East and Africa which had growth of 12%. Americas had a disappointing year due to the US market remaining depressed and highly competitive and there was further evidence of a continued shift of global projects from the US to other areas. Both Americas and Asia Pacific were partly impacted by the weakening of the US$ with Asia Pacific showing modest growth in revenues of 2%. The Chairman's statement and the Chief Executive's review provide more details of the group's performance in the year.

Licence fees were £10.0m in 2004 compared to £9.2m in 2003. Recurring revenues for the year were £23.0m (2003: £20.9m) and accounted for 60% of total revenue (2003: 58%).

Service revenues, which include training, implementation and consulting fees were £5.1m compared with £5.9m last year.

Gross margins, operating expenses and operating profits

Gross margins improved to 67% (2003: 64%) but operating expenses as a percentage of turnover increased from 48% in 2003 to 51% in 2004 reflecting the additional infrastructure costs in the year.

Research and development expenditure for the year was £6.9m, an increase of 16% from 2003 and 18% of turnover (2003: 16%) reflecting a internal reorganisation of resources and continued investment in enhancing existing software and developing new software such as that for the Autodesk alliance. Consistent with previous years, all R&D expenditure is expensed in the profit and loss account.

As a software business the largest single element of expenditure is on employees and the associated costs. Group staff costs in the year were £16.2m compared to £15.5m in 2003, an increase of 4.8%. The average number of employees decreased from 330 to 326 in 2004.

Operating profit increased from £5.6m in 2003 to £6.1m in 2004, an increase of 9%.

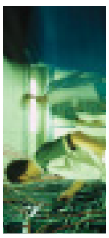
Taxation

The group tax charge for the year was £2.2m (2003: £1.9m) representing an effective tax rate before amortisation of goodwill and intangible assets of 33% (2003: 31%). The main factor resulting in the effective tax rate being higher than the standard UK tax rate of 30% was that a significant proportion of the profits were earned by overseas subsidiaries which are subject to higher rates of tax. This was partially offset by the benefits of the tax credit on qualifying research and development expenditure in the UK.

Earnings per share

Basic earnings per share was 22.63p (2003: 21.46p) which is an increase of 5% on 2003. Adjusted earnings per share before the amortisation of goodwill and intangible assets arising from acquisitions was 26.20p (2003: 25.09p) which the directors believe provides a more meaningful measurement of performance of the underlying business.

A PLANT THAT PRODUCES ENOUGH TEXTILE TO CARPET AN AREA THE SIZE OF SWITZERLAND EVERY 36 MONTHS



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A HISTORY OF INNOVATION THAT DOMINATES TODAY'S ENGINEERING IT TERMINOLOGY AND PRODUCTION METHODS

Dividends

The Board recommends a final dividend of 4.0p per ordinary share, resulting in a total dividend per share for the year of 5.8p (2003: 5.6p). The final dividend will be paid on 2 August 2004 to shareholders on the register at the close of business on 2 July 2004. The cost of dividends paid and proposed in respect of the financial year was £1.0m (2003: £1.0m).

Balance sheet

The group balance sheet continues to remain strong with net assets increasing from £18.6m to £21.6m at 31 March 2004. Trade debtors were £14.4m compared to £13.5m and deferred revenue was £6.0m compared to £5.7m last year.

Cash flows

Overall net cash balances increased by £3.8m from £4.9m to £8.7m. Cash flow for the year from operating activities was £7.9m (2003: £3.2m) reflecting continued focus on working capital management. Capital expenditure was £1.6m (2003: £1.7m) which was principally on the completion of the extension to the building at the Cambridge site and computer equipment, tax paid was £2.0m (2003: £2.1m) and equity dividends paid were £1.0m (2003: £0.9m)

Capital structure and treasury policy

The group finances its operations through a combination of retained profits, new equity and bank overdraft facilities.

During the year the group had an overdraft facility of £1.5m in the UK which was utilised to manage short term fluctuations in cash before cash was remitted from the overseas entities. The group has agreed bank facilities of £6m subsequent to the year end to manage short term working capital requirements following the acquisition of Tribon.

Approximately £34.7m (91%) of the group's turnover is generated outside the UK and is invoiced in currencies other than sterling. The group enters into forward foreign currency contracts to manage the currency risk where material. The overseas subsidiaries trade in their own currencies and that also acts as a natural hedge against currency movements.

The group is also exposed to foreign currency translation risk on the translation of its net investment overseas into sterling. This is managed to some extent by the overseas subsidiaries incurring costs denominated in their local currency. Further details of the group's financial instruments are provided in note 17 to the financial statements.

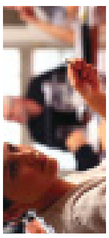
Acquisition of Tribon

Tribon Solutions AB is a Swedish group which develops, markets and supports software solutions for use in the design and production processes in marine industry. Tribon has 164 employees, with headquarters in Sweden and offices in China, Germany, India, Japan, Republic of Korea, Russia, Singapore, the UK and the USA. The total consideration for the acquisition was £19.0m, £15.0m of which was satisfied in cash and £4.0m was satisfied through the issue of shares. The acquisition was approved by the shareholders at the Extraordinary General Meeting held on 14 May 2004.

In order to finance the cash consideration for the acquisition and expenses related thereto, the company raised approximately £17.2m, (approximately £14.7m net of expenses) pursuant to a Placing and Open Offer of 3,645,112 ordinary shares of 10p each.

Paul Taylor
Finance Director

19 May 2004



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Directors' report

For the year ended 31 March 2004

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The company is a holding company. The principal activities of the group are the marketing and development of computer software and services for engineering and related solutions.

BUSINESS REVIEW

A review of the group's operations during the year and its plans for the future is given in the Chairman's and Chief Executive's Statements and Financial Review.

The group made a profit for the year after taxation of £3,910,000 (2003 – £3,658,000). Sales were £38,113,000 (2003 – £36,008,000) with overseas sales representing 91% (2003 – 82%) of the business.

CREDITORS' PAYMENT PRACTICE

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

The company has no trade creditors (2003 – £nil).

RESULTS AND DIVIDENDS

The group results and dividends are as follows:

	£000
Group profit for the year after taxation	3,910
Dividends paid and proposed	
– interim dividend paid of 1.8p per ordinary share	(320)
– final dividend proposed of 4.0p per ordinary share	(699)
Retained profit for the year	2,891

RESEARCH AND DEVELOPMENT

The group continues an active programme of research and development and all costs are expensed as incurred. The research and development programme covers 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. Intellectual property acquired is capitalised at cost but internally developed intellectual property costs are written off as incurred.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year under review are shown below:

*	R A King	(Chairman)
	A D Christian	Resigned 31 July 2003
*	C A Garrett	
	R Longdon	
*	D W Mann	
	P R Taylor	

* Non-executive directors

The beneficial interests in the shares of the company of directors who held office at 31 March 2004 are as follows:

	2004	2003
	10p ordinary shares	10p ordinary shares
R A King	131,250	131,250
C A Garrett	-	-
R Longdon	380,476	380,476
D W Mann	17,800	17,800
P R Taylor	8,000	4,000

No changes took place in the interests of directors in the shares of the company between 31 March 2004 and 19 May 2004.

Directors' share options are disclosed in the Directors' remuneration report on page 12.

Resolutions will be submitted to the Annual General Meeting for the re-election of two directors. Brief biographical details of those directors who are proposed for re-election appear on page 5.

OTHER SUBSTANTIAL SHAREHOLDINGS

On 14 May 2004, the company had been notified in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the company:

Name of holder	Number	Percentage held
Framlington Group Ltd	1,501,240	8.59
Merrill Lynch Investment Managers	1,459,098	8.35
Standard Life	1,420,544	8.13
Invesco English and International Trust	1,261,217	7.22
M&G Investment Management	1,074,247	6.15
Hermes Administration Services Ltd	904,747	5.18
F&C Management	730,320	4.18
Schroder Investment Management	633,817	3.63
UBS Global Asset Management Holding (No.2)	631,997	3.62
Legal & General Investment Management	674,992	3.86
3i Smaller Quoted Companies Trust PLC	525,000	3.00

CHARITABLE DONATIONS

During the year the group made charitable donations of £5,403 (2003 – £5,413) to a combination of local and international charities.

POST BALANCE SHEET EVENTS

On 21 April 2004 the company signed a conditional agreement to acquire the entire issued share capital of Tribon Solutions AB, a Swedish company which develops, markets and supports software solutions for use in the design and production processes in marine industry all over the world. The total consideration for the acquisition was approximately £19.0 million, approximately £15.0 million of which was satisfied in cash and approximately £4.0 million was satisfied through the issue of 789,655 ordinary shares of 10p each to the vendors.

In order to finance the cash consideration for the acquisition and expenses related thereto, the company has raised approximately £17.2 million, (approximately £14.7 million net of expenses) pursuant to a Placing and Open Offer of 3,645,112 ordinary shares of 10p each. In addition, the company has also entered into bank facility agreements for the provision of bank facilities amounting up to £6.0 million to support the enlarged group's working capital requirements.

At an Extraordinary General Meeting (EGM) held on 14th May 2004, a special resolution was passed to approve the acquisition and to increase the authorised share capital of the Company from £2,200,000 to £3,000,000 by the creation of 8,000,000 ordinary shares of 10p each. In addition, the directors were authorised to allot the relevant number of ordinary shares pursuant to the Placing and Open Offer and the acquisition.

Also at the EGM ordinary resolutions were passed to adopt a new Long Term Incentive Plan and to amend the dilution limits of the Cadcentre Group plc Executive Share Option Scheme.

AUTHORITIES TO ALLOT SHARES AND DISAPPLY PRE-EMPTION RIGHTS

Resolution 9 set out in the notice convening the Annual General Meeting contains authority for the directors to allot relevant securities until the earlier of 15 October 2005 and the date of the next Annual General Meeting up to a maximum nominal amount of £730,168 (representing 33.33 per cent of the total issued ordinary share capital as at 28 May 2004. At that date, no treasury shares were held by the Company.

Resolution 10 gives the directors the power to allot equity securities for cash pursuant to this authority, disapplying the pre-emption provisions contained in Section 89(1) of the Companies Act 1985. This power is valid for the same period and is limited to the allotment of equity securities up to a nominal amount of £109,525 (approximately 5 per cent of the issued ordinary share capital at 28 May 2004) or in connection with a rights issue or other pre-emptive offer.

AUTHORITIES TO ALLOT SHARES AND DISAPPLY PRE-EMPTION RIGHTS *(continued)*

The directors have no present intention of issuing further shares other than to satisfy the exercise of option holders' rights under the Company's share option schemes or in relation to any appropriate acquisition opportunities which may become available to the Company.

Following the introduction of The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (the "Treasury Regulations") which came into force on 1 December 2003, this authority will now also cover the sale of treasury shares for cash.

AUTHORITY TO REPURCHASE ORDINARY SHARES

Resolution 8 set out in the notice convening the Annual General Meeting gives authority to the Company to purchase its own ordinary shares up to a maximum of 2,190,506 ordinary shares until the earlier of 15 October 2005 and the date of the next Annual General Meeting. This represents 10 per cent of the ordinary shares in issue at 28 May 2004 and the Company's exercise of this authority is subject to the stated upper and lower limits on the price payable which reflects the requirements of the UK Listing Authority. Shares will only be repurchased if earnings per share are expected to be enhanced as a result and the directors believe it is in the best interests of shareholders generally. To the extent that any shares so purchased are held in treasury, earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury.

Pursuant to the Treasury Regulations, the Company now has the choice of cancelling shares which have been repurchased or holding them as treasury shares (or a combination of both). Treasury shares are essentially shares which have been repurchased by the Company and which it is allowed to hold pending either reselling them for cash, cancelling them or, if authorised, using them for the purposes of its employee share plans.

The directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares would give the Company the ability to reissue them quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of treasury shares.

As at 28 May (being the latest practicable date prior to the publication of the notice of the Annual General Meeting), there were 624,700 outstanding options granted under all share option plans operated by the Company which, if exercised, would represent 2.85 per cent of the issued ordinary share capital of the Company. If this authority were exercised in full and the shares repurchased were to be cancelled, such options if exercised would represent 3.17 per cent of the issued ordinary share capital of the Company."

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors for the ensuing year will be put to the members at the Annual General Meeting.

High Cross
Madingley Road
Cambridge
CB3 0HB

By order of the Board,

P R Taylor
Secretary

19 May 2004

Board of directors

Richard King CBE, aged 74, Non-Executive Chairman

Richard King joined AVEVA at the time of the management buyout negotiations and was appointed Chairman at their conclusion in August 1994. Prior to that he held various senior management positions in both Pye of Cambridge and Philips NV in the UK and overseas. In 1980 he created, out of Philips, Cambridge Electronic Industries, a group of some 25 specialist companies. The group was listed on the London Stock Exchange (LSE) in 1982 and he was CEO throughout the 1980's. Richard then turned his attention and interests to the development of early stage technical companies, mostly in Cambridge. Three of these, apart from AVEVA, where at various times he was Chairman, obtained LSE listings. He also committed considerable time to public service appointments as a director or Governor of Addenbrooke's Hospital; Anglia Polytechnic University and Eastern Arts and is currently Deputy Chairman of Xaar plc; Chairman of Sentec; governor of Norwich School of Art and Design and a trustee of the East Anglian Air Ambulance Trust. He is an Emeritus Fellow of Darwin College in the University of Cambridge.

Richard Longdon, aged 48, Chief Executive

Richard Longdon received an engineering training in the defence industry then gained experience in the project management of high value engineering projects. He moved into sales and held a series of international sales and marketing positions. He joined AVEVA in 1984 and shortly afterwards was made marketing manager for the process products. In January 1992 he relocated to Frankfurt where he was responsible for setting up and running the group's German office. He returned to the UK as part of the management buyout team in 1994 subsequently taking responsibility for the group's worldwide sales and marketing activities before being appointed Managing Director in May 1999. He took over as Group Chief Executive in December 1999.

Paul Taylor FCCA, aged 39, Finance Director and Company Secretary

Paul Taylor joined AVEVA in 1989, he was heavily involved in the flotation process and has been responsible for both UK accounting and the development of its overseas subsidiaries including adherence to group standards. Between 1998 and 2001 Paul was also UK Director of Human Resources and was appointed to the position of Finance Director and Company Secretary of AVEVA Group plc on 1 March 2001. Prior to joining AVEVA, Paul originally trained within the accountancy profession before moving to Philips Telecommunications (UK) where he was responsible for the management accounts of its public sectors division.

David Mann, aged 59, Non-Executive Director and Senior Independent Director

David Mann was educated at Jesus College, Cambridge. He is Non-Executive Chairman of Charteris plc, a business and IT management consultancy, which he established with some colleagues in 1996 and was floated on AIM in 2000. He is also Non-Executive Chairman of Flomerics Group plc (quoted on AIM) and Non-Executive Director of Ansbacher Holdings Ltd and Room Solutions Limited. Prior to setting up Charteris, he spent almost all his career with Logica plc where he became head of worldwide operations, then Group Chief Executive and finally Deputy Chairman. He is a Past President of the British Computer Society and a Past Master of the Worshipful Company of Information Technologists in the City of London.

Colin Garrett ACA, aged 47, Non-Executive Director

Colin Garrett has spent the majority of his career in corporate finance. For the last four years he has been involved, in a non executive capacity, with a number of companies and management teams. Colin is a Non-Executive Director of Intec Business Colleges plc and Sentec Limited. He is also Non-Executive Chairman of 3G Comms Limited, ZBD Displays Limited and Pelikon Limited.

Corporate governance statement

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code.

In addition, the company is currently reviewing the requirements of the New Combined Code, published in July 2003, and intends to adopt relevant changes where possible, to its governance framework during the course of the current financial year.

STATEMENT ABOUT APPLYING THE PRINCIPLES OF GOOD GOVERNANCE

The company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as described above. Further explanation of how the Principles have been applied is set out below and, in connection with directors' remuneration, in the Directors' remuneration report.

BOARD OF DIRECTORS

The executive directors of the group are fully involved in its management at all levels, and its direction and control remains firmly in their hands. The board is fully involved in the nomination, selection and appointment of non-executive and executive directors, although there is no formal written procedure in place.

The board currently comprises the non-executive chairman, two non-executive directors, including the senior independent director, and two executive directors. The board meets at least eight times during the year. It is responsible for the business and commercial strategy of the group, monitoring progress, the approval of major transactions and the approval of the financial statements and operating and capital expenditure budgets. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the company secretary to all directors in advance of board meetings. The chairman ensures that the directors take independent professional advice as required. A nomination committee for board appointments has not been established, because the full board is actively involved in all appointments. All directors are subject to re-election at least every three years.

It is the view of the board that all non-executive directors are independent. The senior independent director is D W Mann.

AUDIT COMMITTEE

The audit committee comprises the three non-executive directors and is chaired by C A Garrett with R A King and D W Mann as members. The committee meets as required to review the scope of the audit and the audit procedures, the format and content of the audited financial statements and interim reports, including their notes and the accounting principles applied. The committee will also review any proposed change in accounting policies and any recommendations from the group's auditors regarding improvements to internal controls and the adequacy of resources within the group's finance function. The audit committee advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The audit committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors.

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The chief executive and the finance director have meetings with representatives of institutional shareholders at least twice annually. These meetings seek to build a mutual understanding of objectives by discussing long-term issues and obtaining feedback. All shareholders are encouraged to participate in the company's Annual General Meeting.

INTERNAL CONTROL

The board has applied Principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the group faces. The board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with Internal Control: "Guidance for Directors on the Combined Code" published in September 1999. The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance with respect to the preparation of financial information and the safeguarding of assets and against material misstatement or loss.

In compliance with Provision D.2.1 of the Combined Code, the board continuously reviews the effectiveness of the group's system of internal control. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The board has also performed a specific assessment for the purpose of this annual report. This assessment considered all significant aspects of internal control arising during the period covered by the report. The audit committee assists the board in discharging its review responsibilities.

The board has considered the requirement to have an internal audit function and given the group's relative size, does not consider one necessary at this point but will continue to monitor this going forward.

Directors’ remuneration report

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors’ remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements of the company will be approved.

The Regulations require the auditors to report to the company members on the ‘auditable part’ of the Directors’ remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The remuneration committee’s principal responsibility is to determine the remuneration of both the company’s executive directors and its senior management within broad policies agreed with the board. In addition it reviews the remuneration policy for the company as a whole. The remuneration of the non-executive directors is determined by the executive directors, not the committee.

The committee comprises a Chairman (D W Mann) and two non-executive directors (R A King and C A Garrett). The Chief Executive (R Longdon) is invited to submit recommendations to the committee and both he and the members of the committee take into consideration relevant external market data as well as the reviews of remuneration for employees of the group generally.

REMUNERATION POLICY

The committee aims to ensure that members of the executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. It also aims for a combination of fixed and variable payments, benefit and share option plans that will achieve a balance in incentives to achieve short and long-term goals.

BASIC SALARIES

In determining the basic salary of each executive director the committee takes account of the performance of the company as a whole and the performance of the individual in achieving financial and non-financial goals within his areas of responsibility.

BONUS PAYMENTS

The executive directors participate in annual performance-related bonus schemes determined by the committee. The schemes are based substantially or entirely on the performance of the company as a whole; part may be based on the achievement of personal objectives. In the year ended 31 March 2004 bonuses of £10,000 and £6,000 were paid to R Longdon and P R Taylor in respect of achievement of the group’s performance for the six months to 30 September 2003. The performance targets for the year ended 31 March 2004 were not achieved and therefore no further bonuses were payable. For the year ending 31 March 2005 there will be a cap on the bonus that an executive director can earn under the scheme and the maximum cap will be 60% of basic salary.

SHARE OPTIONS

The committee considers that periodic grants of share-related incentives should constitute an important element of the remuneration of the company’s senior executives, in line with common practice in competitive companies. However there was very little scope for providing such incentives via the company’s existing share option scheme and no options were granted to executive directors during the year ended 31 March 2004. Following discussions with and approval from shareholders, a Long Term Incentive Plan (LTIP) was established by the company subsequent to the year end and the dilution limits under the existing share option scheme were extended. The key rules under the LTIP are as follows:

The options will be granted at a price equal to the nominal value of an ordinary share which is 10p and will be subject to condition of exercise. The extent to which options will be capable of exercise will depend on the extent to which the condition of exercise has been satisfied. The condition of exercise will be based on the ranking of the company in terms of its total shareholder return measured against other companies in a relevant London Stock Exchange index such as the techMARK 100 index. The option will ‘vest’ in accordance with the following scale:

Total shareholder return ranking	*Percentage vesting of shares subject to option*
75 per cent and above	100 per cent
Median to 75 per cent	Pro rata on a straight line basis
Median	33 per cent
Below median	Nil

The condition of exercise will be measured over a period of at least three years. There will be no retesting of the condition of exercise. It is the intention of the remuneration committee to grant options under the LTIP during the year ending 31 March 2005.

Although it is the intention of the remuneration committee that options granted under the LTIP will be subject to the condition of exercise as described above for the year ending 31 March 2005, the remuneration committee will take note of practical experience, professional advice, market trends and investor feedback in determining the condition of exercise to be applied for option grants in subsequent years.

SERVICE CONTRACTS

The service contracts and letters of appointment of the directors include the following terms:

	Date of Contract	Date of Appointment	Notice Period (months)
R A King	28 November 1996	28 November 1996	3
A D Christian	7 April 1998	1 May 1999	9
C A Garrett	14 July 2000	1 August 2000	3
R Longdon	28 November 1996	28 November 1996	12
D W Mann	17 May 2000	8 June 1999	3
P R Taylor	17 October 1989	1 March 2001	9

The committee considers that the notice periods of the executive directors are in line with those in other companies of a similar size and nature and are in the best interests of the group to ensure stability in senior management. The non-executive and executive directors retire at any Annual General Meeting where they are so required by the Articles of Association, accordingly their contracts have no set termination date.

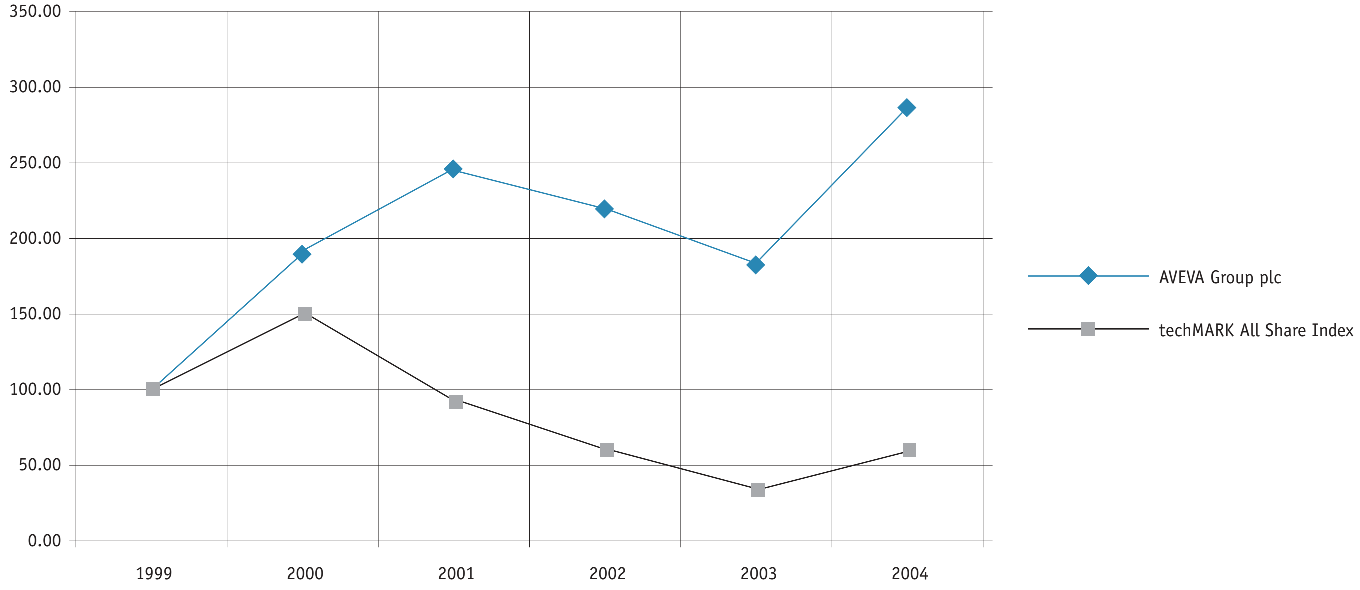
There are no predetermined special provisions for executive or non-executive directors with regard to compensation in the event of loss of office. The remuneration committee would be responsible for considering the circumstances of the early termination and in exceptional circumstances will determine compensation payments in excess of the company's contractual obligations.

Directors' remuneration report

(continued)

PERFORMANCE GRAPH

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the techMARK All Share Index.



The directors consider the techMARK All Share Index to be an appropriate choice as the index includes the group.

AUDITED INFORMATION

DIRECTORS' REMUNERATION

The total amounts for directors' emoluments and other benefits were as follows:

Name of director	Basic salary £000	Fees £000	Bonus £000	Benefits in kind £000	Compensation for loss of office £000	2004 Total £000	2003 Total £000
Non-executive							
R A King	-	32	-	-	-	32	32
J R F Fairbrother*	-	-	-	-	-	-	6
C A Garrett	-	20	-	-	-	20	20
D W Mann	-	20	-	-	-	20	20
Executive							
A D Christian*	48	-	-	5	135	188	160
R Longdon	210	-	10	19	-	239	193
P R Taylor	133	-	6	17	-	156	132
Aggregate emoluments	391	72	16	41	135	655	563

*Remuneration shown up to date of resignation from the board on 31 July 2003.

The remuneration of each executive director includes the provision of a company car, or allowance, and a fuel allowance.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors.

SHARE OPTIONS

The interests of directors in options to acquire ordinary shares were as follows:

Name	As at 1 April 2003	Granted	Exercised	Lapsed	As at 31 March 2004	Gain on exercise	Exercise price exercise	Earliest date of exercise	Date of expiry
	Number	Number	Number	Number	Number	£			
A D Christian	150,000	-	150,000	-	-	225,000	272.5p	01.06.01	31.05.05
	50,000	-	-	50,000	-	-	524.7p	19.01.04	18.01.08
	200,000	-	150,000	50,000	-				
R Longdon	100,000	-	-	-	100,000	225,000	524.7p	19.01.04	18.01.08
P R Taylor	3,000	-	3,000	-	-	12,588	50.4p	27.11.99	28.11.03
	3,000	-	3,000	-	-	8,100	200.0p	24.05.00	23.05.04
	23,000	-	23,000	-	-	66,884	179.2p	16.03.02	15.03.06
	71,000	-	-	-	71,000	-	524.7p	19.01.04	18.01.08
	100,000	-	29,000	-	71,000	87,572			

The market price as at 31 March 2004 was 507.5p with a high-low spread for the year of 532.5p to 314.5p.

The aggregate gain on exercise of options by directors for the year ended March 31 2004 was £312,572 (2003: £nil).

The options are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant. All options except for those at 50.4p are subject to performance conditions, which require earnings per share to outperform RPI (utilisation) by a total of 10% over a three-year rolling period. The share option rules were established at the time of the company's initial public offering in 1996 and the performance conditions set were commonly used at that time. The board monitors whether the performance conditions have been achieved on an annual basis using a formula which is set out within the rules. The options which have an exercise price of 50.4p were granted when the group was privately owned and therefore were not subject to the earnings per share performance condition.

PENSIONS

During the year, three directors, (R Longdon, A D Christian and P R Taylor) were members of the AVEVA Solutions Limited's defined benefit pension scheme. It is a contributory, funded, final salary occupational pension scheme approved by the Inland Revenue. Under this scheme they are entitled to a pension on normal retirement, or on retirement due to ill health, equivalent to two-thirds of their pensionable salary provided they have completed (or would have completed in the case of ill-health) 25 years' service. Inland Revenue earnings limits apply to A D Christian and P R Taylor when calculating final salary. During the year, R Longdon's salary for pension purposes was capped at £175,000. Future calculations of pension entitlement will be based upon the capped salary plus increases in line with those applicable to Inland Revenue limits. A lower pension is payable on earlier retirement after the age of 50 by agreement with the company. Pensions are payable to dependants on the director's death in retirement and a lump sum is payable if death occurs in service.

The following directors had accrued entitlements under the pension scheme as follows:

	Accumulated accrued pension at 31 March 2004	Accumulated accrued pension at 31 March 2003	Increase in accrued pension during year	Increase in accrued pension during the year, after removing the effects of inflation	Transfer value of increase, after removing the effects of inflation, less directors' contributions
	£	£	£	£	£
A D Christian	13,390	12,530	860	510	3,160
R Longdon	92,560	87,890	4,670	2,210	11,040
P R Taylor	28,990	25,870	3,120	2,400	9,390

The transfer value as at date of retirement of each directors' accrued benefits at the end of the financial year is as follows:

	31 March 2004	31 March 2003	Movement, less directors' contributions
	£	£	£
A D Christian*	127,400	113,160	12,520
R Longdon	705,430	768,480	(72,240)
P R Taylor	158,880	151,840	1,840

* A D Christian left the scheme and became a deferred member as at 31 July 2003.

The pension entitlement shown is that which would be paid annually on retirement based on the service to the end of the year.

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 (and are net of directors' own contributions). Members of the scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.

High Cross
Madingley Road
Cambridge
CB3 0HB

By order of the Board,

P R Taylor
Secretary

19 May 2004

Statement of directors' responsibilities

FINANCIAL STATEMENTS, INCLUDING ADOPTION OF GOING CONCERN BASIS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

OTHER MATTERS

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVEVA GROUP PLC

We have audited the financial statements of AVEVA Group plc for the year ended 31 March 2004 which comprise the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated balance sheet, Company balance sheet, Consolidated cash flow statement and the related notes numbered 1 to 27. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of directors' responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Director's remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, Chief Executive's review, Financial review, Directors' report, Board of directors, unaudited part of the Directors' remuneration report and Corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of the profit of the group for the year then ended; and

- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge

19 May 2004

Consolidated profit and loss account

For the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Turnover	2	38,113	36,008
Cost of sales		(12,588)	(13,047)
Gross profit		25,525	22,961
Other operating expenses	3	(19,388)	(17,343)
Operating profit		6,137	5,618
Interest receivable		61	53
Interest payable and similar charges	4	(89)	(91)
Profit on ordinary activities before taxation	5	6,109	5,580
Tax on profit on ordinary activities	7	(2,199)	(1,922)
Profit on ordinary activities after taxation, being profit for the financial year	21	3,910	3,658
Dividends paid and proposed on equity shares	8	(1,019)	(955)
Retained profit for the year		2,891	2,703
Basic earnings per share	9	22.63p	21.46p
Diluted earnings per share	9	22.42p	21.24p

The accompanying notes are an integral part of this consolidated profit and loss account.

All results are derived from continuing activities.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2004

	2004	2003
	£000	£000
Profit for the financial year	3,910	3,658
Translation loss arising on consolidation	(837)	(437)
Total recognised gains and losses recognised since last annual report	3,073	3,221

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

31 March 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Goodwill	10	1,313	1,580
Other intangible assets	10	1,977	2,329
Tangible assets	11	5,046	4,674
		8,336	8,583
Current assets			
Stocks	13	217	758
Debtors	14	18,830	15,772
Cash at bank and in hand		8,713	5,129
		27,760	21,659
Creditors: Amounts falling due within one year	15	(14,150)	(11,076)
Net current assets		13,610	10,583
Total assets less current liabilities		21,946	19,166
Creditors: Amounts falling due after more than one year	16	(41)	(112)
Provisions for liabilities and charges	18	(335)	(472)
Net assets		21,570	18,582
Capital and reserves			
Called-up share capital	19	1,747	1,705
Share premium account	20	8,210	7,318
Profit and loss account	20	11,613	9,559
Shareholders' funds – all equity	21	21,570	18,582

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

Company balance sheet

31 March 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Investments	12	7,205	7,205
Current assets			
Debtors	14	4,369	3,439
Cash at bank and in hand		52	15
		4,421	3,454
Creditors: Amounts falling due within one year	15	(699)	(647)
Net current assets		3,722	2,807
Total assets less current liabilities, being net assets		10,927	10,012
Capital and reserves			
Called-up share capital	19	1,747	1,705
Share premium account	20	8,210	7,318
Profit and loss account	20	970	989
Shareholders' funds – all equity		10,927	10,012

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

The financial statements were approved by the Board of Directors on 19 May 2004 and signed on its behalf by:

R A King

Directors

R Longdon

19 May 2004

Consolidated cash flow statement

For the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	22	7,880	3,232
Returns on investments and servicing of finance	23	(28)	(38)
Taxation	23	(2,006)	(2,123)
Capital expenditure and financial investment	23	(1,594)	(1,735)
Equity dividends paid		(967)	(922)
Cash inflow / (outflow) before financing		3,285	(1,586)
Financing	23	832	(11)
Increase / (decrease) in cash in the year	24	4,117	(1,597)

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

Notes to the financial statements

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The group financial statements consolidate the financial statements of AVEVA Group plc and its subsidiary undertakings made up to 31 March each year. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Where the company does not hold a majority shareholding in an investee company, but the directors consider that dominant influence is exercised over its operating and financial policies, the investee company will be treated as a subsidiary for the purposes of consolidation.

No profit and loss account is presented for AVEVA Group plc as provided by Section 230 of the Companies Act 1985.
The company's profit after taxation for the financial year, determined in accordance with the Act, was £1,000,000 (2003 – £1,000,000).

c) Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life.

Goodwill arising on acquisitions in the year ended 31 March 1998, and earlier periods, was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Purchased software rights are capitalised at cost and amortised on a straight line basis over their estimated useful lives.

The carrying value of goodwill and intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

d) Research and development

Research and development expenditure is written off in the year of expenditure.

1 ACCOUNTING POLICIES *(continued)*

e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The group has taken advantage of the transitional provisions of FRS15 Tangible Fixed Assets and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued in 1994 and the valuations have not subsequently been updated.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	-	25%	per annum
Fixtures and fittings and office equipment	-	12–15%	per annum
Motor vehicles	-	25%	per annum

Leasehold buildings are amortised on a straight-line basis over the period of the lease or useful economic life if shorter. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

f) Investments

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

g) Taxation

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1 ACCOUNTING POLICIES *(continued)*

h) Pension costs

The defined benefit pension scheme, previously available to all UK employees was closed to new applicants during the year. UK employees are now offered membership of a defined contribution scheme after a qualifying period. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effect of variations from regular cost is spread over the expected average remaining service lives of current members of the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.
The group also operates a defined contribution pension scheme for a number of non-UK employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i) Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or where appropriate at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas subsidiary undertakings are translated at the average exchange rate during the year, and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas subsidiary undertakings are dealt with through reserves.

j) Turnover

Turnover comprises fees in respect of initial and extension licences, annual licences, and rentals together with income from consultancy and other related services (excluding VAT and similar taxes).

For each revenue stream, no revenue is recognised unless and until:

- a clear contractual arrangement can be evidenced;
- delivery has been made in accordance with that contract;
- if required, contractual acceptance criteria have been met; and
- the fee has been agreed and collectability is probable.

Users can pay an initial licence fee upon installation for a set number of users followed by an obligatory annual fee on each anniversary of installation. Additional users can be licensed at any time on payment of an extension fee similar to the initial and annual fees. The fees cover right to use and post contract support which includes core product enhancements and remote support services.

The fees related to the right to use are recognised once the above conditions have been met. Post contract support fees are recognised ratably over the period of the contract.

As an alternative to the initial/extension licence plus annual fee model, the group also supplies its software under two different types of rental contract.

Rentals which are invoiced monthly and which are cancellable by the customer are recognised on a monthly basis.

Other rental contracts are invoiced at the start of the contracted period, are non-cancellable and consist of two separate components, the right to use and post contract support. Revenue in respect of the right to use is recognised once the above conditions have been met and revenue for post contract support is recognised ratably over the period of the contract.

1 ACCOUNTING POLICIES *(continued)*

j) Turnover (continued)

Income from consultancy and other related services is recognised as the services are provided.
The group has revised its revenue recognition policy, as described above, in view of the Amendment to FRS5 'Reporting the substance of transactions: Revenue Recognition', which was issued in November 2003. This revision has had no material impact on the reported results of the group.

k) Leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Where fixed assets are financed by leasing arrangements which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

l) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the group's financial statements.

m) Long-term contracts

Cumulative costs incurred net of amounts transferred to costs of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

2 TURNOVER

A geographical analysis of turnover by destination is set out below:	2004 £000	2003 £000
United Kingdom	3,458	6,346
Rest of Europe, Middle East and Africa	16,073	11,029
Americas	9,862	10,102
Asia Pacific	8,720	8,531
	38,113	36,008

No further geographical segmental analysis is given as, in the opinion of the directors, disclosure of this information would be seriously prejudicial to the interests of the group.

3 OTHER OPERATING EXPENSES

	2004	2003
	£000	£000
Selling costs	14,367	12,658
Administrative expenses	5,021	4,685
	19,388	17,343

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£000	£000
Bank interest payable and similar charges	89	91

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging / (crediting):

	2004	2003
	£000	£000
Depreciation of owned tangible fixed assets	1,025	1,012
Depreciation of tangible fixed assets held under finance leases	102	30
Amortisation of purchased software rights	352	352
Amortisation of goodwill	267	267
Auditors' remuneration		
- audit (current auditors)	216	209
- audit (previous auditors)	-	18
- non-audit (current auditors)	201	89
- non-audit (previous auditors)	19	35
Research and development costs	6,858	5,933
Operating lease rentals		
- land and buildings	924	936
- plant and machinery	266	284
Loss/(profit) on disposal of tangible fixed assets	7	(4)

6 STAFF COSTS

Particulars of employees (including executive directors) are shown below:

	2004	2003
	£000	£000
Wages and salaries	12,895	12,479
Social security costs	1,717	1,532
Other pension costs	1,601	1,465
	16,213	15,476

The average monthly number of persons (including executive directors) employed by the group was as follows:

	2004	2003
	Number	Number
Research, development and product support	102	100
Sales, marketing and customer support	156	166
Administration	68	64
	326	330

Directors' remuneration

The disclosure of individual directors' remuneration and interests required by the Companies Act 1985 and those specified for audit by the Listing Rules of the Financial Services Authority are shown in the Directors' remuneration report on pages 11 to 14 and form part of these financial statements.

Notes to the financial statements
(continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2004 £000	2003 £000
UK corporation tax	945	604
Adjustments in respect of prior periods	115	(255)
	1,060	349
Foreign Tax	1,243	1,643
Adjustments in respect of prior periods	33	(9)
Total current tax	2,336	1,983
Deferred tax		
Origination and reversal of timing differences (note 18)	(137)	(61)
Total tax on profit on ordinary activities	2,199	1,922

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

	2004 £000	2003 £000
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2003 – 30%)	1,833	1,674
Effects of:		
Expenses not deductible for tax purposes	86	103
UK research & development tax credit	(125)	-
Capital allowances in excess of depreciation	111	-
Other timing differences	16	(56)
Higher tax rates on overseas earnings	254	371
Unrelieved tax losses	13	155
Adjustments in respect of prior years	148	(264)
Group current tax charge for period	2,336	1,983

The group's tax rate is higher than the UK tax rate because a significant proportion of its profits are earned overseas and are subject to higher rates of tax. This is expected to continue for the foreseeable future.

8 DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES

	2004	2003
	£000	£000
Interim dividend paid of 1.8p (2003 – 1.8p) per ordinary share	320	308
Final dividend proposed of 4.0p (2003 – 3.8p) per ordinary share	699	647
	1,019	955

9 EARNINGS PER SHARE

The calculations of earnings per share are based on the profit after tax for the year of £3,910,000 (2003 – £3,658,000) and the following weighted average numbers of shares:

	2004	2003
	Number	Number
For basic earnings per share	17,281,707	17,042,245
Employee share options	156,687	180,540
For diluted earnings per share	17,438,394	17,222,785

10 INTANGIBLE FIXED ASSETS

Group	Purchased software rights £000	Goodwill £000
Cost		
At 1 April 2003 and 31 March 2004	3,523	2,669
Amortisation		
At 1 April 2003	1,194	1,089
Charge for the year	352	267
At 31 March 2004	1,546	1,356
Net book value		
At 1 April 2003	2,329	1,580
At 31 March 2004	1,977	1,313

Purchased software rights arose on the acquisition of the products 'Vantage Project Resource Management' for £1,700,000 on 13 September 1999 and 'Vantage Plant Engineering' for £1,500,000 on 2 December 1999. On 7 September 2000, the group acquired OPE software for £323,000.

Purchased goodwill arose on the acquisition of rights to integrate, develop and market 3D design software from AEA Technology on 30 March 1999. The initial cost of goodwill was £2,169,000.

In addition, on 12 November 1998 AVEVA agreed to acquire from the distributor Kyokuto Boeki Kaisha all AVEVA's business in Japan. The goodwill arising on acquisition was £500,000.

All intangible assets are being amortised over their useful economic life of ten years.

The company had no intangible fixed assets in either year.

11 TANGIBLE FIXED ASSETS

Group	Long leasehold land and buildings £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 April 2003	2,375	6,694	2,177	341	11,587
Additions	706	506	382	169	1,763
Disposals	-	(210)	(64)	(56)	(330)
Exchange adjustment	-	(120)	(82)	(52)	(254)
At 31 March 2004	3,081	6,870	2,413	402	12,766
Depreciation					
At 1 April 2003	201	5,466	1,093	153	6,913
Charge for the year	63	607	366	91	1,127
Disposals	-	(61)	(64)	(29)	(154)
Exchange adjustment	-	(88)	(52)	(26)	(166)
At 31 March 2004	264	5,924	1,343	189	7,720
Net book value					
At 1 April 2003	2,174	1,228	1,084	188	4,674
At 31 March 2004	2,817	946	1,070	213	5,046

The net book value of computer equipment includes an amount of £112,000 (2003 - £214,000) in respect of assets held under finance leases.

The company had no tangible fixed assets.

The long leasehold land and buildings were re-valued, on the basis of the open market value for existing use, by Bidwells, Chartered Surveyors, as at 29 July 1994. There was no original historical cost to the group.

12 FIXED ASSET INVESTMENTS

	2004	2003
	Company £000	Company £000
Subsidiary undertakings	7,205	7,205

All subsidiary undertakings have been included in the consolidation.
At 31 March 2004 the parent company and the group had the following investments:

Name of undertaking	Country of incorporation or registration	Principal activity	Description and proportion of shares and voting rights held
AVEVA Solutions Limited*	Great Britain	Software development and marketing	100% ordinary shares of £1 each
AVEVA Inc.	USA	Software marketing	100% common stock of US$1 each
AVEVA GmbH	Germany	Software marketing	100% ordinary shares of Euros 25,565 each
AVEVA SA	France	Software marketing	100% ordinary shares of Euros 30 each
AVEVA East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK$1 each
Cadcentre Property Limited	Great Britain	Holding property	100% ordinary shares of £1 each
Cadcentre Pension Trustee Limited	Great Britain	Trustee company	100% ordinary shares of £1 each
AVEVA Engineering IT Limited	Great Britain	Software marketing	100% ordinary shares of £1 each
AVEVA AS	Norway	Training and consultancy	100% ordinary shares of NOK 500 each
AVEVA KK	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
AVEVA Sendirian Berhad**	Malaysia	Software marketing	49% ordinary shares of MYR1 each
AVEVA Asia Pacific Sendirian Berhad	Malaysia	Software marketing	100% ordinary shares of MYR1 each
AVEVA Korea Limited	Korea	Software marketing	100% ordinary shares of KRW500,000 each
AVEVA Managed Services Limited	Great Britain	Consulting & support services	100% ordinary shares of £1 each
Cadcentre Limited*	Great Britain	Consulting & support services	100% ordinary shares of £1 each
AVEVA Consulting Limited*	Great Britain	Consulting & support services	100% ordinary shares of £1 each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of 10 Rupee each
Cadcentre Engineering IT Limited	Great Britain	Software marketing	100% ordinary shares of £1 each
AVEVA Pty Limited	Australia	Software marketing	100% ordinary shares of AUD$1 each

*All subsidiaries except AVEVA Solutions Limited, AVEVA Consulting Limited and Cadcentre Limited are indirectly owned.

** AVEVA Sendirian Berhad has been consolidated on the basis that the Group exercises dominant influence over its financial and operating policies under the terms of the shareholders' agreement.

13 STOCKS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Net cost	217	-	758	-

14 DEBTORS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year:				
Trade debtors	14,391	-	13,465	-
UK corporation tax receivable	-	-	823	-
Amounts owed by group undertakings	-	4,369	-	3,439
Prepayments	4,127	-	1,293	-
Accrued income	312	-	191	-
	18,830	4,369	15,772	3,439

Included within prepayments are professional fees of £2,582,000 which relate to the acquisition of Tribon Solutions AB, which was acquired subsequent to the year-end (see note 27). Of these fees, £90,000 had been paid before the year-end.

In the 2003 comparatives an amount of £472,000 relating to withholding tax has been reclassified from prepayments to UK corporation tax receivable.

15 CREDITORS

Amounts falling due within one year

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Bank overdraft	-	-	199	-
Obligations under finance leases	71	-	102	-
Trade creditors	796	-	1,042	-
UK corporation tax payable	292	-	-	-
Foreign tax	469	-	1,254	-
Social security, PAYE and VAT	1,194	-	791	-
Other creditors	98	-	55	-
Accruals	4,529	-	1,278	-
Deferred income	6,002	-	5,708	-
Proposed dividend	699	699	647	647
	14,150	699	11,076	647

Included within accruals is an amount of £2,492,000 for professional fees which relate to the acquisition of Tribon Solutions AB, which was acquired subsequent to the year-end (see note 27).

16 CREDITORS

Amounts falling due after more than one year

	2004		2003	
	Group	Company	Group	Company
	£000	£000	£000	£000
Obligations under finance leases, due within one to two years (note 17)	41	-	112	-

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The disclosures in this note deal with financial assets and financial liabilities as defined in FRS13 'Derivatives and other financial instruments: Disclosures'. Certain financial assets such as investments in subsidiaries are excluded from the scope of these disclosures.

The group's financial instruments comprise cash and liquid resources, and various items, such as trade debtors and trade creditors, that arise directly from its operations. As permitted by FRS13, short-term debtors and creditors have also been excluded from the disclosures (except as indicated below).

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

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing such risks on a regular basis as summarised below.

Interest rate and liquidity risks

The group holds net funds, and hence its interest rate risk and liquidity risk are associated with short-term cash deposits. The group's overall objective with respect to holding these deposits is to maintain a balance between accessibility of funds and competitive rates of return. In practice this has meant that no deposits have been made with a maturity date greater than three months in the course of the year.

Foreign currency risk

Foreign currency risk arises from the group undertaking a significant number of foreign currency transactions in the course of operations. Where such transactions are material, the board has a policy of entering into foreign currency contracts or currency matching to help manage currency risk. The group's objectives in managing the currency exposure arising from its net investments overseas are to maintain a low cost of borrowing, and to retain some potential for currency related appreciation, while partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the consolidated statement of total recognised gains and losses.

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

Interest rate profile

The group has financial assets denominated in both sterling and foreign currency deposits.
These comprise cash balances, overdrafts and deposits at short-term rates.

	2004 Floating rate financial assets	2004 Financial assets on which no interest is earned	2004 Total	2003 Floating rate financial assets	2003 Financial assets on which no interest is earned	2003 Total
	£000	£000	£000	£000	£000	£000
Sterling	721	-	721	(149)	-	(149)
US Dollar	1,060	-	1,060	1,104	-	1,104
Euro	3,818	-	3,818	2,214	-	2,214
Japanese Yen	1,466	-	1,466	786	-	786
Norwegian Kroner	151	-	151	139	-	139
Korean Won	904	-	904	801	-	801
Malaysian Ringgit	246	-	246	128	-	128
Indian Rupee	180	-	180	43	-	43
Australian Dollar	71	-	71	-	-	-
Swedish Kroner	-	25	25	-	17	17
Hong Kong Dollar	-	35	35	-	28	28
Other currencies	-	36	36	-	18	18
Total	8,617	96	8,713	5,066	63	5,129

Interest rate profile of financial liabilities

	2004 Floating rate	2004 Fixed rate	2004 Total	2003 Floating rate	2003 Fixed rate	2003 Total
	£000	£000	£000	£000	£000	£000
Sterling	-	112	112	199	214	413

The floating rate financial liability for 2003 comprised a bank overdraft facility bearing interest at 5.54%.The fixed rate financial liability comprises two finance leases with weighted average interest rate of 12% (2003: 12%).

The maturity profile of the group's financial liabilities is as follows:

	2004	2003
	£000	£000
In one year or less, or on demand	71	301
Between one and two years	41	112
Between two and three years	-	-
	112	413

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

Currency exposures

The table below shows the group's transactional currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the functional currency of the operating unit. As at 31 March 2004 and 31 March 2003 these exposures (including those arising on short term debtors and creditors) were as follows:

Functional currency of group operation	US $	Euro	SNG$	AUS$	Total
2004					
Sterling (£000)	1,188	418	-	-	1,606
Malaysian Ringgit (MYR 000's)	118	-	7	48	173
2003					
Sterling (£000)	2,329	358	-	-	2,687
Malaysian Ringgit (MYR 000's)	50	-	-	-	50

Borrowing facilities

The group had undrawn committed borrowing overdraft facilities at 31 March 2004 of £1,500,000 (2003 - £1,500,000) in respect of which all conditions precedent had been met. The group has agreed bank facilities of £6,000,000 subsequent to the year-end to manage short-term working capital requirements following the acquisition of Tribon (note 27).

Fair values

The book values of the group's financial assets and liabilities consist of cash of £8,713,000 (2003 - £5,129,000), overdraft of £nil (2003 – £199,000) and finance leases of £112,000 (2003 - £214,000).

There is no material difference between the book value and fair value of the group's financial instruments in the current or the preceding year.

Gains and losses on hedges

The group enters into forward foreign currency contracts to minimise the currency exposures that arise on sales denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedge position matures. No material unrecognised gains or losses on hedged financial instruments existed at 31 March 2004 or 31 March 2003.

As at 31 March 2004 there were forward contracts in the UK to sell US $1,500,000 and €1,000,000 on 30 June 2004, and to sell US $1,000,000 and €1,000,000 on 30 September 2004. These contracts hedged US dollar cash and short term deposits of US $363,000 and US dollar debtors of US $1,821,099 held in the UK at that date, and also Euro cash and short term deposits of €3,000 and Euro debtors of €623,000. The balance of the forward contracts was held to hedge US Dollar and Euro income expected to arise from recurring revenues over the period to 30 September 2004. The directors consider these to qualify for hedge accounting since the following criteria are met:

- the instruments are related to foreign exchange existing assets or probable future income whose characteristics have been identified;
- they involve the same currency as the hedged item; and
- they reduce the risk of foreign currency exchange movements to the group operations.

18 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax	Group
	£000
At 1 April 2003	472
Released during year	(137)
At 31 March 2004	335

	Provided		Unprovided	
	2004	*2003*	*2004*	*2003*
	£000	£000	£000	£000
Accelerated capital allowances	365	480	-	-
Short term timing differences	(30)	(8)	-	-
Tax losses	-	-	(13)	(155)
	335	472	(13)	(155)

In addition, if the long leasehold property were to be sold at its current net book value, a tax liability of up to £269,000 (2003 – £270,000) may arise. No provision has been made for this liability as there is no intention to dispose of the property. If the property were to be sold in the future, the tax liability would probably be mitigated or deferred by available reliefs.

The company has no deferred tax liability.

19 CALLED-UP SHARE CAPITAL

	Group and company	
	2004	2003
	£000	£000
Authorised		
22,000,000 ordinary shares of 10p each	2,200	2,200
Allotted, called-up and fully paid		
17,470,300 (2003 – 17,047,150) ordinary shares of 10p each	1,747	1,705

During the year 423,150 ordinary shares with a nominal value of £42,315 were issued following the exercise of employee share options of 1,200 at an exercise price of 395.0p per share, 14,200 at an exercise price of 342.5p per share, 70,000 at an exercise price of 309.5p per share, 150,000 at an exercise price of 272.5p per share, 85,700 at an exercise price of 200.0p per share, 25,400 at an exercise price of 179.2p per share and 76,650 at an exercise price of 50.4p per share. This resulted in proceeds of £934,323 including a premium of £892,008.

19 CALLED-UP SHARE CAPITAL *(continued)*

Share options

Share options have been granted to certain employees of the group and remain outstanding as follows:

Date of Grant	Number of options	Exercise price (p)
13 June 1997	25,000	230.0
16 March 1998	17,750	395.0
16 March 1999	5,400	179.2
10 January 2000	30,000	309.5
30 March 2000	45,550	342.5
31 August 2000	10,000	491.8
19 January 2001	357,300	524.7
12 July 2001	108,700	479.5
6 August 2001	25,000	463.3

These options are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant.

20 RESERVES

Group	Share premium account £000	Profit and loss account £000
At 1 April 2003	7,318	9,559
Profit for the year	-	3,910
Dividends	-	(1,019)
Translation arising on consolidation	-	(837)
Share issues	892	-
At 31 March 2004	8,210	11,613

Included within profit and loss account reserves is goodwill of £3,934,000 which was directly eliminated against reserves in 1995 (2003: £3,934,000).

20 RESERVES *(continued)*

Company	Share premium account £000	Profit and loss account £000
At 1 April 2003	7,318	989
Share issues	892	-
Profit for the year	-	1,000
Dividends	-	(1,019)
At 31 March 2004	8,210	970

21 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Profit for the financial year	3,910	3,658
Other recognised gains and losses relating to the year	(837)	(437)
	3,073	3,221
Dividends paid and proposed on equity shares	(1,019)	(955)
New shares issued	934	19
Net addition to shareholders' funds	2,988	2,285
Opening shareholders' funds	18,582	16,297
Closing shareholders' funds	21,570	18,582

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £000	2003 £000
Operating profit	6,137	5,618
Depreciation and amortisation charges	1,746	1,661
Loss/(profit) on disposal of fixed assets	7	(4)
Decrease in stocks	541	200
Increase in debtors	(4,677)	(2,798)
Increase/(decrease) in creditors	4,126	(1,445)
Net cash inflow from operating activities	7,880	3,232

23 ANALYSIS OF CASH FLOWS

	2004 £000	2003 £000
Returns on investments and servicing of finance		
Interest received	61	53
Interest paid	(89)	(91)
Net cash outflow	(28)	(38)
Taxation		
UK corporation tax received/(paid)	55	(1,597)
Foreign tax paid	(2,061)	(526)
Net cash outflow	(2,006)	(2,123)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,763)	(1,793)
Proceeds from sale of tangible fixed assets	169	58
Net cash outflow	(1,594)	(1,735)
Financing		
Issue of ordinary share capital	934	19
Capital element of finance lease rental payments	(102)	(30)
Net cash inflow / (outflow)	832	(11)

24 ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 April 2003 £000	Cash flow £000	Exchange differences £000	31 March 2004 £000
Cash at bank and in hand	5,129	3,918	(334)	8,713
Bank overdraft	(199)	199	-	-
Cash	4,930	4,117	(334)	8,713
Finance leases	(214)	102	-	(112)
Net funds	4,716	4,219	(334)	8,601

24 ANALYSIS AND RECONCILIATION OF NET FUNDS *(continued)*

	2004	2003
	£000	£000
Increase /(decrease) in cash in the year	4,117	(1,597)
Cash outflow from decrease in lease financing	102	30
Change in net funds resulting from cash flows	4,219	(1,567)
New finance leases	-	(244)
Currency translation differences	(334)	171
Movement in net funds in year	3,885	(1,640)
Net funds at start of the year	4,716	6,356
Net funds at end of the year	8,601	4,716

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Pension arrangements

SSAP24 Disclosures

The group operates a defined benefit pension plan providing benefits based on final pensionable pay. This scheme was closed to new employees on 30 September 2003. 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 independent professionally qualified actuary at rates which are calculated to be sufficient to meet the future liabilities of the scheme. The employees' contributions are fixed as a percentage of salary, the balance being made up by the employer.

The most recent actuarial valuation was carried out as at 1 April 2001 using the projected unit method.

The assets of the scheme were taken into account at a smoothed market value. Consistent with this, the liabilities were valued using financial assumptions derived from yields on index-linked and fixed interest government securities.

The main actuarial assumptions were that:

a) the return on scheme investments would be:
   past service 6.00%
   future service 6.25%
b) salaries would increase by 4.40% per annum
c) pensions in payment would increase by 2.40% per annum.

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS *(continued)*

a) Pension arrangements (continued)

Since the date of the actuarial valuation the group has closed the pension scheme to new entrants (with the option of re-opening if required). The group's actuarial advisers have confirmed that this event is unlikely to have had a significant effect on the position of the fund. Under the projected unit method the current service cost will increase as members approach retirement age.

The deficit identified at the 2001 valuation, amounting to £314,000, is expected to be eliminated over the period to 2018 through increased employer contributions.

The market value of the assets of the scheme was £14,521,000 and the smoothed market value of the assets represented 98% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The pension charge for the defined benefit schemes in the UK amounted to £1,137,000 (2003 – £1,167,000).

The group also operates a defined contribution scheme for UK, US, German, French and Norwegian employees for which the pension charge for the year amounted to £438,000 (2003 – £298,000).

FRS17 Disclosures

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS17 'Retirement benefits' and these are set out below. The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation at 1 April 2001, as updated to 31 March 2004 by a qualified independent actuary, to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 March 2004 and 2003. Scheme assets are stated at their market values at the respective balance sheet dates.

	2004	2003
	%	%
Main assumptions:		
Rate of salary increases	4.75	4.5
Rate of increase of pensions in payment	2.75	2.5
Rate of increase of pensions in deferment	2.75	2.5
Discount rate	5.5	5.5
Inflation assumption	2.75	2.5

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS *(continued)*

a) Pension arrangements (continued)
FRS17 disclosures (continued)

The assets and liabilities of the scheme and the expected rates of return at 31 March 2004 are:

	2004 Long-term rate of return Expected %	2004 Value £000	2003 Long-term rate of return Expected %	2003 Value £000
Equities	6.70	14,300	6.60	10,300
Bonds	3.70	1,500	3.60	1,700
Properties	3.00	700	2.75	600
Total market value of assets		16,500		12,600
Present value of scheme liabilities		(25,000)		(25,000)
Pension liability before deferred tax		(8,500)		(12,400)
Related deferred tax asset		2,600		3,700
Net pension liability		(5,900)		(8,700)

An analysis of the defined benefit cost for the year ended 31 March 2004 is as follows:

	2004 £000	2003 £000
Current service cost	1,400	1,200
Total operating charge	1,400	1,200
Expected return on pension scheme assets	800	1,100
Interest on pension scheme liabilities	(1,400)	(1,200)
Total other finance cost	(600)	(100)
Actual return less expected return on pension scheme assets	2,000	(5,000)
Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities	2,800	(3,400)
Actuarial gain/(loss) recognised in the Statement of total recognised gains and losses	4,800	(8,400)

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS *(continued)*

a) Pension arrangements (continued)
FRS17 disclosures (continued)

Analysis of movements in the deficit during the year:

	2004 £000	2003 £000
At 1 April 2003	(12,400)	(3,900)
Total operating charge	(1,400)	(1,200)
Total other finance cost	(600)	(100)
Actuarial gain/(loss)	4,800	(8,400)
Exchange difference	–	–
Contributions	1,100	1,200
At 31 March 2004	(8,500)	(12,400)

The updated actuarial valuation at 31 March 2004 showed a decrease in the deficit from £12.4 million to £8.5 million. No improvements in benefits were made in the year ended 31 March 2004 and contributions remained at 18.5% of pensionable pay, with members' contributions remaining at 5.25% of pensionable salary. It has been agreed with the trustees that contributions for the next two years will remain at that level.

History of experience gains and loses:

	2004	2003
Difference between expected return and actual return on pension scheme assets:		
– amount (£000)	2,000	(5,000)
– % of scheme assets	12%	(40%)
Experience (losses)/gains arising on scheme liabilities:		
– amount (£000)	-	-
– % of the present value of scheme liabilities	-	-
Total actuarial gain/(loss) recognised in the Statement of total recognised gains and losses:		
– amount (£000)	4,800	(8,400)
– % of the present value of scheme liabilities	19%	(34%)

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS *(continued)*

a) Pension arrangements (continued)
FRS17 disclosures (continued)

Reconciliation of net assets and reserves under FRS17

Net assets - Group	2004	2003
	£000	£000
Net assets as stated in the balance sheet	21,570	18,582
FRS17 defined benefit liabilities	(5,900)	(8,700)
Net assets including defined benefit liabilities	15,670	9,822

Reserves – Group	2004	2003
	£000	£000
Profit and loss reserve as stated in the balance sheet	11,613	9,559
FRS17 defined benefit liabilities	(5,900)	(8,700)
Profit and loss reserve including amounts relating to defined benefit liabilities	5,713	859

b) Lease commitments

At 31 March 2004 the group had annual commitments under non-cancellable operating leases as follows:

Net assets - Group	2004		2003	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	£000	£000	£000	£000
Expiring within one year	416	203	371	138
Expiring between two and five years	104	44	676	116
Expiring in more than five years	327	-	5	-
	847	247	1,052	254

c) Capital commitments

At the end of the year the group and company had capital commitments contracted for but not provided for of £123,000 (2003 - £757,000).

26 RELATED PARTY TRANSACTIONS

There were no transactions with related parties in either year that require disclosure within these financial statements.

27 POST BALANCE SHEET EVENTS

On 21 April 2004 the company signed a conditional agreement to acquire the entire issued share capital of Tribon Solutions AB, a Swedish company which develops, markets and supports software solutions for use in the design and production processes in marine industry all over the world. The total consideration for the acquisition was approximately £19.0 million, approximately £15.0 million of which was satisfied in cash and approximately £4.0 million was satisfied through the issue of 789,655 ordinary shares of 10p each to the vendors.

In order to finance the cash consideration for the acquisition and expenses related thereto, the company has raised approximately £17.2 million, (approximately £14.7 million net of expenses) pursuant to a Placing and Open Offer of 3,645,112 ordinary shares of 10p each.
In addition, the company has also entered into bank facility agreements for the provision of bank facilities amounting up to £6.0 million to support the enlarged group's working capital requirements.

At an Extraordinary General Meeting (EGM) held on 14 May 2004, a special resolution was passed to approve the acquisition and to increase the authorised share capital of the Company from £2,200,000 to £3,000,000 by the creation of 8,000,000 ordinary shares of 10p each.
In addition, the directors were authorised to allot the relevant number of ordinary shares pursuant to the Placing and Open Offer and the acquisition.

Also at the EGM ordinary resolutions were passed to adopt a new Long Term Incentive Plan and to amend the dilution limits of the Cadcentre Group plc Executive Share Option Scheme.

Five year record

	2004	2003	2002	2001	2000
	£000	£000	£000	£000	£000
Summarised consolidated results:					
Turnover	38,113	36,008	31,818	28,100	23,889
Gross profit	25,525	22,961	20,230	19,061	16,007
Operating profit before intangible asset amortisation	6,756	6,237	5,561	5,759	4,643
Intangible asset amortisation	619	619	637	602	404
Operating profit	6,137	5,618	4,924	5,157	4,239
Taxation	2,199	1,922	1,573	1,722	1,388
Profit for the financial year	3,910	3,658	3,365	3,503	2,950
Earnings per share	22.63p	21.46	19.82	20.80	17.72
Total dividend per share	5.8p	5.6p	5.4p	5.4p	5.4p
Summarised consolidated balance sheet:					
Fixed assets	8,336	8,583	8,307	8,652	8,853
Cash and liquid resources	8,713	4,930	6,356	5,620	4,214
Net current assets	13,610	10,583	8,523	5,668	2,224
Shareholders funds: all equity	21,570	18,582	16,297	13,730	10,866

Company information and advisors

Directors	Richard King CBE *Chairman*
	Richard Longdon *Chief Executive*
	Paul Taylor *Finance Director*
	Colin Garrett *Non-executive Director*
	David Mann *Non-executive Director*
Secretary	Paul Taylor
Registered Office	High Cross Madingley Road Cambridge CB3 0HB
Registered Number	2937296
Auditors	Ernst & Young LLP Compass House 80 Newmarket Road Cambridge CB5 8DZ
Bankers	Barclays Bank plc 15 Bene't Street Cambridge CB2 3PZ
Solicitors	Mills & Reeve Francis House 112 Hills Road Cambridge CB2 1PH
Stockbroker and Financial Advisors	Hoare Govett Ltd 250 Bishopsgate London EC2M 4AA
Registrars	Capita Registrars Bourne House 34 Beckenham Road Beckenham, Kent BR3 4TU

FINANCIAL HIGHLIGHTS

	31-Mar-04 £000's	31-Mar-03 £000's	Growth
Profit and loss account highlights			
Turnover			
Recurring revenues	23,000	20,946	10%
Initial licence fees	10,060	9,196	9%
Other sales	5,053	5,866	-14%
Total	38,113	36,008	6%
Europe, Middle East & Africa	19,531	17,375	12%
Asia Pacific	8,720	8,531	2%
Americas	9,862	10,102	-2%
Total	38,113	36,008	6%
Gross profit	25,525	22,961	11%
Gross margin	67.0%	64.0%	
Amortisation of intangible assets	267	267	
software rights	352	352	
Operating profit	6,137	5,618	9%
Operating margin	16.1%	15.6%	
Profit before taxation	6,109	5,580	
Earnings per share – pence	22.63	21.46	
Total dividend per share, paid and proposed – pence	5.8	5.6	
Balance sheet highlights			
Intangible assets and software rights (net)	3,290	3,909	
Cash and liquid resources	8,713	4,930	
Shareholders' funds: all equity	21,570	18,582	

Contents

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- Cambridge, UK
- Dubai
- Frankfurt, Germany
- Genova, Italy
- Guangzhou, China
- Hong Kong
- Houston, USA
- Kil, Sweden
- Kuala Lumpur, Malaysia
- Lyon, France
- Lysaker, Norway
- Manchester, UK
- Osaka, Japan
- Paris, France
- Perth, Australia
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