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AVEVA Group plc Annual report 2009



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Who we are

A FTSE 250 company headquartered in Cambridge, UK, AVEVA is an acknowledged industry leader in engineering software applications. AVEVA's worldwide network of sales and support offices is staffed by experienced professionals with unrivalled depth of knowledge of its customers' industries.

What we do

AVEVA creates and supplies the most powerful software tools available for the engineering, design, construction and lifecycle support of all types of plant and marine assets in the oil & gas, power generation, process plant, minerals processing and shipbuilding industries.

How we do it

Through a combination of pioneering in-house software development, technology acquisition and strategic partnerships, AVEVA continually extends the capabilities of its software solutions to increase its customers' competitive advantage, while simultaneously protecting their investment in engineering data.

Directors' report

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OUR DIVISIONS AND MARKETS AT A GLANCE



AVEVA NET is a powerful information management solution, capable of handling all types of digital information – not just engineering data – to create a complete digital model of a plant or ship. It enables the full exploitation of reliable, up-to-date and fully cross-referenced project and operational information.



AVEVA Plant is the most powerful and comprehensive suite of integrated software solutions available for creating and supporting all types of engineering plant. Whether on complex new-build assets, or the smallest in-service upgrade, AVEVA Plant enables maximum productivity, error-free design, minimum project cost and the most rapid return on investment.



AVEVA Marine is the culmination of AVEVA's largest single development programme, fusing best-in-class shipbuilding and plant engineering software into an unrivalled solution for the design and construction of every type of ship and floating structure.



AMERICAS

AVEVA has a strong customer base in oil & gas throughout North and South America, its potential for business growth being enhanced by deepwater oil reserves off the coasts of the Gulf of Mexico and Brazil. Increasing focus on alternative energy sources is creating a renaissance in nuclear power generation in America; AVEVA is positioned strongly to support this new demand. AVEVA continues to invest in initiatives in the Americas that deliver real competitive advantage, including the marketing of AVEVA NET across a broad range of industries.

AMERICAS GROUP REVENUE

**£24.4m
+37%**



WEMEA

WEMEA represents one of the most established customer bases for AVEVA, with market leading presence in the oil & gas, pulp and paper and naval marine sectors. Over the last twelve months WEMEA has seen significant take up of the AVEVA NET proposition within the oil & gas operations market, a sector that AVEVA expects to see significant growth.

WEMEA GROUP REVENUE

**£26.8m
+2%**



CES

In the CES region, AVEVA has continued to gain ground with 85 new customers this year; in over a third of these AVEVA has replaced direct competitors' products. AVEVA's broad industry base has proved resilient to economic difficulties, with continued strong growth in the power generation sector. Major German shipyards have committed to upgrading to AVEVA Marine, while AVEVA NET continues to attract a growing number of plant Owner Operators. Nuclear power has delivered strong sales in Southern Europe and, with its particularly strong outlook, we expect to achieve continuing growth in this sector.

CES GROUP REVENUE

**£45.8m
+40%**



ASIA PACIFIC

Over 700 major engineering businesses in Asia Pacific now place their trust in AVEVA solutions. Although the region has begun to feel the impact of the global financial upheaval, AVEVA's strength in this important market, and the competitive strengths of its customers, have enabled us to maintain solid business growth in both the Plant and Marine sectors.

AVEVA's sustained growth in the traditionally strong Korean and Japanese shipbuilding markets has been further increased by the adoption of AVEVA Marine solutions by new Chinese shipyards.

ASIA GROUP REVENUE

**£67.1m
+32%**

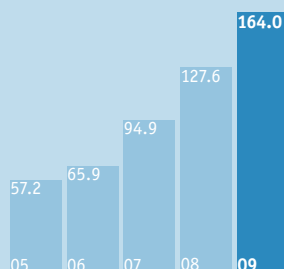
PERFORMANCE

BUILDING ON OUR

HIGHLIGHTS

REVENUE (£M)

£164.0m
+29%



Strong growth in revenue, profit and cash

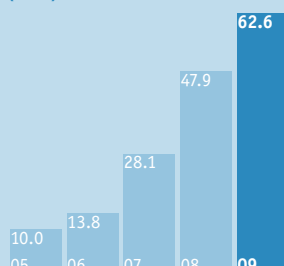
Revenue increased by 29% to £164.0 million (2008 – £127.6 million)

Recurring revenue up 42% to £94.2 million (2008 – £66.1 million) representing 57% (2008 – 52%) of total revenue

Investment in Research and Development up 28% to £27.3 million (2008 – £21.3 million)

ADJUSTED PROFIT BEFORE TAX (£M)

£62.6m
+31%



Adjusted profit before tax increased by 31% to £62.6 million (2008 – £47.9 million)*

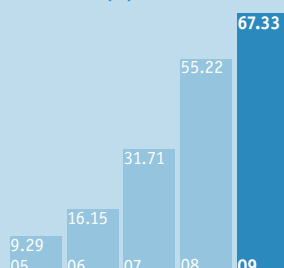
Profit before tax up 32% to £59.2 million (2008 – £45.0 million)

Adjusted basic earnings per share up 22% to 67.33 pence (2008 – 55.22 pence)*

Basic earnings per share up 23% to 62.27 pence (2008 – 50.80 pence)

ADJUSTED BASIC EARNINGS PER SHARE (P)

67.33p
+22%

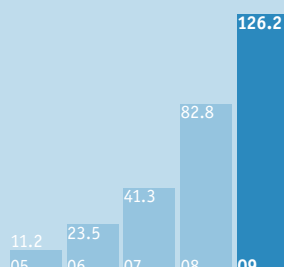


Final dividend increased by 30% to 6.5 pence (2008 – 5.0 pence) bringing the full year dividend to 9.36 pence (2008 – 6.65 pence) – an increase of 41%

Net cash at the year end of £126.2 million (2008 – £82.8 million), an increase of 52%, reflecting continued strong cash generation

NET CASH (£M)

£126.2m
+52%



* Both adjusted profit before tax and adjusted basic earnings per share are before amortisation of intangibles excluding software, share-based payments and adjustment to the carrying value of goodwill

This Annual report contains forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement and save to the extent required by the applicable law or regulation, we do not undertake any obligation to update or renew any forward-looking statement.

CHAIRMAN'S STATEMENT



SUMMARY OF CHAIRMAN'S STATEMENT

Revenue increased by 29% to £164 million.

Adjusted profit before tax increased by 31% to £62.6 million.

R&D investment increased by 28%.

Full year dividend increased by 41%.

Footprint expanded in growth economies.

I am pleased to report that in the year ended March 2009 AVEVA again achieved strong growth in revenue, profit and cash, despite increasing turbulence in many of the Group's end markets.

Key financials

Revenue increased in the year by 29% to £164.0 million (2008 – £127.6 million). Key contributors to this were the levels of growth achieved in our Asia Pacific and Central, Eastern and Southern European regions (CES) where revenue increased 32% and 40% respectively. The mix of revenue remained broadly in line with those seen in previous years with recurring fees amounting to 57% of total revenue at £94.2 million (2008 – £66.1 million) and initial fees amounting to £57.7 million (2008 – £52.9 million).

Increased revenue combined with strong margins delivered an adjusted profit before tax, amortisation, share-based payments and goodwill adjustment of £62.6 million, which is an increase of 31% (2008 – £47.9 million). Adjusted earnings per share amounted to 67.33 pence (2008 – 55.22 pence) an increase of 22%. Profit before tax increased by 32% to £59.2 million (2008 – £45.0 million). Basic earnings per share was 62.27 pence (2008 – 50.80 pence).

In the first six months of the financial year the Company continued to increase investment in both its products and sales organisation, although in the second half the levels of investment slowed. The year as a whole saw increased investment in Research and Development of 28% to £27.3 million (2008 – £21.3 million). The Group's expansion of its existing regional offices in Mexico and Russia and the opening of a new office in

Brazil increased the Group's global footprint in regions that offer significant opportunities and contributed to an increase in selling and distribution costs of 36% to £53.2 million (2008 – £39 million).

The Group's balance sheet strengthened considerably in the period as the Group's cash increased by 52%, and amounted to £126.2 million (2008 – £82.8 million) at the year end.

Dividend

Continued growth in profit and a strong cash position lead the Board to recommend a final dividend of 6.5 pence (2008 – 5.0 pence). Combined with the interim dividend of 2.86 pence (2008 – 1.65 pence) this gives a full year dividend of 9.36 pence (2008 – 6.65 pence), an increase of 41%.

Subject to approval at the Annual General Meeting the final dividend will be paid on 31 July 2009 to shareholders on the register on 26 June 2009.

People

On behalf of the Board I would like to take this opportunity to thank all of our staff for their important contribution over the last twelve months. As all are aware, the market turbulence has made it necessary for the Board to review the structure of the Company. Inevitably, this has led to some very difficult decisions being made and a restructuring programme has been put in place in April 2009. The restructured skills base and annualised cost savings of approximately £5.0 million mean that AVEVA is now better equipped to trade through these challenging times. Despite the potentially unsettling nature of this programme, the hard work, support and efforts of all our staff has remained first class.

BUILDING ON OUR

During the year Lennart Olsson, Head of Global Sales, retired. Lennart joined AVEVA as part of the acquisition of Tribon in 2004. Under his guidance, AVEVA's sales organisation has achieved outstanding results. On behalf of the Board and Company I wish Lennart a long and happy retirement.

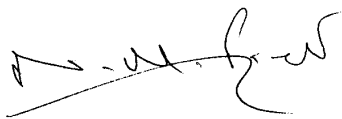
Following the retirement of Lennart we were pleased to appoint Derek Middlemas as Group Operations Director, overseeing all sales and business development activities. Derek joined AVEVA in 2000 and brought with him a wealth of engineering experience. Over recent years Derek led our Business Strategy group, helping to align the ambitions of the Company with the requirements of the market. I have no doubt that Derek's industry knowledge and forward thinking approach will contribute greatly to our future success.

Outlook

The sustained and considerable investment made by the Group over the past few years in developing our product range and expanding our geographical presence will ensure AVEVA maintains its position as a world leader in the markets in which it operates.

As the current global economic slowdown continues and the oil price and shipping rates sit at lower levels than in recent years, some projects are now being postponed or cancelled, awaiting project funding or visibility of more certain times. Against this backdrop, AVEVA's customer relations and 'best in class' products will remain ever more important and will help to maintain levels of recurring revenue and exploit new opportunities.

The restructuring programme already initiated means that AVEVA is better equipped to successfully trade through the difficult trading environment whilst allowing the Company to invest selectively in already identified important growth opportunities, for example with regard to AVEVA NET and in South America and the CIS.



Nick Prest
Chairman
26 May 2009

STRATEGY

Sustained and considerable investment made over the past few years in developing our product range and expanding our geographical presence will ensure AVEVA maintains its position as a world leader.



AVEVA NET is a powerful information management solution, capable of handling all types of digital information – not just engineering data – to create a complete digital model of a plant or ship. It enables the full exploitation of reliable, up-to-date and fully cross-referenced project and operational information.

 For further information visit:
<http://www.aveva.com/avevanet>

The challenge

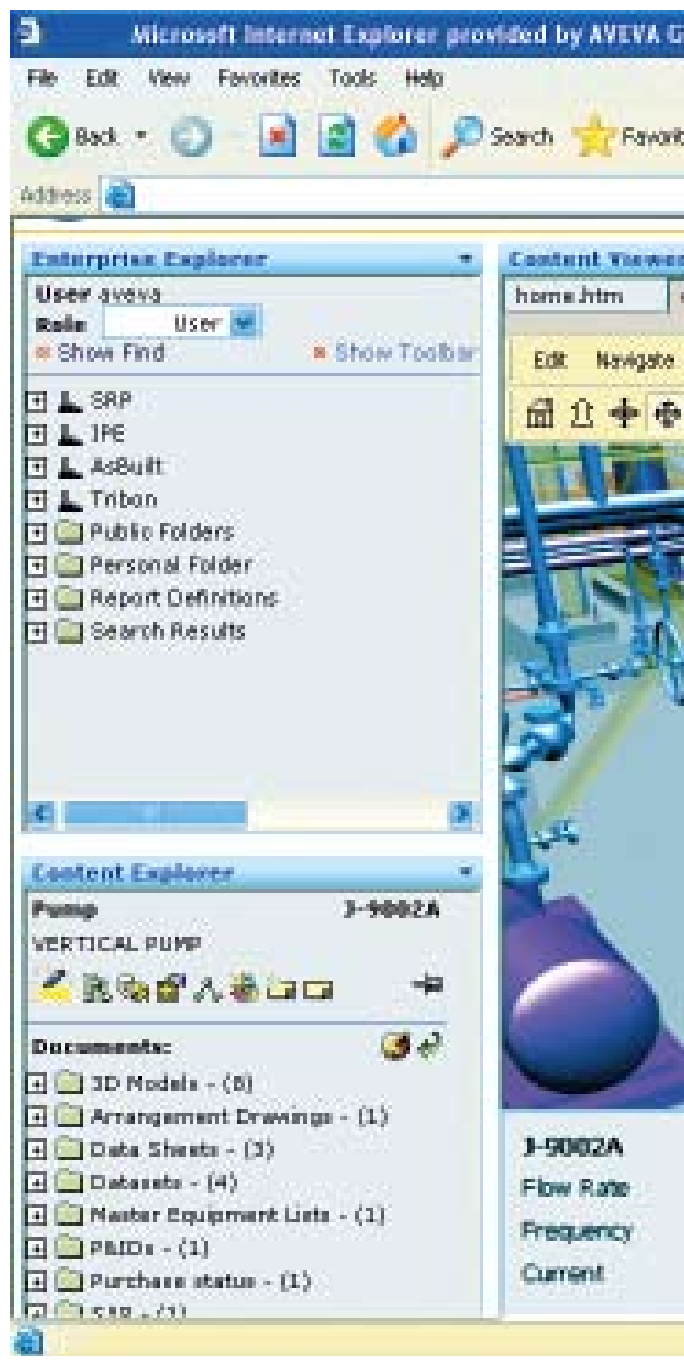
China's Shanxi Electric Power Exploration & Design Institute needed to find a way to import, manage and access data on the Linfen Thermal Power Project project. This project had generated vast amounts of disparate data (3D designs, drawings, manufacturers' data, correspondence, and so on) created using many different software applications, with no method of associating and validating the project information. The Institute was also seeking a platform for project collaboration and mark-up to share documents and drawings around the globally dispersed project organisations.

The solution

The Institute turned to AVEVA NET, to provide an information management hub for visualisation; the import of data and documents from multiple information sources and access to it through a unified, web-based interface. This involved a real mix of applications – specialist document management systems, file converters, an XML layer for Chinese character support, and so on. However, using AVEVA NET, even such complex data could be imported automatically, enabling staff to focus on customising other aspects of AVEVA NET to meet their precise needs.

The outcome

AVEVA NET provided the entire project team with a single, up-to-date source for every type of information relating to the project. It also enabled them to create intelligent associations between data, so that the system can, for example, highlight when information is missing or incomplete. A similar project at the Jin Xin substation is now well advanced and has clearly demonstrated AVEVA NET's ability to greatly improve efficiency.



BUILDING ON OUR

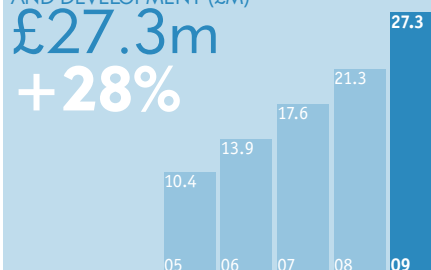


INFO BOX

Key facts

- AVEVA NET delivers competitive advantage in both the creation and operation of ships and plants, with potential application in any industry requiring the management of huge volumes of disparate information.
- An intuitive, web-browser interface enables easy accessibility, sharing and collaborative use of information across globally dispersed enterprises.
- There is no limit to the scale of an AVEVA NET deployment. On some of the world's largest operating plants, over 6,000 information accesses per day is not unusual.
- AVEVA NET's ability to import, control and manage existing data, such as laser scanned surveys, operations and maintenance systems, brings its key benefits to operators of established assets.

INVESTMENT IN RESEARCH AND DEVELOPMENT (£M)



TECHNOLOGY

AVEVA NET is the core of AVEVA's Product Lifecycle Management (PLM) solutions. It is a vital component in successfully managing the information needs of both Plant and Marine industry projects, from conception right through to the demands of ongoing asset information management.



AVEVA Plant is the most powerful and comprehensive suite of integrated software solutions available for creating and supporting all types of engineering plants. Whether on complex new-build assets, or the smallest in-service upgrade, AVEVA Plant enables maximum productivity, error-free design, minimum project cost and the most rapid return on investment.



For further information visit:

<http://www.aveva.com/plant>

The challenge

AMEC plc, one of the world's most successful providers of consultancy, engineering and project management services to the world's energy, power and process industries, set out to establish best-in-class project management performance to address several key issues, common across the industry:

- insufficiently standardised project management processes;
- undue reliance on individuals' knowledge, resulting in inconsistent projects;
- unnecessary duplication of effort through the project lifecycle; and
- insufficiently visible project status.

The solution

An established user of AVEVA Plant, AMEC* engaged AVEVA in a joint analysis to identify key recommendations to implement an 18-month 'Standard Project Management Methodology' programme (SPMM). This initiative was built on the AVEVA VPRM project management solution, using AVEVA PDMS for engineering design, Primavera for construction management, and other third-party applications such as financial systems.

AVEVA specialists provided training courses, while AMEC held cross-functional workshops to map project workflows and identify key tasks and responsibilities. To validate the SPMM, a pilot project was carried out using data from a completed project.

The outcome

Validated by testing and supported by AVEVA's technology, the SPMM programme has established a fully-defined project management process. AMEC's Project Manager Ted Barker said:

"AVEVA has supported us throughout with good quality training and consultancy. Use of AVEVA products to support integrated project execution has been well-proven and AVEVA VPRM will play a key role in AMEC's ability to successfully execute EPC projects of all types".

* AMEC* refers here to AMEC's Power & Process Europe business



BUILDING ON OUR



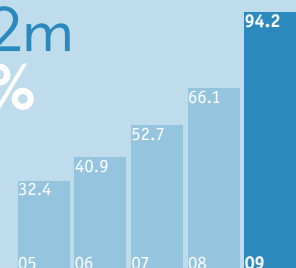
INFO BOX

Key facts

- AVEVA Plant includes AVEVA PDMS, recognised as the world's leading 3D plant design application.
- AVEVA Plant's uniquely robust and extensible Dabacon database safeguards its users' priceless investments in engineering data.
- AVEVA Plant provides the only proven technology for globally distributed, concurrent execution of projects of any size.
- AVEVA Plant is used on or by:
 - the world's most demanding oil & gas production and processing projects;
 - the world's leading constructors of both thermal and nuclear power plants;
 - the world's largest minerals and pulp & paper processors; and
 - the world's leading chemicals companies.

RECURRING REVENUE (£M)

£94.2m
+42%



SOLUTIONS

The power generation, oil & gas, chemical processing and minerals industries are the foundation of today's global economy. Trusted by the world's leading engineering businesses, the AVEVA Plant portfolio is a critical enabler for the design, construction and lifecycle support of capital assets of all sizes. No comparable software suite has such advanced and comprehensive capabilities.



AVEVA Marine is the culmination of AVEVA's largest single development programme, fusing best-in-class shipbuilding and plant engineering software into an unrivalled solution for the design and construction of every type of ship and floating structure.

 For further information visit:
<http://www.aveva.com/marine>

The challenge

In 2003 ASC (formerly known as Australian Submarine Corporation) began a 15-year (with two 5-year extension options), multi-billion dollar Through-Life Support (TLS) contract with Australia's Defence Materiel Organisation, the Department of Defence's management organisation responsible for acquiring and sustaining equipment for the Australian Defence Force. Under the contract, ASC is responsible for the ongoing maintenance, support and design enhancements of the Royal Australian Navy's Collins Class submarines, a key element of Australia's Defence Force. The six Collins Class submarines are recognised as among the best conventional (non-nuclear) submarines operating anywhere in the world.

The solutions

A proven range of solutions is needed to ensure efficient through-life support for the submarines. Maintenance and upgrade works carried out need to meet strict certification requirements with no margin for error for these sophisticated naval vessels. AVEVA Marine was chosen for its efficiency and ability to meet ASC's needs.

The outcome

AVEVA Marine has been installed at ASC and initial training carried out. Translators have been written to convert their existing 3D models to AVEVA Marine – these are currently being tested and a go live date of July 2009 is being targeted.



BUILDING ON OUR

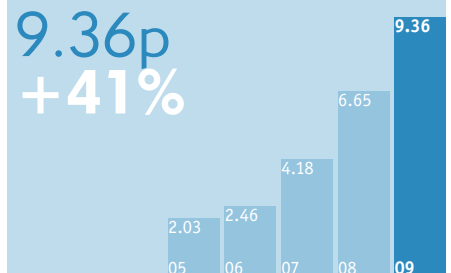


INFO BOX

Key facts

- AVEVA Marine is used by the world's most productive shipyards.
- AVEVA Marine embodies industry best practice and decades of practical experience to enable efficient, right-first-time ship design and construction.
- AVEVA Marine is the only shipbuilding solution to support multi-site, concurrent projects of any size.
- AVEVA Marine and AVEVA Plant solutions are interoperable, enabling the most complex vessels to be created in a common IT environment.

DIVIDEND PER SHARE (P)



EXPERTISE

Selected by the world's largest and most productive shipbuilders, AVEVA Marine is also being adopted by smaller shipyards and contractors keen to take advantage of its unique support for efficient collaborative working and the outfitting design of the most complex modern vessels.

CHIEF EXECUTIVE'S REVIEW



SUMMARY OF CHIEF EXECUTIVE'S REVIEW

In the Asia Pacific region our successes have positioned the Company very well against our competition.

Latin America revenue grew significantly following the opening of our offices in Mexico and Brazil.

Continued growth in the CES region, in particularly with power related projects.

Merger of WEMEA and CES to form a more efficient organisation to serve Europe, Middle East and Africa (EMEA).

Overview

AVEVA is a global leader in the provision of engineering IT software and services. 2008/09 proved to be another record year with strong growth in sales, profit and cash generation. Headquartered in Cambridge and with 35 offices around the world, we continue to offer localised sales and customer service enabling us to ensure that our products and services match the evolving demands of our customers.

AVEVA delivers world class technologies which support the design and through life operation of complex engineering projects mainly in the Oil & Gas, Power, Marine, Paper and Pulp, Chemical and Mining industries. These demanding global industries depend on mission critical products such as AVEVA's to provide an integrated engineering software platform embracing conceptual design and specification, detailed engineering, procurement, materials management and project control. AVEVA's software and unrivalled industrial expertise provide complete data integrity.

AVEVA's strategy is to remain a world class provider of technologies and services in its core markets, attract new customers and maintain and grow its existing customer base through new enhanced technologies. Its policy of providing continual progression to its customers through ongoing development of established products has resulted in some major upgrades to products during the year, further enhancing customers' ability to integrate a variety of complex applications and data sources through platform technology.

Close, long standing, strategic customer partnerships are at the heart of AVEVA's success. This gives us an unrivalled insight into the evolving demands of our customers across all of our market verticals. As a result,

we are able to ensure that we are aligned to capitalise on all development opportunities in more turbulent times.

Global performance

Each year the AVEVA customer base becomes more geographically diverse and our continued investment in direct sales means we are progressively better positioned to understand and serve the complex global networked customer base.

Increasingly, customers demand the ability to work on projects with multiple international partners and the unique 'global' capability within the AVEVA database has enabled customers to work very efficiently in a virtual global network.

Asia Pacific – Revenue £67.1 million (2008 – £50.8 million)

Following a very successful 2007/08, the Asia Pacific business had a very strong business in Marine to complement the growing Power and Oil & Gas business in the region.

Marine business was strong in the first half and although orders for new standard ships have declined significantly in the second half year, most customers have long order books and AVEVA continued to receive business for Very Large Crude Carriers (VLCC's) and deep water offshore platforms. These projects tend to be very complex, thus driving wider use of AVEVA products. Our successes in Marine and Plant industries and AVEVA NET in this region have positioned the Company very well against our competition in this more difficult trading environment.

The partnership with Hyundai Heavy Industries has been very successful and has led to the new generation of Marine design tools being delivered during the year. These are already in use in many of the world's largest shipyards.

BUILDING ON OUR

We expect to see further take up of the new system in yards during 2009/10 financial year, as AVEVA Marine continues to deliver clear productivity benefits to customers.

Korea has become a significant region not just as a revenue generator, but also as a development centre for new products. The AVEVA Marine Technology Centre based in Busan has increased its capacity to develop both products and customer specific enhancements, as well as helping with localisation. We are very grateful to the Busan Metropolitan Government for their ongoing support in the region.

The contacts and reputation the Asia Pacific team have built across the region over recent years also enabled the Company to complete the acquisition of a small, but very highly regarded, organisation with a product for creating and maintaining instrumentation data. This product has already been integrated into the AVEVA suite and is being sold across all industries globally.

Americas – Revenue £24.4 million (2008 – £17.8 million)

Performance across the Americas region was mixed with difficult trading conditions in North America and Canada but strong growth in Latin America.

The region has a growing Power related business, and our relationships with customers in other geographies are helping us to exploit opportunities locally. Oil related customers are the mainstay of the US business, in particular deep water oil field production where we have successfully increased the penetration of AVEVA NET with the oil majors. The expertise developed by many of AVEVA's large multinational engineering companies has meant that the business is less susceptible to a sharp drop in commodity prices, as the deep water fields remain a long-term

proposition with very long build cycles and significant capital expenditure commitments. AVEVA has very little Marine business in North America. Towards the end of the year some confidence returned to our smaller markets of Mining, Metals and Paper and Pulp.

Projects in Canada have been hit by the oil price as exploitation of the tar sands oil fields is becoming marginal with prices between \$40 and \$50 per barrel. Due to the strength of our competitors in the Calgary market in the traditional CAD products, we have successfully focused on selling the AVEVA NET solution in Canada and will continue with this strategy this year.

Latin America revenue grew significantly following the successful opening of our office in Mexico. At the start of the year we replaced our agent in Brazil with a direct sales and service office based in Rio de Janeiro. The business in Latin America has been building steadily and is expected to deliver significant growth in future years. Brazil is the dominant economy in the Latin American region and is seen as strategically important, even more so with the deep water oil field activity driven by Petrobras, which is an AVEVA foundation customer. We will continue to invest in growing the Brazilian organisation during the coming year and have already been successfully hiring new engineers and sales people.

CES – Revenue £45.8 million (2008 – £32.7 million)

The Central, Eastern and Southern European region is a complex geographic mix of markets with differing sales and service offerings.

We have seen continued growth in the CES region, in particular with oil related projects. The largest constituent of the CES region is Deutschland (Germany), Austria and Switzerland (DACH), which has continued to

win business from our competitors as well as developing existing customer relationships.

The Southern region, headquartered in Paris, operates across a wide area but has a predominance of customers in the Power business. The growing enthusiasm for nuclear power is a key expansion driver in the region. Many countries are now planning or considering nuclear power as a key part of their energy mix. AVEVA customers such as AREVA and EDF, along with the very long relationships we have enjoyed with fossil fuelled Power providers such as Alstom, will help drive growth in this region.

For some years now AVEVA has enjoyed a solid relationship with a number of outsourced development organisations in the region. These relationships have been enhanced during the year to provide assistance for localised application development, as well as core product development managed by the central Products Group. These outsource centres provide a very flexible cost effective extension to our skills pool.

WEMEA – Revenue £26.8 million (2008 – £26.3million)

Western Europe, Middle East and Africa is the most mature of AVEVA's markets and has traditionally been heavily biased towards the oil & gas industry, with a dominant position in the North Sea offshore market.

With falling commodity prices and the difficulty in raising investment funding for new projects, some projects have been slowing down or postponed, primarily in the second half of the financial year. We have concentrated more effort during the year on the opportunities which exist in providing technology solutions managing data in brownfield, or existing plants. In the mature North Sea offshore sector we have made strategically important sales into the oil majors with our AVEVA NET solution and have

RELATIONSHIPS

Close, long standing, strategic customer partnerships...give us unrivalled insight into the evolving demands of our customers. As a result, we are aligned to capitalise on all opportunities in more turbulent times.

CHIEF EXECUTIVE'S REVIEW CONTINUED



Global performance continued

WEMEA – Revenue £26.8 million

(2008 – £26.3million) continued

structured the organisation to better exploit the opportunities during the coming year.

AVEVA enjoys particularly strong relationships with its customers in the WEMEA region.

This supports our technical strategy and development programmes for both enhancement of existing applications and Research and Development activity in bringing new ideas to market.

In order to capitalise on global project execution, AVEVA has invested to broaden further its own network of offices able to sell to and support customers locally. At the same time, towards the end of the financial year we merged two major regional organisations, being WEMEA and CES, to make cost efficiencies and a more effective organisation to serve the Europe, Middle East and African region (EMEA). For the year to the end of March 2009 we had four reporting regions and this has been rationalised to three for the coming year.

End user industries performance

AVEVA sells approximately 30% of its products to each of the Oil & Gas, Power and Marine markets. All products are licensed to customers on the basis of an initial licence fee (ILF) and annual fees or a rental model. The split between ILF and rental varies between end user markets and geographies.

In the Marine sector AVEVA has a majority of new business booked as ILF revenue. Over the year this sector started very strongly, with a particular emphasis on ILF business in China. During the second half the market conditions toughened considerably. However, we did have some very good sales of both the new AVEVA Marine product and AVEVA NET into Marine customers in China during the course

of the year. We expect the ILF business to be impacted by a lack of significant new orders in the Marine business, although customers' order books and backlog are considerable.

The oil & gas market was running at an all time high at the start of the year, but has reverted to the more usual levels of business in most areas as the oil price declined and some projects were delayed or postponed. Unlike previous downturns, this time the oil majors and national oil companies are cash rich and the return of some stability in the oil price shows signs of a better market as we enter 2009/10.

The structural global shortage of power still exists, even with a lower level of economic activity. AVEVA has the most experience of any engineering software supplier in both the fossil fuel and nuclear sectors. We have seen a constant level of business in fossil fuelled power facilities and a slow but steady build up of order flow in the nuclear market. The relationship with AREVA and the order build up during the last year augurs well for AVEVA this year and beyond.

Technology and products

The year ended 31 March 2009 saw the completion of the merging of AVEVA database technology with the Marine products acquired in 2004. This has been an incremental progression of the technology to provide Marine customers with a secure path to migrate to the latest technology. Other benefits have included using some of the methods used in Marine in the AVEVA Plant suite of products. Once again, during the year our technology teams have worked extremely hard to deliver class leading solutions in both the Plant and Marine product suites, as well as a new version of AVEVA NET and many customer specific requests during the year.

BUILDING ON OUR

Since we have been investing ahead of the industry average we now have the 'best in class' products which, as well as introducing many innovative features, allow customers to transition smoothly to new technology at a time which fits with their long project cycles.

The AVEVA product roadmap, as set out three years ago, has evolved into new products and a platform technology base, upon which we can progressively build new technology as well as integrate acquired applications and technology. AVEVA has always recognised the advantages of openness in its products and is a leading member of the industry bodies driving the use and adoption of standards as an integration enabler for customers.

AVEVA NET is gaining traction in the market and proving to be a truly beneficial tool for customers wanting to integrate data from multiple sources on both new and brownfield projects. The AVEVA NET solution is targeted at the growing PLM (Product Lifecycle Management) market in Process, Power and Marine. As these industries seek to address the issues of data inconsistency, availability of data in the design process, supply chain integration and data handover from EPC (Engineering, Procurement and Construction) contractors to owner operators, AVEVA NET offers an incremental solution to these issues. AVEVA NET uses 'mash up' technology and industry standards such as ISO 15926 to integrate data from many differing sources. Such is the broad appeal of AVEVA NET many of the successful implementations are on projects where no other AVEVA products are being used.

During the second half of the year under review, the Products Group senior management has been investigating routes to introduce greater flexibility into the product development cycle, through restructuring the

resources within the Group and through greater use of outsourced development.

Organisation and people

The Company closed the year with 843 employees, an increase of 113 over last year. Against a backdrop of shortage of supply for skilled staff in the engineering industries, AVEVA continued hiring to plan until early in the second half of the year, at which point most recruitment was suspended due to the potential slowdown in our end user markets.

Following a review of the business and the likely effects of the global economic slowdown we took steps in April 2009 to reduce the cost base to ensure that AVEVA is better equipped and has an appropriate structure for the more difficult market conditions. The restructuring programme, due to be completed in the first quarter of the current financial year, will result in annualised cost savings of approximately £5.0 million. These initiatives include increasing the flexibility of the organisation through restructuring across the business and reducing the use of high cost subcontractors. Further reductions in the cost base will come through pay freezes, some part-time working, career breaks, voluntary redundancy and some compulsory redundancy.

We have continued to strengthen the human resources teams in the regions, as well as adding capability in the area of personnel development in order to ensure maximum value from the highly successful induction, management development and other training schemes initiated last year.

Summary

In the trading statement at the end of the financial year AVEVA indicated that during the coming year it expects business opportunities for some end user industries to be significantly lower than during recent

years, in particular initial licence fees from new sales to the shipbuilding industries. We expect the product sales mix to alter over the coming year and we have reorganised the Company to put a greater emphasis on providing products and services for the enhancement of brownfield plant and providing more AVEVA NET based tools in the area of operations and maintenance. AVEVA has a good presence within the owner operator community, which has committed levels of spend similar to recent years.

The reshaping of the business will position the Company to capitalise on the global infrastructure which it has built over recent years. The Company's strength in all these areas, coupled with sound finances, experienced management and a healthy cash balance, will continue to present many opportunities.



Richard Longdon
Chief Executive
26 May 2009

GROWTH

We have been investing ahead of the industry average delivering best in class products. The AVEVA product roadmap has evolved into new products and a platform technology base upon which we can progressively build new technology.

FINANCE DIRECTOR'S REVIEW



SUMMARY OF FINANCE DIRECTOR'S REVIEW

Recurring revenue up 42%
to £94.2 million.

Operating margin increased to 35%.

Adjusted basic earnings per share
increased by 22% to 67.33 pence.

Strong balance sheet with net assets
of £143.1 million.

Business model

At the core of AVEVA's business is the intellectual property generated in its software products. The Group sells its proprietary software products by licensing rights to use the software directly to customers through our network of global sales offices rather than through resellers or distributors. This strategy provides customers with local sales and support and helps AVEVA to work closely with the leading companies principally in the Oil & Gas, Power and Marine markets. AVEVA's software products also provide the customer with 'data for life' whereby current versions of the software are compatible with previous versions allowing customers to access design data over a long time span, which is essential for assets which can have a life in excess of 20 years. This strategy has helped establish long-term relationships with many of our customers and several have been users of our products for over 30 years.

At the cornerstone of our business philosophy is our 'right to use' licensing model. Customers license our software for a specified number of users by paying an initial licence fee followed by an obligatory annual fee or by paying a rental fee over a fixed period of time. In both cases, the customer has to continue to pay a fee in order to use the software. The 'right to use' model provides a strong recurring revenue base for AVEVA which allows us to invest in the future roadmap of our products. This provides visibility to the customers and allows them to provide input to the direction of the products. In addition, customers receive upgrades to software as and when they become available as well as support and maintenance.

Key performance indicators

The Group's key financial and non-financial performance indicators are total revenue, adjusted profit before tax, headcount and adjusted earnings per share. These are discussed as part of the review below.

Revenue

2008/09 was another record year for AVEVA which resulted in total revenue of £164.0 million against £127.6 million for 2007/08, an increase of 29%. Initial licence fees were £57.7 million (2008 – £52.9 million) with Asia Pacific continuing to be the main driver behind

this, with initial fees of £36.8 million (2008 – £33.8 million) mainly due to the success in the marine business in China and Korea. Central, Eastern and Southern Europe also generated significant initial fees with £16.5 million compared to £13.1 million in 2007/08. Americas and Western Europe, Middle East and Africa are more mature markets for AVEVA and this is reflected in the relatively higher level of recurring fees.

Recurring revenue increased from £66.1 million to £94.2 million and represents 57% of total revenue (2008 – 52%). This reflects the continued high level of renewals of annual and rental fees across the customer base as well as growth in new rental fees as customers opt for more flexibility.

Services revenue increased by 41% to £12.1 million (2008 – £8.6 million) mainly due to services associated with new customers and continued growth in licence sales of AVEVA NET products.

Cost of sales, operating expenses and profit from operations

Cost of sales includes the direct cost of selling (third party royalties, consultancy and agent's commission) as well as Research and Development costs and associated Information Technology costs. Total cost of sales for the year was £37.6 million (2008 – £29.8 million). Research and Development costs were £27.3 million (2008 – £21.3 million), an increase of 28% and represented 17% of total revenue (2008 – 17%). The focus in Research and Development has been on developing the AVEVA Plant and AVEVA Marine products as well as new releases of AVEVA NET.

Operating expenses were £69.8m (2008 – £54.6 million) for the year, an increase of 28% on 2007/08. Of the total operating expenses selling and distribution costs were £53.2 million (2008 – £39.0 million) and administrative expenses were £16.5 million (2008 – £15.6 million). Selling and distribution costs increased by 36% during the year which reflected the additional headcount recruitment in sales and local support as well as increased performance based remuneration. Administrative expenses increased 6% on 2007/08.

BUILDING ON OUR

Profit from operations increased from £43.2 million in 2007/08 to £56.6 million in 2008/09, an increase of 31%. The operating margin in 2008/09 increased to 35% (2008 – 34%).

Headcount

Total headcount at 31 March 2008 amounted to 843 (2008 – 730), an increase of 113 people. The average headcount during the year was 809 (2008 – 663) of which 253 were in Research, Development and product support (2008 – 222), 380 in sales, marketing and customer support (2008 – 300) and 176 in administration (2008 – 141). The increase in Research, Development and product support headcount was primarily due to hiring of specialists in the AVEVA NET area and the increase in sales, marketing and customer support was due to expansion of our existing regional operations in response to the increased levels of business as well as opening a new office in Brazil. The increase in the administration staff was due to the increase of licensing and contract management staff to reflect the increased volume of business as well as additional finance and administration staff in the sales regions to support the growth of the business.

Total staff costs for the year were £55.5 million compared with £48.2 million in 2008, an increase of 15%.

Restructuring

On 16 April 2009 the Group announced that it was implementing a restructuring programme which involved the merger of two sales regions (Central, Eastern and Southern Europe and Western Europe, Middle East and Africa) into one combined region of Europe, Middle East and Africa with immediate effect, as well as a reduction in headcount across the Group of approximately 10%. The headcount reduction is expected to be completed in the first quarter of 2009/10. These initiatives will result in annualised cost savings of approximately £5.0 million. The exceptional costs of implementing these initiatives will be around

£3.5 million, which will all be incurred in the first half of 2009/10. No provision for the restructuring has been included in the results for the year ended 31 March 2009.

Finance revenue and finance costs

Finance revenue represents bank interest receivable on cash and cash equivalents of £2.8 million (2008 – £1.8 million) and expected return on the UK defined benefit pension plan of £2.0 million (2008 – £2.0 million). Bank interest receivable has increased due to the strong increase in cash and cash equivalents in the year despite lower returns in the second half of the year, due to significant falls in UK and US interest rates. Finance costs principally relate to the interest on the pension scheme liabilities of £2.3 million (2008 – £2.0 million).

Earnings and taxation

Profit before tax for the year was £59.2 million compared to £45.0 million in 2007/08. Adjusted profit before tax increased by 31% to £62.6 million (2008 – £47.9 million), which is before amortisation of intangibles, share-based payments and adjustment to goodwill totalling £3.4 million (2008 – £3.0 million).

The Group's effective tax rate is 28.7% (2008 – 23.8%) which is broadly in line with the UK headline rate. The headline tax rate in 2007/08 was lower due to a number of one-off credits such as the UK Research and Development tax credits; the benefit of tax losses generated from acquisitions, which have now been exhausted, and previously unrecognised deferred tax assets.

Basic earnings per share was 62.27 pence (2008 – 50.80 pence) an increase of 23%. Adjusted basic earnings per share (which is before amortisation of intangibles, adjustment to goodwill and share-based payments) increased by 22% to 67.33 pence (2008 – 55.22 pence). The Directors believe that adjusted basic earnings per share provide a more meaningful measurement of performance of the underlying business.

Dividends

The Board of Directors recommend payment of a final dividend of 6.5 pence (2008 – 5.0 pence), which, taken together with the interim dividend of 2.86 pence (2008 – 1.65 pence) gives a total dividend for 2008/09 of 9.36 pence (2008 – 6.65 pence) a 41% increase over 2007/08. Subject to approval at the Annual General Meeting the final dividend will be paid on 31 July 2009 to shareholders on the register on 26 June 2009.

Balance sheet

Overall AVEVA's balance sheet continued to strengthen during the year and at 31 March 2009 net assets were £143.1 million (2008 – £105.7 million).

Non-current assets increased from £36.4 million to £42.2 million due to the recognition of deferred tax assets relating to tax losses in certain jurisdictions, investment in a global private computer network and corporate telephone system as well as other computer equipment and revaluation of foreign currency denominated goodwill and intangible assets.

Current assets increased to £183.7 million from £126.8 million due to increased trade and other receivable balances, and cash and cash equivalents. Trade and other receivables were £56.8 million (2008 – £43.2 million) which reflected the increase in trading. Cash and cash equivalents were £126.2 million (2008 – £82.8 million), an increase of 52% reflecting the strong growth experienced in the year and continued focus on collection of accounts receivable.

Current liabilities totalled £72.4 million at 31 March 2009 (2008 – £53.8 million) including deferred revenue of £31.1 million (2008 – £20.0 million) driven by the recurring revenue and accruals of £18.2 million (2008 – £18.9 million).

PARTNERSHIPS

This strategy has helped establish long term relationships with many of our customers, some of which have been users of our products for over 30 years.

FINANCE DIRECTOR'S REVIEW CONTINUED



Balance sheet continued

Non-current liabilities include retirement benefit obligations of £8.8 million (2008 – £1.6 million). This mainly relates to the UK defined benefit pension plan which had a deficit under IAS 19 of £7.6 million at 31 March 2009 (2008 – £0.7 million deficit). The increase in the deficit was caused by the reduction in the value of the scheme's assets due to the current financial conditions and increased liabilities due to the updated assumptions.

Capital structure

The authorised share capital of the Company is 90,000,000 ordinary shares of 3.33 pence each (2008 – 90,000,000). The issued share capital at 31 March 2009 was 67,818,868 ordinary shares of 3.33 pence each (2008 – 67,517,319). Following the establishment of the AVEVA Group Employee Benefit Trust 2008 in July 2008, the Trust purchased 36,448 ordinary shares in AVEVA Group plc in the open market at a price of £13.48 for total consideration of £495,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2009, the Trust continued to own these shares. Further details of the Deferred Share Scheme are contained on page 68.

Cash flows

Cash generated from operating activities before tax in the period amounted to £58.7 million (2008 – £54.6 million). Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 104% compared to 126% in 2007/08 which continues to reflect the quality of earnings and continued focus on cash management.

The Board continues to believe that in the current climate of bank credit it is appropriate for the business to maintain a strong cash position.

Treasury policy

The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board. These policies are designed to reduce the financial risk arising from the Group's

normal trading activities, which primarily relate to credit, interest, liquidity and currency risk. Further details of these risks are contained at note 23. The Group is, and is expected to continue to be, cash positive and currently holds net deposits. The treasury policy includes counterparty limits which are adhered to. Deposits are held for periods up to three months. During the year the Group had a bank overdraft facility of £nil (2008 – £3.0 million) in the UK and approximately £0.8 million (SEK 10 million) (2008 – £2.2 million, SEK 30 million) in Sweden, aimed at managing short-term fluctuations in cash. The Group has a net funding requirement in Sterling, due to the majority of Research and Development costs being incurred in the UK. The revenue of the Group is predominantly in foreign currency, with approximately 40% in US dollar and 25% in Euro. The overseas entities incur costs in their local functional currency, which acts as a partial net hedge. Any cash flows which cannot be offset against each other will result in a net currency exposure and where possible these exposures will be hedged. These hedges aim to minimise the adverse effect of exchange rate movements, without eliminating all upside potential. There was no material net impact on the income statement from movement in exchange rates during the year.

Acquisitions

On 24 March 2009, AVEVA acquired iDesign Office Pty Limited, a small Australian software company specialising in instrumentation software for total consideration of £1.7 million. The fair value of the net assets acquired included developed technology of £1.6 million which is being amortised over five years. The acquisition made no material contribution to the Group's results or cash flows for 2008/09.

Review of principal risks and uncertainties

AVEVA has continued to be successful during the year, but as with any organisation there are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. Where possible the Group seeks to mitigate these risks through its system of internal controls but this can only provide reasonable and not absolute assurance against material losses.

BUILDING ON OUR

The principal risks and uncertainties faced by the Group are as follows:

Protection of the Group's intellectual property rights

The Group's success has been built upon the development of its substantial intellectual property rights and protection of this remains critical. The Group generally protects its proprietary software products by licensing rights to use the application, rather than selling or licensing the computer source code. Infringement of the Group's intellectual property rights by third parties or its failure to defend infringement claims from third parties could cause damage to the business. The Group uses third party technology to encrypt, protect and restrict access to its products. Access limitations and rights are also defined within the terms of the software licence agreement and the Group seeks to ensure that its intellectual property rights are appropriately protected by law wherever possible.

Dependency on key markets

AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects driven predominantly by growth in the Oil & Gas, Power and Marine markets. The current world economic conditions may adversely affect our financial performance. Funding constraints may cause the delay of major new projects and customers who operate in the Oil and Gas, Marine and Power industries may reduce capital expenditure budgets further. Future success is dependent on growth and continued demand from within these markets. These industries are cyclical and subject to fluctuations in the price of oil and general economic conditions. Such downturns, pricing pressures and restructurings may cause delays and reductions in expenditures by many of these companies and reduced demand for our products and services. A recurrence of these industry patterns, as well as general domestic and foreign economic conditions and other factors that reduce spending by companies in these industries, could harm our operating results in the future.

Competition

AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. If we do not respond effectively we may lose market share and the business could suffer. We believe that there are a relatively small number of significant competitors serving our markets. However, some of these competitors could, in the future, pose a greater competitive threat, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies.

Foreign exchange risk

Exposure to foreign currency gains and losses can be material to the Group, with approximately 80% of the Group's revenue denominated in a foreign currency, of which our two largest are US dollar and Euro. The Group enters into forward foreign currency contracts to manage the currency risk where material. The overseas subsidiaries trade in their own currencies, which 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 into Sterling.

Recruitment and retention of employees

AVEVA's success has been built on the quality and reputation of its products and services, which rely almost entirely on the quality of the people developing and delivering them. Managing this pool of highly skilled and motivated individuals across all disciplines and geographies remains key to our ongoing success. The Group endeavours to ensure that employees are motivated by their work and there are regular appraisals, with staff encouraged to develop their skills.

Identification and successful integration of acquisitions

The Group expects to continue to review acquisition targets as part of its strategy. The integration of any acquisitions also

involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition, system integration and risks associated with unanticipated events or liabilities.

Research and Development

The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products. There are many risks in software development. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. Our software products are complex and may contain undetected errors, failures, performance problems or defects. Furthermore if new products or enhancements are introduced which do not meet customer requirements or competitors introduce a rival product which better meets the requirements of the market, this may have a material impact on the long term revenue and profit.

International operations

The Group operates internationally and is required to comply with local laws and regulations and tax legislation of several countries. Significant changes in these laws and regulations or failure to comply with them could lead to additional liabilities and penalties. The Group endeavours to comply with local laws and regulations by employing qualified personnel and through the use of local professional advisers.



Paul Taylor
Finance Director
26 May 2009

PRODUCTS

The Group makes substantial investments in Research and Development delivering innovative, new and enhanced products.

CORPORATE SOCIAL RESPONSIBILITY REPORT



As a Group we seek to operate responsibly and ethically in all areas of our business. We have a strong ethical belief in the way business should be conducted, how employees should be treated and have integrated social, environmental and ethical policies into the way we do business and the interaction we have with our stakeholders including our shareholders, employees, customers, suppliers and local communities.

The Chief Executive has Board responsibilities for matters relating to the Group's culture and ethical policies, environmental matters and customer and employee issues. These matters are reviewed by the Board as part of its management of risk, on the basis that as the Group grows, maintenance of its core values is vital.

Customers and suppliers

We seek to be honest and fair in our relationships with both customers and suppliers. We offer the highest level of support and continue to enhance our product offering to ensure our customers effective use of software thus minimising waste and improving efficiency. We have a policy not to offer, pay or accept bribes or to accept substantial favours. We encourage our suppliers and customers to adopt the same principles to which we ourselves aspire.

In addition to sponsoring a variety of industry trade shows, AVEVA hosted a number of customer focused events during the year, including the Marine User Meeting in Kobe, Japan, and the International Symposium for Engineering Information Technology (ISEIT), held this year in Paris and Austin, Texas. As in previous years, the purpose of these events was to build relationships with the customer base, obtain feedback on the product offering, and to promote best practice in the use of our software.

The Group is committed to its customers, and has dedicated support staff within its Group Solutions Centre to handle all support calls and capture customer feedback.

AVEVA has relatively few preferred suppliers, and evaluates potential suppliers based on several factors including vendor policies, reputation and contractual terms and conditions.

Employees

The Group now has 843 employees of whom over 500 are based overseas. As a result of our high rate of growth, we have seen an increase in the numbers we employ.

We are dependent on the drive and goodwill of our employees, they are our most important asset and key to our continuing success and as a result, the extent to which we have sufficient staff of the right calibre available to fill our critical roles is reviewed periodically by the Board as part of the risk management process. We recognise that we must excel in the management of people, helping them develop their careers within the Group whilst maintaining a high level of morale. During the year we have strengthened our Human Resources team with the addition of a career development and training professional to oversee the Group's training and development activities. Although staff turnover has remained low in the last twelve months, this is a continual changing process and as such:

- we aim to recruit, train and develop the best people and help them take on board our values while continuing to grow the business in the key areas;
- we provide clean, healthy and safe working conditions;



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- we are an equal opportunity employer and do not tolerate any illegal discriminatory actions or harassment of our employees;
- the Group recognises the requirement to provide facilities for disabled employees and continues to be aware of any special needs an employee might have;
- we encourage fuel efficient commuting through the provision of cycle sheds, showers and changing facilities in the UK offices; and
- the recent implementation of flexible benefits, allows the purchase of bicycles through the cycle to work scheme and the purchase of child care vouchers.

We also have a Joint Consultative Committee, a forum made up of employee representatives in the UK who meet frequently to discuss any staff issues and concerns. It comprises employee members from all departments, coordinated by the Human Resources department.

The Group's employment policies are continuously under review and are aimed at meeting or exceeding the legislative requirements in the countries in which the Group operates and wherever possible promote a considerate and flexible approach to work life balance. As part of this the Group continues to review and improve communication with employees and has conducted surveys and held forums with employees to gain their views on key issues.

As part of the development and retention of staff, the Group offers flexible benefits for all UK employees, which provide a competitive and varied approach to benefits to suit individual lifestyle needs. In addition an Employee Assistance Programme is in place as the Group recognises that employees need support from time to time to handle work and non-work related issues.

AVEVA will continue to review its benefits programme throughout the Group to ensure valued and cost effective benefits are offered to all employees remain competitive and reward existing employees.

Central induction programme

With so many new employees joining the Group during the year the Directors felt it important to ensure the induction process was comprehensive and professional to ensure new employees feel welcome and can become effective as soon as possible.

During the year the Group has successfully run six central induction courses bringing new employees together from throughout the business to welcome them to the Group and provide informative and useful training.

Management development training programme

Managing employees in a growing organisation with such diverse cultures brings with it a number of challenges. AVEVA has developed a training programme to provide support and a learning framework for the management team. The management development course has been extended to include different levels of management and is led by our internal training and development manager.

Graduate training programme

As part of the overall strategy to attract and grow talent, AVEVA now offers a comprehensive and attractive graduate programme in the UK. This offers accelerated learning in both technical and personal development and is now being considered to be extended in other areas of the Group to ensure an ongoing pipeline of talent and skill.

Group wide appraisal scheme

Developing skills is important to individuals and to AVEVA – developing people helps move the Group forward and helps maintain the respect and reputation of our staff with our customers.

The appraisal process therefore:

- ensures staff receive regular, constructive feedback on their performance;
- links job descriptions and individual objectives with AVEVA business plans; and
- sets and reviews personal development goals.

REPUTATION

As a Group we seek to operate responsibly and ethically in all areas of the business. We have a strong ethical belief in the way business should be conducted and how employees should be treated.

CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED



Health and safety

We have a legal responsibility to ensure the safety and well-being of all our employees whilst carrying out their duties on behalf of the Group and maintain a safe environment for customers and other visitors whilst on our premises. Health and Safety, Fire Safety and Electrical Safety audits are carried out on a regular basis.

In the last twelve months there were no RIDDOR reportable accidents.



As a global business, our employees undertake travel to many areas of the world to visit customers' sites or to assist customers in the deployment and testing of our products. The Group regularly takes advice from the UK Foreign Office, the World Health Organisation and similar organisations concerning health and safety in the various regions where we operate.

Environment

As a developer of software the Company has no manufacturing facilities and therefore the Group is classed as "low impact" in environmental terms. The majority of sales is for software which is delivered electronically to customers.

Our software products are created by very knowledgeable, talented individuals using computers and a variety of software development tools. There are no harmful chemicals or anything that could give rise to noxious waste employed in the process. We purchase energy saving screens which are MPR-II and TCO 03 compliant. We use third party recycling vendors to assist us with the disposal of computer hardware in an environmentally friendly manner. The Group actively undertakes recycling of waste products with printer toner, paper, cardboard and plastic recycled in many locations. We encourage employees to undertake recycling as much as possible.

Travel

AVEVA recognises the environmental impact of travel and employees are encouraged to cycle to work, share car journeys or use public transport. During the year the cycle facilities at the Cambridge site were extended to accommodate more cycles and improved shower and changing facilities were installed.

International travel is important to support and promote our business worldwide. The level of international travel is monitored on a regular basis with ways to reduce travel investigated. Video and web conferencing is utilised whenever practicable. Improvements to our core IT infrastructure including deployment of a global private network and corporate telephone system to our 15 largest offices across the Group has enabled more effective communication/collaboration and is expected to improve operational efficiencies in the future.

Educational partnerships

AVEVA shares the concerns of industry regarding the short fall in skilled designers and engineers in the Plant and Marine markets, due primarily to the aging demographic of the existing workforce; and consequently, AVEVA is committed to preparing a new generation of engineers and designers to address this challenge. Recognising the importance of partnering with leading universities and technical institutes in order to achieve this goal, the Group has donated AVEVA Plant and AVEVA Marine software and training to numerous institutes, including: SAIT Polytechnic in Calgary, Alberta; Texas Southern University; and South Korean education institutions. In addition, AVEVA has provided support to the Marine Design Centre (MDC) in Newcastle upon Tyne. These initiatives will help to meet the skills challenges that owner operators, shipyards and engineering firms face, particularly with regards to ensuring

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that designers have the necessary skills and qualifications for the local market. The MDC is the first of its kind in the UK and has been set up as a subsidiary business of Northern Defence Industries (NDI), to which around 200 regional companies are affiliated. The MDC is an international centre of excellence, helping members to find new markets, grow market share and gain competitive advantage.

Community involvement

The Group is involved in a number of charitable and good causes. The Group's policy has been to continue to support local charities in the areas that we operate as well as a number of national and international charities. During the past year we have donated £49,000 to a wide range of organisations as summarised below:

East Anglian Air Ambulance

East Anglian Air Ambulance was founded in 2000. The charity provides 365 day a year air ambulance service for Cambridgeshire, Norfolk and Suffolk which is 11% of the total area of England;

East Anglian Children's Hospice (EACH)

EACH supports families throughout their experience of caring for children with life-threatening or life-limiting illnesses;

Mid-Anglia General Practitioner Accident Service (MAGPAS)

MAGPAS has provided emergency care in Cambridgeshire and Peterborough since 1971 and works in partnership with the East Anglian Air Ambulance and the East of England Ambulance Service Trust;

Headway

To promote understanding of all aspects of brain injury and to provide information, support and services to people with a brain injury, their families and carers;

Macmillan Cancer Support

Macmillan Cancer Support is a source of support, helping with all the things people affected by cancer want and need;

International Committee of the Red Cross

The International Committee of the Red Cross, or ICRC, is a humanitarian organisation which aims to help those caught up in armed conflicts around the globe;

The Prince's Trust

The Prince's Trust, founded in 1976 by The Prince of Wales, has become the UK's leading youth charity, offering a range of opportunities including training, personal development, business start-up support, mentoring and advice; and

The Outward Bound Trust

The Outward Bound Trust's mission is to unlock the potential in young people through discovery and adventure in the wild.

Help for Heroes

Help for Heroes is a registered charity providing support to service men and women wounded in current conflicts.

Marie Curie Cancer Care

Marie Curie Cancer Care provides free nursing care to cancer patients and those with other terminal illnesses in their own homes.

The Group also gift matched the efforts of employees who took part in the Chariots of Fire Charity Marathon, the Oxford to Cambridge Bike Ride and Red Nose Day.



COMMITMENT

AVEVA is committed to preparing a new generation of engineers and designers for the Plant and Marine markets by donating AVEVA Plant and AVEVA Marine software to numerous educational institutes.

BOARD OF DIRECTORS



Nick Prest CBE, aged 56
Chairman

Nick Prest joined the Board of AVEVA in January 2006. Following a spell at the Ministry of Defence at the outset of his career Nick joined Alvis, the defence contractor, in 1982, becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996. Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems. In addition to his position at Alvis, Nick had a prominent role in defence industry representation, serving as Chairman of the Defence Manufacturers' Association and Vice Chairman of the National Defence Industries Council. In addition to being Chairman of AVEVA, Nick is also Chairman of Cohort plc, a defence technical services business floated on AIM in March 2006.



Richard Longdon, aged 53
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, 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.



David Mann, aged 64
Non-Executive Director and Senior Independent Director

David Mann entered the Information Technology industry after reading Mathematics and Theoretical Physics at Cambridge University. From 1969 to 1994 he worked for Logica plc where he became Head of Worldwide Operations, then Group Chief Executive and finally Deputy Chairman. He is currently Non-Executive Chairman of Velti Group plc and Non-Executive Deputy Chairman of Charteris plc (both quoted on AIM). 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.



Paul Taylor FCCA, aged 44

Finance Director and Company Secretary

Paul Taylor is a Fellow of the Association of Chartered Certified Accountants and joined AVEVA in 1989. He was heavily involved in the flotation process and has been responsible for UK accounting and for 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. Before joining AVEVA, Paul trained within the accountancy profession before moving to Philips Telecommunications (UK), where he was responsible for the management accounts of its public sectors division.



Jonathan Brooks, aged 53

Non-Executive Director

Jonathan Brooks joined AVEVA in July 2007 and has a broad range of financial, commercial and international experience. He currently holds a number of Directorships with technology based companies. He is a Non-Executive Director of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub systems and network technology, and e2v technologies plc, an LSE listed manufacturer of specialised components and sub systems. He is also Chairman of Picochip Inc., a private equity company developing wireless processors and a Non-Executive Director of Sophos plc, a software security company. Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc, where he was a key member of the team that developed ARM Holdings to be a leader in its sector.



Philip Dayer, aged 58

Non-Executive Director

Philip Dayer qualified as a chartered accountant and pursued a corporate finance career in investment banking, specialising in advising small and mid-market UK companies. He was first appointed an Advisory Director in 1983 of Barclays Merchant Bank Limited and since then has held the position of Corporate Finance Director with a number of banks. He retired from Hoare Govett Limited in 2004. Philip was a financial consultant to OJSC Rosneft Oil Company, the Russian state-owned oil and gas company, on their flotation in 2006. Philip is a Non-Executive Director of Dana Petroleum plc, Senior Independent Director of Cadogan plc, Senior Independent Director of Arden Partners plc and Chairman of IP PLUS plc.

COMPANY INFORMATION AND ADVISERS

Directors

Nick Prest CBE

Chairman

David Mann

Non-Executive Director and
Senior Independent Director

Jonathan Brooks

Non-Executive Director

Philip Dayer

Non-Executive Director

Richard Longdon

Chief Executive

Paul Taylor

Finance 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 LLP

Francis House
112 Hills Road
Cambridge CB2 1PH

Ashurst LLP

Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbroker and financial advisers

RBS Hoare Govett Limited

250 Bishopsgate
London EC2M 4AA

Registrars

Capita Registrars Limited

Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Financial PR

Hudson Sandler

29 Cloth Fair
London EC1A 7NN

OTHER STATUTORY INFORMATION

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.

Results and dividends

The Group made a profit for the year after taxation of £42.2 million (2008 – £34.2 million). Revenue was £164.0 million (2008 – £127.6 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 6.5 pence per ordinary share (2008 – 5.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 31 July 2009 to shareholders on the register at close of business on 26 June 2009.

Business review and future developments

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

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2009 are set out in the Finance Director's review on pages 14 to 17, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group.

Suppliers' 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 by the other party.

The Company has £nil trade creditors (2008 – £nil). At 31 March 2009, the Group had an average of 18 days' purchases owed to trade creditors (2008 – 18 days').

Research and Development

The Group continues an active programme of Research and Development which 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.

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 23 to the financial statements.

Going concern

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

Directors and their interests

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

Nick Prest (Chairman)
 David Mann (Non-Executive Director and Senior Independent Director)
 Jonathan Brooks (Non-Executive Director)
 Philip Dayer (Non-Executive Director)
 Richard Longdon (Chief Executive)
 Paul Taylor (Finance Director and Company Secretary)

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2009 in respect of transactions notifiable under Disclosure and Transparency Rule 3.1.2 that have been disclosed to the Company are as follows:

	2009 3.33 pence ordinary shares	2008 3.33 pence ordinary shares
Nick Prest	16,690	7,150
David Mann	26,700	26,700
Jonathan Brooks	—	—
Philip Dayer	7,000	7,000
Richard Longdon	350,000	316,000
Paul Taylor	50,000	50,000

No changes took place in the interests of Directors in the shares of the Company between 31 March 2009 and 26 May 2009.

Directors' share options are disclosed in the Directors' remuneration report on pages 33 to 37.

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

Resolutions will be submitted to the Annual General Meeting for the re-election of Nick Prest, David Mann and Paul Taylor. Brief biographical details of all Directors, including those who are proposed for re-election, appear on pages 22 and 23.

OTHER STATUTORY INFORMATION CONTINUED

Conflict of interest

Throughout the year the Company has complied with the procedures in place for ensuring that the Board's powers for authorising conflict situations have been operated effectively. During the year no conflicts arose which would require the Board to exercise authority or discretion in relation to such conflicts.

Takeover Directive Disclosures

The additional information required to be disclosed under the Takeover Directive Disclosures is set out below. The disclosures below are in some cases a summary of the relevant provisions of the Company's Articles of Association and the relevant full provisions can be found in the Articles, which are available for inspection at the Company's registered office.

Share capital

The rights attaching to the Company's shares are set out in its Articles of Association. At 31 March 2009, the Company's issued share capital consisted of a single class of ordinary shares with a nominal value of 3.33 pence.

Subject to any restrictions referred to in the next section, members may attend any general meeting of the Company. Voting rights attaching to the ordinary shares are described in the next section.

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

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

There are no special control rights in relation to the Company's shares.

Subject to any restrictions below, on a show of hands every member who is present at a general meeting has one vote on each resolution and, on a poll, every member who is present has one vote on each resolution for every share of which he/she is the registered member.

A resolution put to the vote of a general meeting is decided on a show of hands, unless before or on the declaration of the result of the show of hands, a poll is demanded by the Chairman of the meeting, or by at least two members present in person (or by proxy) and having the right to vote, or by any member or members present in person (or by proxy) having at least one tenth of the total voting rights of all members, or by any members present in person (or by proxy) holding shares on which an aggregate sum has been paid up of at least one tenth of the total sum paid up on all shares conferring that right. Under the terms of the AVEVA Group Employee Benefit Trust 2008, the trustees will abstain from voting shares in the Company held by the Trust.

A member may vote personally or by proxy at a general meeting. Any form of proxy sent by the Company to members in relation to any general meeting must be delivered to the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. A corporation which is a member of the Company may authorise such persons as it thinks fit to act as its representatives at any general meeting of the Company.

In the case of joint holders, the vote of the senior who tenders the vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members. No member shall be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of any share if any call or other sum presently payable by him to the Company in respect of such share remains unpaid.

The Board may direct that a member shall not be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of some or all of the shares held by him/her (the Default Shares) if he/she or any person with an interest in shares has been sent a notice under Section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) (a Section 793 Notice) and he/she or any interested person fails to supply the Company with the information requested within 14 days after delivery of that notice. These restrictions end seven days after receipt by the Company of all the information required by the relevant Section 793 Notice.

The Board may refuse to register a transfer unless:

- it is in respect of a share which is fully paid up;
- it is in respect of only one class of share;
- it is in favour of a single transferee or not more than four joint transferees;
- it is duly stamped (if so required); and
- it is delivered for registration to the office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him/her or, if the transfer or renunciation is executed by some other person on his/her behalf, the authority of that person to do so; provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Takeover Directive Disclosures continued

Share capital continued

The Board may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of members. The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from CREST.

There are no restrictions on transfer of the ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the ordinary shares.

There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of securities or on voting rights.

Other substantial shareholdings

On 26 May 2009, the Company had been notified, in accordance with Disclosure and Transparency Rule 5, of the following interests in the ordinary share capital of the Company:

Name of holder	Number	Percentage held %
BlackRock MLIM Capital Group	7,796,045	11.50
Barclays Global Investors Legal & General Investment Management	5,209,384	7.68
	2,905,692	4.28
	2,760,479	4.07

Articles of Association

The Articles of Association of the Company may be amended by special resolution. There are no conditions contained in the Memorandum in relation to the alteration of the Articles of Association of the Company.

Appointment of Directors

The Company's Articles of Association provide that at each Annual General Meeting of the Company one third of the Directors (or if their number is not three or a multiple of three, the number nearest to but not exceeding one third) shall retire from office. Those Directors who are required to retire at each Annual General Meeting shall be, first, any Director who wishes to retire (and not offer himself for reappointment) and second, those Directors who have been longest in office since their last appointment or reappointment. Any Director who retires at an Annual General Meeting may, if willing to act, be reappointed.

Additionally, new Directors may be appointed by the Board but are subject to election by members at the first opportunity after their appointment. The Articles of Association limit the number of Directors to not less than two and not more than ten save where members decide otherwise. Members may remove any Director (subject to the giving of special notice) and, if desired, replace such removed Director by ordinary resolution.

Change of control

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

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

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

Charitable and political donations

During the year the Group made charitable donations totalling £49,145 (2008 – £45,997) of which £15,000 was paid to the Outward Bound Trust, £10,000 to MacMillan Cancer Support and £10,000 to The Prince's Trust. The remainder was donated to local and national charities.

During the year the Group did not make any political donations (2008 – £nil).

Authority to repurchase ordinary shares

Resolution 9 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 6,781,886 ordinary shares until the earlier of 8 October 2010 and the date of the next Annual General Meeting. This represents 10% of the ordinary shares in issue at 26 May 2009 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.

The Company 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 26 May 2009 (being the latest practicable date prior to the publication of the notice of the Annual General Meeting), there were 263,399 outstanding options granted under all share option plans operated by the Company which, if exercised, would represent 0.39% 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 0.43% of the issued ordinary share capital of the Company.

OTHER STATUTORY INFORMATION CONTINUED

Authorities to allot shares and disapply pre-emption rights

Resolution 10

This resolution is to increase the authorised share capital of the Company by approximately 33.3%, so that should the Directors decide to take advantage of the increased authorities to allot under resolutions 11 and/or 12, they will be in a position to do so.

Resolution 11

The Directors may allot relevant securities only if authorised to do so by shareholders. The authority granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting. Accordingly, resolution 11 will be proposed as an ordinary resolution to grant new authorities to allot (a) relevant securities up to an aggregate nominal amount of £753,542.97 and (b) equity securities up to an aggregate nominal amount (when added to allotments under part (a) of the resolution) of £1,507,085.94 where the allotment is in connection with a rights issue.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at 26 May 2009. If given, these authorities will expire at the Annual General Meeting in 2010 or on 8 October 2010, whichever is the earlier. Where usage of these authorities exceeds the thresholds suggested by the Association of British Insurers (the ABI) in their December 2008 guidance, the Directors will stand for re-election at the following Annual General Meeting to the extent required by the ABI.

The Directors have no present intention of issuing shares pursuant to this authority.

As at 26 May 2009 the Company holds no treasury shares.

Resolution 12

The Directors also require additional authority from shareholders to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings. The authority granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting. Accordingly, resolution 12 will be proposed as a special resolution to grant such authority. Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £113,031.44 (being 5% of the Company's issued ordinary share capital at 26 May 2009). If given, this authority will expire on 8 October 2010 or at the conclusion of the Annual General Meeting in 2010, whichever is the earlier. The Directors will have due regard to institutional guidelines in relation to any exercise of this authority, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7.5% of the Company's issued share capital in any rolling three year period.

Notice required for shareholder meetings

The Shareholders Rights Directive is intended to be implemented in the UK in August 2009. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under this Directive before it can call a general meeting on 14 days' notice.

Other resolutions at the Annual General Meeting

Details of the other resolutions to be proposed at the Annual General Meeting are set out in the enclosed notice.

Employee benefit trust

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. On 15 July 2008, the Trust acquired in the open market an aggregate of 36,448 ordinary shares in AVEVA Group plc at a price of £13.48 for total consideration of £495,000. The Trust holds a total of 36,448 ordinary shares in AVEVA Group plc representing 0.05% of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees of the Trust are required (unless the Company directs otherwise) to waive all dividends in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

Disabled employees

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

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

Employee involvement

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

Directors' qualifying third party indemnity provisions

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

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.

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

Each Director of the Company (whose names and functions appear on page 25) confirms that (solely for the purpose of DTR 4) to the best of his knowledge:

- the financial statements in this document, prepared in accordance with the applicable UK law and accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group taken as a whole; and
- the Chairman's statement, Chief Executive's review and Finance Director's review include a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 25. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- so far as he is aware, there is no relevant audit information (as defined by section 234 ZA of the Companies Act 1985) of which the Company's auditors are unaware; and
- he has taken all the steps he ought to have taken as a Director in order to make himself aware of any such relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Paul Taylor
Company Secretary
26 May 2009

High Cross
Madingley Road
Cambridge CB3 0HB

CORPORATE GOVERNANCE STATEMENT

Statement of compliance with the code of best practice

The Company is committed to the principles of Corporate Governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority (the Combined Code) and for which the Board is accountable to shareholders. The Company has complied with the provisions of Section 1 of the Combined Code throughout the year except for the following matters:

- A.4.1, A.4.2 and A.4.6 – A Nominations Committee was established in April 2009 and therefore was not in place during the course of the year. The full Board carried out all activities of a Nominations Committee until the Committee was formed; and
- A.7.2 – One Non-Executive Director who served during the year does not have a contract of employment for a specific term due to his appointment being prior to the issue of the 2003 Combined Code.

The Company has applied these Principles of Good Governance set out in Section 1 of the Combined Code, including both the main principles and supporting principles, by complying with the Combined Code as noted 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 on page 33.

Composition and operation of the Board

The Board currently comprises the Chairman, three Non-Executive Directors (including the Senior Independent Director) and two Executive Directors (being the Chief Executive and Finance Director). The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Ltd, which owns all the Group's operating subsidiaries and includes as members the Head of Product Development and the Head of Group Operations as well as all the members of the Group Board. This ensures that the Group Board is well informed on technical and market factors driving the Group's performance as well as on financial outcomes. The roles of the Chairman and the Chief Executive are distinct and the division of responsibility between these roles has been clearly established, set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board and ensuring that it meets its obligations and responsibilities. The Chief Executive is responsible for providing overall leadership, providing management to the Group and for the execution of the Group's strategic and operating plans. Brief biographical details of all Board members are set out on pages 22 and 23. The membership of all Board Committees is set out below:

		Board	Audit	Remuneration	Nomination
Nick Prest	Chairman	Chairman	—	Member	Chairman
David Mann	Senior Independent Non-Executive Director	Member	Member	Chairman	—
Jonathan Brooks	Independent Non-Executive Director	Member	Chairman	Member	Member
Philip Dayer	Independent Non-Executive Director	Member	Member	Member	Member
Richard Longdon	Chief Executive	Member	—	—	—
Paul Taylor	Finance Director	Member	—	—	—

The Board has considered the independence of the Chairman and the Non-Executive Directors and believes that all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement. Their biographies on pages 22 and 23 demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conducts which is vital to the Group. David Mann is the Senior Independent Director and he will have served ten years as a Non-Executive Director in June 2009. Notwithstanding this, the Board believes that he remains independent and continues to be effective in his role and demonstrates commitment to the role. David Mann has never had any business relationship with the Group, has never been an employee and has never participated in any share option plan or been a member of the Group's pension schemes.

The Board is responsible to shareholders for the proper management of the Group. There is a formal schedule of matters specifically reserved for the Board's decision that covers key areas of the Group's affairs, which includes overall responsibility for the strategy of the Group, Corporate Governance, review of trading performance and forecasts, risk management, Board membership, communications with shareholders, the approval of major transactions, including mergers and acquisitions and the approval of the financial statements and annual operating and capital expenditure budgets. The Board met ten times during the year and the Board also conducted a strategy meeting, receiving presentations from senior management. The Board delegates the day to day responsibility for managing the Group to the Executive Directors. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings and all members of the Audit Committee and Remuneration Committee respectively prior to meetings of such Committees.

The attendance of individual Directors at Board meetings and Committee meetings during the year is set out in the table below:

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended
Number of meetings held	10	2	2
Nick Prest	10	—	2
David Mann	10	2	2
Jonathan Brooks	10	2	2
Philip Dayer	10	2	2
Richard Longdon	10	—	—
Paul Taylor	10	—	—

Non-Executive Directors are encouraged annually to undertake training in furtherance of their specific roles and general duties as a Non-Executive Director.

Composition and operation of the Board continued

Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.

The Combined Code requires that the Board undertakes a formal annual evaluation of its own performance and that of its Committees and individual Directors. The Chairman conducted a review of both the structure and skills of the Board generally and the individuals involved. This included discussions with fellow Board members and covered Board structure, effectiveness of the Board and its Committees, information and communication. The Chairman's conclusions, which were accepted by the Board, were that the Board and its Committees are operating effectively. The Chairman's performance was assessed by the Senior Independent Director, having consulted with the other Non-Executive Directors. A formal evaluation of the performance of the Executive Directors, Richard Longdon and Paul Taylor, was also carried out by the Remuneration Committee as part of the process for determining their remuneration for the year.

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

The Chairman ensures that the Directors take independent professional advice where they judge it necessary to discharge their responsibilities as Directors at the Group's expense in the appropriate circumstances. All members of the Board have access to the advice of the Company Secretary.

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation, and also following their appointment. Given his length of service, David Mann is subject to annual re-election under the Combined Code. Under the Articles of Association, Nick Prest and Paul Taylor are also subject to re-election at the forthcoming Annual General Meeting.

Non-Executive Directors are appointed for a term of three years with the exception of David Mann who does not have a specific term of appointment because he was appointed prior to the issue of the 2003 Combined Code. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection on the day of the forthcoming Annual General Meeting.

The Board has three Committees: Nominations, Audit and Remuneration. In accordance with the Combined Code, the duties of the Committees are set out in formal terms of reference. They are available on request from the Company's registered office during normal business hours and are available on the Company's website at www.aveva.com.

Nominations Committee

In April 2009, a Nominations Committee was formed which is chaired by Nick Prest and the other members are Jonathan Brooks and Philip Dayer. The Chief Executive is invited to attend meetings as appropriate to the business being considered. Until the Committee was formed the full Board carried out the activities of the Nominations Committee which included nomination, selection and appointment of Non-Executive and Executive Directors, succession planning and the composition of the Board, particularly in relation to the diversity of skills and experience. There were no changes to the Board during the year.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the Group's policy for Executive remuneration and determines the individual remuneration packages on behalf of the Board for the Executive Directors of the Group. The Chief Executive attends meetings by invitation, except when the Chief Executive's own remuneration package is being discussed.

The Committee has access to professional advice, both inside and outside the Company, in the furtherance of its duties. The Directors' remuneration report sets out in more detail the Remuneration Committee's policies and practices on Executive remuneration.

Audit Committee

The members of the Audit Committee are Jonathan Brooks, David Mann and Philip Dayer. The Chairman of the Committee during the year was Jonathan Brooks who is deemed by the Board to have recent and relevant financial experience. He is a Chartered Management Accountant and has held a number of senior financial positions in his career. The Committee invites the Finance Director and senior representatives from the auditors to attend meetings as appropriate to the business being considered. Subsequent to the year end, an Audit Committee meeting was held to approve the annual results which was attended by all members.

The Audit Committee met twice during the year to review the scope of the audit and the audit procedures, the format and content of the audited financial statements and interim reports, including the notes and the accounting principles applied. The Audit Committee also reviews all proposed announcements to be made by the Group to the extent that they contain financial information. The Audit Committee considers compliance with legal requirements, accounting standards and the Listing Rules of the Financial Services Authority and also reviews 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. Controls in place to ensure that the independence and objectivity of the auditors are not compromised include monitoring of the independence and effectiveness of the audit, implementing a policy on the engagement of the external auditors to supply non-audit services, and a review of the scope of the audit and fee and performance of the external auditors. In addition, audit partners are rotated every five years and a formal statement of independence is received from the auditors each year. The Board and the Audit Committee are satisfied that the independence of the auditors has been maintained.

The Audit Committee monitors fees paid to the auditors for non-audit work. During the year there was limited non-audit work performed by the auditors and an analysis of non-audit fees is provided in note 7 to the financial statements. The Group engages other independent firms of accountants to perform tax consulting work and other consulting engagements to ensure that the independence of the auditors is not compromised.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit Committee continued

There is a formal whistle-blowing policy which has been communicated to employees. This policy provides information on the process to follow in the event that any employee feels it is appropriate to make a disclosure. The Audit Committee is satisfied that the policy provides an adequate basis for employees to make representations in confidence to the Group and for appropriate and proportionate investigations.

The Board and the Audit Committee have 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 annually.

Dialogue with institutional shareholders

Communication with shareholders is given high priority by the Board. The Chief Executive and the Finance Director have meetings with representatives of institutional shareholders and hold analyst briefings at least twice a year, following the announcement of the interim and full year results, but also at other times during the year as necessary. The Chairman also met with certain shareholders during the year to discuss strategy and performance of the business. The Senior Independent Non-Executive Director, David Mann, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or if such contact would be inappropriate. These meetings seek to build a mutual understanding of objectives with major shareholders by discussing long term strategy and obtaining feedback. The Board also receives formal feedback from analysts and institutional shareholders through the Company's public relations adviser and financial adviser. The Board is also apprised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views. The Chairman, Senior Independent and Non-Executive Directors are available for dialogue with shareholders at any time and attend (together with the other members of the Board) the Annual General Meeting, but are not routinely involved in investor relations or shareholder communications. Corporate information is also available on the Company's website, www.aveva.com.

Constructive use of the Annual General Meeting

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

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure and by its very nature can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the effectiveness of the Group's internal controls, which have been in place from the start of the year to the date of approval of this report and believes that it is in accordance with the Turnbull Guidance. The key elements of the systems of internal controls currently include:

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

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

DIRECTORS' REMUNERATION REPORT

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985 and the relevant requirements of the Listing Rules of the Financial Services Authority (together the Regulations). The report also 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 and the Chairman, not the Committee.

The conclusions and recommendations of the Remuneration Committee were finalised in two formal meetings during the year, but these were preceded by several informal discussions, including some with advisers (none of whom had any other connection with the Company). The members of the Committee were David Mann (Chairman), Nick Prest, Jonathan Brooks and Philip Dayer.

The Chief Executive (Richard Longdon) is invited to submit recommendations to the Remuneration 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 Remuneration 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 Group. It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to achieve short and long term goals.

The Remuneration Committee has access to detailed external research from independent consultants and during the year engaged Hewitt New Bridge Street to review the remuneration of the Executive Directors and senior management and to benchmark their remuneration against comparable companies' remuneration. Hewitt New Bridge Street do not provide other services to the Group.

In 2008 the Board introduced the AVEVA Group Management Bonus Deferred Share Scheme 2008 (the Deferred Share Scheme) for Executive Directors and selected employees incorporating a deferred bonus component. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash, payable on announcement of interim and/or final results, and partly in ordinary shares in the Company to be delivered on a deferred basis under the Deferred Share Scheme.

Under these incentive arrangements, depending on the extent to which performance conditions are achieved, an overall bonus amount is determined. Part of this overall bonus amount is payable in cash; an amount equal to the balance (which may be up to 50%) is used to calculate the number of ordinary shares which the bonus recipient is eligible to receive on a deferred basis. This is calculated by identifying the number of ordinary shares which could be purchased with the balance at the mid-market closing price of an ordinary share on the dealing day immediately preceding the preliminary announcement of the Company's results for the relevant financial year.

An Employee Benefit Trust (EBT) was established on 10 July 2008 following shareholder approval at the Annual General Meeting. Awards of deferred shares are made by the trustee of EBT using shares purchased in the market. The awards, which take the form of nil-cost options, will normally deliver the deferred shares to participants in three equal tranches, one in each of the three years following the year in which an award is made by the EBT. These awards are made solely in respect of performance in the financial year immediately prior to their grant. Delivery of the deferred shares is not subject to further performance conditions provided that the participant remains an employee or Director of the Group. If the participant ceases to be an employee or Director, entitlement to all outstanding tranches would fall away unless the cessation occurs by reason of his or her death. Following the death of a bonus participant, or on a takeover, reconstruction or amalgamation, or voluntary winding up of the Company, the period for which the participant must remain an employee or Director would be reduced below the normal three years and entitlement to delivery of the shares would be accelerated. There are no arrangements for the delivery of additional matching shares to a participant in any circumstances.

The Board believes that these incentive arrangements more closely align the interests of Executive Directors and employees with shareholders' interests.

The individual components of the remuneration packages offered are:

Basic salaries/fees

It is the policy of the Committee to pay base salaries to the Executive Directors taking account of the nature and scale of the business of the Group, the performance of the individual in achieving financial and non-financial goals within his areas of responsibility and comparable market data.

In 2008/09 both Executive Directors received basic salary increases of 5% based on advice received on their overall remuneration package from Hewitt New Bridge Street and in consideration of other pay awards made across the Group.

Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities, time devoted to the role and comparable market rates.

Benefits

Executive Directors are provided with a Company car or a mobility allowance and a fuel allowance. Non-Executive Directors do not receive any benefits.

DIRECTORS' REMUNERATION REPORT CONTINUED

UNAUDITED INFORMATION continued

Bonus payments

The Executive Directors participate in annual performance-related bonus arrangements determined by the Committee. The arrangements are based substantially or entirely on the performance of the Group as a whole geared towards exceeding internal and external expectations of normalised profit before tax with 10% based on achievement for the six months to 30 September and 90% on the full year results.

For the annual performance bonus arrangements for 2008/09, the targets were set after considering the Group's budgeted normalised profit before tax and market expectations. The budget was agreed based upon objectives which were considered to be appropriate and stretching against the background of a profit before tax of £45 million achieved in the prior year and market conditions prevailing at that time. For 2008/09, the maximum bonus amount which an Executive Director could earn was 100% of basic salary. Performance targets were achieved in full resulting in a cash bonus equal to 60% (2008 – 58%) of basic salary with the remaining 40% (2008 – 42%) of the bonus amount being used to calculate the number of deferred shares for which each Executive Director was eligible.

Pensions

During the year, the two Executive Directors (Richard Longdon and Paul Taylor) were members of AVEVA Solutions Limited's defined benefit pension scheme. It is a contributory, funded, occupational pension scheme registered with HM Revenue and Customs (HMRC) and, since 1 October 2004, Career Average Revalued Earnings benefits apply. 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. A pension earnings cap (in line with historic HMRC's earning cap) applies to Paul Taylor when calculating pensionable salary. Similarly, a scheme-specific earnings limit applies to the benefits earned by Richard Longdon. A lower pension is payable on earlier retirement after the age of 50 by agreement with the Company and subject to HMRC guidelines. Pensions are payable to dependants on the Director's death in retirement and a lump sum is payable if death occurs in service. No other Directors were members of a pension scheme during the year (2008 – nil).

Share awards

The Remuneration 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 comparator companies. The Company's share schemes have therefore been used to provide long term incentives to assist in creating and sustaining growth in share value. There are three schemes in existence, the AVEVA Group plc Executive Share Option Scheme (the ability to grant shares under this scheme has now expired), the AVEVA Group plc Long Term Incentive Plan and the AVEVA Group plc Executive Share Option Scheme 2007. No awards have been made under the AVEVA Group plc Executive Share Option Scheme 2007 and the performance conditions that would apply to them remain to be determined. The number of shares which may be allocated on exercise of any options granted under any of the Company's share option schemes (including employee schemes) shall not, when aggregated with the number of shares which have been allocated in the previous ten years under these schemes, exceed 10% of the ordinary share capital of the Company in issue immediately prior to that date. The share schemes are used to provide incentives to Senior Managers as well as Executive Directors. As recipients of these awards, Executive Directors and Executive Board members are required to hold or use the schemes to build share ownership with a value of at least 100% of their then current salary. Details of the awards made under these schemes are as follows:

2004/05 awards

In 2004 the Remuneration Committee commissioned a study by Deloitte LLP to review the Company's share option schemes and to make recommendations on their development. The Board accepted those recommendations and, following consultation with shareholders, the Company established the AVEVA Group plc Long Term Incentive Plan (LTIP) which was approved at the Extraordinary General Meeting held in 2004. Under the LTIP, options are granted to selected individuals to acquire ordinary shares at an exercise price equal to the nominal value of the shares; these options will be exercisable only if stringent performance criteria are met.

In 2004/05, a total of 63,000 options were awarded to Executive Directors under the LTIP. The condition of exercise for these awards was based on the ranking of the Company in terms of its total shareholder return measured against the techMARK 100 Index. The options 'vested' in accordance with the following scale:

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

The performance conditions were measured in accordance with the terms of the grant and all awards vested in full.

2005/06 awards

In 2005/06, a total of 162,816 options were awarded to Executive Directors under the AVEVA Group plc Executive Share Option Scheme. This Scheme was established in 1996 at the time of the Company's listing on the Official List of the London Stock Exchange and at the Extraordinary General Meeting in 2004 the shareholders approved the extension of its dilution limits so that further awards could be made under the scheme. The Remuneration Committee felt that such awards made as market value options were better suited than those under the LTIP to the Company's circumstances in 2005/06. The performance conditions required to be achieved for the exercise of the option was that Earnings per Share (EPS) in the financial year ending 31 March 2008 would have grown to no less than 5% above the Retail Price Index per annum from that achieved in the financial year ended 31 March 2005. The performance condition was judged to be appropriately stretching because of the investment planned in the VNET programme during the period.

The performance conditions were measured in accordance with the terms of the grant and all awards vested in full.

2006/07 awards

In 2006/07 a total of 42,588 share options were awarded to the Executive Directors under the LTIP. The Committee decided to revert to this scheme, with performance conditions based on growth in EPS, but in this case the average growth in EPS achieved over the three years from 2006/07 to 2008/09. If average EPS growth is greater than 15% per annum then all of the shares shall vest. If average EPS growth is less than 7.5% per annum none of the shares shall vest. If average EPS growth is between 7.5% and 15% then the number of shares that shall vest will be determined by linear interpolation. The Remuneration Committee considered that these were challenging performance conditions in the context of the Company's budget and market expectations at the time of the awards.

The performance conditions were measured in accordance with the terms of the grant and all awards vested in full.

UNAUDITED INFORMATION continued**Share awards** continued**2007/08 awards**

In 2007/08, a total of 18,234 share options were awarded to the Executive Directors under the LTIP. The performance conditions are based on average growth in earnings per share over the years from 2007/08 to 2009/10. If average EPS growth is greater than 11.5% per annum then all of the shares shall vest. If average earnings per share is less than 9% per annum then none of the shares shall vest. If average earnings per share growth is between 9% and 11.5% per annum then the number of shares that shall vest shall be determined by linear interpolation. The Remuneration Committee considered that these were challenging performance conditions in the context of Company's budget and external expectations at the time of the awards.

2008/09 awards

In 2008/09, a total of 17,929 share options were awarded to the Executive Directors under the LTIP. The performance conditions are based on average growth in earnings per share over the years from 2008/09 to 2010/11. If average EPS growth is greater than 14% per annum then all of the shares shall vest. If average earnings per share is less than 10% per annum then none of the shares shall vest. If average earnings per share growth is between 10% and 14% per annum then the number of shares that shall vest shall be determined by linear interpolation. The Remuneration Committee considered that these were challenging performance conditions in the context of internal and external expectations at the time of the awards.

Deferred annual bonus share plan

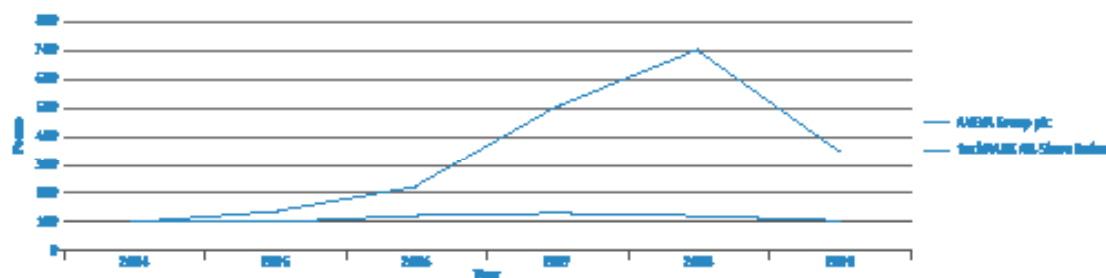
As described above, part of the annual bonus earned by Executive Directors in the year is used to determine eligibility for an award of deferred shares under the Deferred Share Scheme.

On 15 July 2008 the EBT awarded 12,262 and 7,923 deferred shares to Richard Longdon and Paul Taylor respectively in respect of the bonus arrangements for the year ended 31 March 2008.

Following the achievement of the objectives for 2008/09, it is anticipated that 22,487 and 14,508 deferred shares will be awarded to Richard Longdon and Paul Taylor respectively in respect of the bonus arrangements for the year ended 31 March 2009.

Total shareholder return performance graph

The Directors' Remuneration Report Regulations 2002 require the presentation of a performance graph of total shareholder return compared with a broad equity market index for a period of five years. The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index. Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period.

Total shareholder return v techMARK All-Share Index 2004–2009

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

Service contracts

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

	Date of contract	Date of appointment	Expiry/review date	Notice period (months)
Nick Prest	10 January 2006	11 January 2006	11 January 2012	3
David Mann	17 May 2000	8 June 1999	Rolling	3
Jonathan Brooks	12 July 2007	12 July 2007	12 July 2010	3
Philip Dayer	27 December 2007	7 January 2008	7 January 2011	3
Richard Longdon	28 November 1996	28 November 1996	Rolling	12
Paul Taylor	17 October 1989	1 March 2001	Rolling	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.

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 of an Executive Director's contract and determining whether in exceptional circumstances there should be compensation payments in excess of the Company's contractual obligations.

DIRECTORS' REMUNERATION REPORT CONTINUED

AUDITED INFORMATION

Directors' remuneration

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

	Basic salary £000	Fees £000	*Cash bonus £000	Benefits in kind £000	2009 Total £000	**2008 Total £000
Nick Prest	—	85	—	—	85	75
David Mann	—	33	—	—	33	30
Jonathan Brooks	—	35	—	—	35	***22
Philip Dayer	—	30	—	—	30	****8
Richard Longdon	326	—	195	20	541	547
Paul Taylor	210	—	126	17	353	357
Aggregate emoluments	536	183	321	37	1,077	1,039

* In addition to the cash bonus award noted above, it is anticipated that Richard Longdon and Paul Taylor will be awarded 22,487 and 14,508 deferred shares respectively (2008 - 12,262 and 7,923 deferred shares were awarded respectively) under the Deferred Share Scheme. The estimated monetary value of these awards was £130,000 (2008 - £155,000) for Richard Longdon and £84,000 (2008 - £100,000) for Paul Taylor.

** Directors' remuneration for 2008 has been restated to reflect only cash bonuses paid in respect of the period. Previously, the bonuses disclosed in 2008 included £155,000 for Richard Longdon and £100,000 for Paul Taylor that were subsequently agreed to be paid in awards of deferred shares.

*** From date of appointment (12 July 2007).

**** From date of appointment (7 January 2008).

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:

	Scheme	As at 1 April 2008 Number	Granted Number	Exercised Number	Lapsed Number	As at 31 March 2009 Number	Gain on exercise £	Exercise price Pence	Earliest date of exercise	Date of expiry
Richard Longdon	Executive	98,745	—	(98,745)	—	—	1,286,318	265.33	20.07.08	20.07.12
	LTIP	25,548	—	—	—	25,548	—	3.33	28.06.09	28.06.13
	LTIP	11,083	—	—	—	11,083	—	3.33	02.07.10	02.07.14
	LTIP	—	10,891	—	—	10,891	—	3.33	07.07.11	07.07.15
	Deferred Share Scheme	—	12,282	—	—	12,282	—	0.00	26.05.09	Note
Paul Taylor	Executive	64,071	—	(64,071)	—	—	834,632	265.33	20.07.08	20.07.12
	LTIP	17,040	—	—	—	17,040	—	3.33	28.06.09	28.06.13
	LTIP	7,151	—	—	—	7,151	—	3.33	02.07.10	02.07.14
	LTIP	—	7,038	—	—	7,038	—	3.33	07.07.11	07.07.15
	Deferred Share Scheme	—	7,923	—	—	7,923	—	0.00	26.05.09	Note

Note: The last date of the exercise is the end of the 42-day period following the announcement of the financial results of the Group in the third calendar year following that in which the option was granted or (if applicable) such later date as the Remuneration Committee may specify.

The market price as at 31 March 2009 was £5.64 (31 March 2008 - £11.39) with a high-low spread for the year of £4.65 to £16.18.

During the year Paul Taylor and Richard Longdon exercised options over 98,745 and 64,071 ordinary shares respectively at an exercise price of £2.65. The market price on the date of exercise was £15.68 which resulted in an aggregate gain on exercise of £1,286,318 for Richard Longdon and £834,632 for Paul Taylor. Mr Longdon retained 34,000 of the resultant shares and Mr Taylor sold all of the shares arising.

At 31 March 2009, Mr Longdon owned 350,000 ordinary shares (2008 - 316,000 ordinary shares) and options over 59,804 ordinary shares (2008 - 135,376 options). Mr Taylor owned 50,000 ordinary shares (2008 - 50,000 ordinary shares) and options over 39,152 ordinary shares (2008 - 88,262 options).

Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant; options under the previous Executive Share Option Scheme are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant. Details of the performance conditions of share option awards are set out on pages 34 and 35.

Pensions

The Directors had accrued entitlements under the pension scheme as follows:

	Accumulated accrued pension at 31 March 2009 £	Accumulated accrued pension at 31 March 2008 £	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 £
Richard Longdon	135,536	125,351	10,185	5,296	63,959
Paul Taylor	49,269	44,514	4,755	3,019	22,781

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

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

	31 March 2009 £	31 March 2008 £	Movement, less Directors' contributions £
Richard Longdon	1,720,009	1,407,892	296,640
Paul Taylor	470,242	393,234	68,188

The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. 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.

By order of the Board



Paul Taylor
Company Secretary
26 May 2009

High Cross
Madingley Road
Cambridge CB3 0HB

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in relation to the Consolidated financial statements

The Directors are responsible for preparing the Annual report and the Consolidated financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are required to prepare Consolidated financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Consolidated financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR'S REPORT

Independent auditor's report to the members of AVEVA Group plc

We have audited the Group financial statements of AVEVA Group plc for the year ended 31 March 2009 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2009 and on 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements. The information given in the Director's report includes that specific information presented in the Chairman's statement, Chief Executive's review and Finance Director's review that is cross-referenced from the Other statutory information report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 Group financial statements. The other information comprises only the sections included in the Directors' report headed Chairman's statement, Chief Executive's review, Finance Director's review, Other statutory information, Corporate governance statement and Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group 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 Group financial statements 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Cambridge
26 May 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Revenue	5, 6	164,041	127,561
Cost of sales		(37,612)	(29,793)
Gross profit		126,429	97,768
Operating expenses			
Selling and distribution costs		(53,248)	(39,025)
Administrative expenses		(16,532)	(15,582)
Total operating expenses		(69,780)	(54,607)
Profit from operations	7	56,649	43,161
Finance revenue	8	4,846	3,785
Finance costs	9	(2,294)	(1,979)
Analysis of profit before tax			
Profit before tax, share-based payments, amortisation and goodwill adjustment		62,623	47,949
Share-based payments		(940)	(315)
Amortisation of intangibles (excluding other software)		(2,482)	(2,276)
Adjustment to carrying value of goodwill in respect of utilisation of tax losses		—	(391)
Profit before tax		59,201	44,967
Income tax expense	11	(17,047)	(10,721)
Profit for the year attributable to equity holders of the parent		42,154	34,246
Earnings per share (pence)			
– basic	13	62.27p	50.80p
– diluted	13	61.98p	50.38p

All activities relate to continuing activities.

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Exchange differences arising on translation of foreign operations		5,503	5,782
Actuarial (loss)/gain on defined benefit pension schemes	25	(7,523)	3,427
Tax on items recognised directly in equity	11(a)	1,460	(389)
Net (loss)/income recognised directly in equity		(560)	8,820
Profit for the year		42,154	34,246
Total recognised income and expense relating to the year attributable to equity holders of the parent		41,594	43,066

The accompanying notes are an integral part of this Consolidated statement of recognised income and expense.

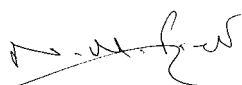
CONSOLIDATED BALANCE SHEET

31 March 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Goodwill	14	17,055	16,689
Other intangible assets	15	10,750	10,806
Property, plant and equipment	16	8,096	5,403
Deferred tax assets	24	5,514	2,743
Other receivables	18	804	737
		42,219	36,378
Current assets			
Trade and other receivables	18	56,768	43,184
Current tax assets		746	751
Cash and cash equivalents	19	126,164	82,849
		183,678	126,784
Total assets		225,897	163,162
Equity			
Issued share capital	27, 28	2,260	2,250
Share premium	28	27,176	26,522
Other reserves	28	13,535	8,527
Retained earnings	28	100,160	68,447
Total equity	28	143,131	105,746
Current liabilities			
Trade and other payables	20	56,598	45,223
Financial liabilities	21	4,643	1,048
Current tax liabilities		11,172	7,488
		72,413	53,759
Non-current liabilities			
Deferred tax liabilities	24	1,589	2,065
Retirement benefit obligations	25	8,764	1,592
		10,353	3,657
Total equity and liabilities		225,897	163,162

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

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2009. They were signed on its behalf by:



Nick Prest
Chairman



Richard Longdon
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Cash flows from operating activities			
Profit for the year		42,154	34,246
Income tax	11(a)	17,047	10,721
Net finance revenue	8, 9	(2,552)	(1,806)
Depreciation of property, plant and equipment	16	1,550	1,243
Amortisation of intangible assets	15	2,538	2,336
Loss on disposal of property, plant and equipment		11	14
Share-based payments	26	940	315
Difference between pension contributions paid and amounts recognised in the Income statement		(603)	135
Adjustment to carrying value of goodwill		—	391
Changes in working capital:			
Trade and other receivables		(15,550)	(6,475)
Trade and other payables		9,409	12,632
Fair value of forward contracts		3,737	874
Cash generated from operating activities before tax		58,681	54,626
Income taxes paid		(15,109)	(11,325)
Net cash generated from operating activities		43,572	43,301
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(3,668)	(1,781)
Interest received	8	2,815	1,772
Proceeds from disposal of property, plant and equipment		30	34
Purchase of intangible assets	15	(58)	(136)
Acquisition of subsidiary, net of cash acquired	30	(1,664)	—
Net cash used in investing activities		(2,545)	(111)
Cash flows from financing activities			
Interest paid	9	(7)	(13)
Purchase of own shares	28	(495)	—
Proceeds from the issue of shares	27	664	146
Payment of finance lease liabilities		(145)	(133)
Dividends paid to equity holders of the parent	12	(5,318)	(3,093)
Net cash flows from financing activities		(5,301)	(3,093)
Net increase in cash and cash equivalents		35,726	40,097
Net foreign exchange difference		7,589	1,465
Opening cash and cash equivalents	19	82,849	41,287
Closing cash and cash equivalents	19	126,164	82,849

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 24. AVEVA Group plc's shares are publicly traded on the Official List of the London Stock Exchange.

2 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2009. The Consolidated financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Group presents adjusted profit before tax on the face of the Consolidated income statement disclosing those material items of operating income and expense which materially impact the underlying performance of the business. The Directors believe that adjusted profit before tax allows shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods in assessing trends in financial performance.

a) Statement of compliance

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2009. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

The parent Company financial statements of AVEVA Group plc have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and are included on pages 74 to 78.

b) Basis of consolidation

The Consolidated financial statements comprise the financial statements of AVEVA Group plc and its subsidiaries as at 31 March each year. The financial statements of subsidiaries are prepared using existing GAAP for each country of operation. Adjustments are made to translate any differences that may exist between the respective local GAAPs and IFRSs.

Inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition, with any excess of the cost of acquisition over this value being capitalised as goodwill.

3 Significant accounting estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2009 was £17,055,000 (2008 – £16,689,000). Further consideration of the impairment of goodwill is included in note 14.

b) Defined benefit pension schemes

The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied are described in note 25 and include, amongst others, the discount rate, the expected return on plan assets, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the amount of the Group's future pension obligations, actuarial gains and losses included in the Statement of recognised income and expense in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2009 was £8,764,000 (2008 – £1,592,000).

4 Summary of significant accounting policies

a) Revenue

Revenue 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 together with an obligatory annual fee. 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 on a straight-line basis 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.

4 Summary of significant accounting policies continued

a) Revenue continued

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 the right for 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 on a straight-line basis over the period of the contract.

The Group also licenses its software using a token licensing model. Under this model, a 'basket of tokens' representing licences to use the software over a defined period is granted, which enables the customer to draw these down as and when required. Where the customer commits in advance to a specified number of tokens over a defined period, a proportion of revenue is recognised with an appropriate element deferred for post contract support obligations, subject to the above recognition conditions being met. Where the customer is charged in arrears, revenue is recognised based on actual number of tokens used.

The revenue and profit of development contracts is recognised on a percentage completion basis when the outcome of the contract can be estimated reliably. The stage of contract completion is usually determined by reference to the costs incurred to date as a proportion of the total estimated costs. Only costs that reflect the services performed to date and to be performed are included in costs incurred to date and the estimate of total costs. When the contract cannot be estimated reliably, revenue is recognised to the extent that costs can be recovered, otherwise costs are expensed as incurred.

Income from consultancy and other related services is recognised as the services are provided.

b) Foreign currencies

The functional and presentational currency of AVEVA Group plc is pounds Sterling (£). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance sheet date. All differences are taken to the Consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The subsidiaries have a number of different functional currencies. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into pounds Sterling (£) at the rate of exchange ruling at the Balance sheet date, and their Income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on the retranslation are taken directly to a separate component of equity. Prior to 31 March 2004, cumulative exchange differences were reported as part of retained earnings. The Group has taken advantage of the transitional provisions of IFRS 1 and is not required to record cumulative translation differences arising prior to the transition date. In utilising this exemption, all cumulative translation differences are deemed to be zero as at 1 April 2004 and all subsequent disposals shall exclude any translation differences arising prior to the date of transition and the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the Consolidated income statement.

c) Goodwill

The Group elected not to apply IFRS 3, 'Business Combinations' retrospectively to business combinations that took place before 1 April 2004.

As a result, the carrying amount of goodwill in the opening IFRS Balance sheet is that recorded under UK GAAP at 1 April 2004 (date of transition).

Goodwill on acquisitions after 1 April 2004 is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill already carried in the Balance sheet is not amortised after 1 April 2004.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the potential benefit of tax losses or other deferred tax assets does not satisfy the criteria in IFRS 3 for separate recognition when a business combination is initially accounted for but is subsequently realised, the Group recognises the deferred tax income in the Income statement. In addition, the Group also reduces the carrying value of the related goodwill by the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date with a corresponding entry to administrative expenses.

d) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to each class of intangible assets as set out below.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income statement in the year in which it is incurred. Internal software development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Amortisation is calculated on a straight-line basis over the estimated useful economic lives of the asset, which are as follows:

	Years
Developed technology	5–12
Customer relationships	20
Other software	3
Purchased software rights	5–10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4 Summary of significant accounting policies continued

e) Research expenditure

Research expenditure is written off in the year of expenditure.

f) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

	Years
Computer equipment	3
Fixtures, fittings and office equipment	6–8
Motor vehicles	4

Assets held under finance leases are amortised on a straight-line basis over the period of the lease for three years or useful economic life, if shorter. Leasehold improvements are amortised on a straight-line basis over the period of the lease (3 to 49 years) or useful economic life, if shorter. Borrowing costs related to the purchase of property, plant and equipment are not capitalised.

g) Impairment of assets

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

h) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

i) Cash and cash equivalents

Cash and short-term deposits in the Balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. The carrying amount of these approximates their fair value. For the purpose of the Consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j) Derivative financial instruments

The only derivative financial instruments the Group holds are forward foreign exchange contracts to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. The Group has not applied hedge accounting during the year and therefore all forward foreign exchange contracts have been marked-to-market and are held at fair value on the Balance sheet with any movements being recorded in the Income statement.

k) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term.

l) Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4 Summary of significant accounting policies continued

l) Taxation continued

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the Income statement.

Revenue, expenses and assets are recognised net of the amount of sales taxes except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales taxes included.

The net amount of sales taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance sheet.

m) Post retirement benefits

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

The UK defined benefit pension scheme, previously available to all UK employees, was closed to new applicants in 2002. UK employees are now offered membership of a defined contribution scheme.

The German unfunded defined benefit scheme is closed to new applicants and provides benefits to three deferred members following an acquisition in 1992 by Tribon. No current employees participate in the scheme. Full provision has been made for the liability on the Balance sheet. The Group also operates a defined benefit pension scheme for one German employee.

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

For the defined benefit schemes, the defined benefit obligation is calculated annually for each plan by independent actuaries using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The retirement benefit liability in the Balance sheet represents the present value of the defined benefit obligation (using a discount rate derived from a published index of AA rated corporate bonds) as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions. The current service cost is recognised in the Income statement as an employee benefit expense. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The expected return on plan assets and the interest cost is recognised in the Income statement as finance revenue and finance costs respectively.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited in the Statement of recognised income and expense in the period in which they arise.

The Group also operates defined contribution pension schemes for a number of UK and non-UK employees. Contributions to defined contribution plans are charged to profit before tax as they become payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4 Summary of significant accounting policies continued

n) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 26. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AVEVA Group plc (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, subject to an estimate of whether performance conditions will be met.

o) Employee benefit trust

The Group has established an employee benefit trust (AVEVA Group Employee Benefit Trust 2008) which is a separately administered trust and is funded by loans from Group companies. The assets of the trust comprise shares in AVEVA Group plc and cash balances. The Group recognises assets and liabilities of the trust in the Consolidated financial statements and shares held by the trust are recorded at cost as a deduction from shareholders' equity.

p) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations that could have a potential impact on the Group with an effective date after the date of these financial statements:

International Accounting Standards (IASs/IFRSs)		Effective date*
IFRS 2	Share-based Payment – Vesting Conditions and Cancellation	1 January 2009
IFRS 3R	Business Combinations	1 July 2009
IAS 27R	Consolidated and Separate Financial Statements	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 Revised	Presentation of Financial Statements	1 January 2009
IAS 32 and IAS 1R	Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation	1 January 2009
IAS 23	Borrowing Costs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 13	Customer Loyalty Payments	1 July 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distribution of Non-cash Assets	1 July 2009

* Standards applicable to accounting periods commencing on or after the effective date.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

5 Revenue

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

	2009 £000	2008 £000
Annual fees	33,912	23,120
Rental fees	57,657	40,558
Recurring services	2,627	2,426
Total recurring revenue	94,196	66,104
Initial licence fees	57,741	52,903
Services	12,104	8,554
Total revenue	164,041	127,561
Finance revenue	4,846	3,785
	168,887	131,346

Services consist of consultancy and training fees.

6 Segment information

For management purposes, during the year the Group was organised on a geographical basis into four main sales regions: Asia Pacific, Americas, Central Eastern and Southern Europe (CES) and Western Europe, Middle East and Africa (WEMEA). Corporate functions and Research and Development operations are principally based in the UK and Sweden and are therefore not included in the sales regions analysis. Each of these operating regions is organised and managed separately due to the differing local requirements in each market and therefore these are the primary segments. The Group operates in one business segment; that of the supply of Engineering IT Solutions that supports the creation and operation of major capital assets such as power plants, process plants and ships of both naval and commercial type.

Geographical segments

Year ended 31 March 2009	Asia Pacific £000	WEMEA £000	CES £000	Americas £000	Unallocated £000	Total £000
Income statement						
Revenue						
Annual fees	12,541	3,569	14,205	3,597	—	33,912
Rental fees	14,983	18,507	9,782	14,385	—	57,657
Recurring services	—	99	—	2,528	—	2,627
Initial licence fees	36,774	2,552	16,517	1,898	—	57,741
Services	2,769	2,122	5,255	1,958	—	12,104
Segment revenue	67,067	26,849	45,759	24,366	—	164,041
Result						
Segment result	44,110	17,843	28,278	14,498	—	104,729
Unallocated expenses						
Corporate overheads					(20,748)	(20,748)
Research and Development costs					(27,332)	(27,332)
Profit from operations						56,649
Finance revenue						4,846
Finance costs						(2,294)
Profit before tax						59,201
Income tax expense						(17,047)
Net profit for the year						42,154
Assets and liabilities						
Segment assets	62,302	10,027	27,705	14,613	—	114,647
Unallocated corporate assets					111,250	111,250
Consolidated total assets						225,897
Segment liabilities	(25,682)	(5,243)	(12,048)	(6,283)	—	(49,256)
Unallocated corporate liabilities					(33,510)	(33,510)
Consolidated total liabilities						(82,766)
Other segment information						
Capital expenditure						
– property, plant and equipment	1,195	17	526	421	1,509	3,668
– intangible assets	—	—	—	—	58	58
Depreciation	(507)	(5)	(202)	(93)	(743)	(1,550)
Amortisation	—	—	—	—	(2,538)	(2,538)

The unallocated assets and liabilities are tangible assets, intangible assets, taxation balances, cash balances, trade and other payable balances and retirement benefit obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 Segment information continued Geographical segments continued

Year ended 31 March 2008	Asia Pacific £000	WEMEA £000	CES £000	Americas £000	Unallocated £000	Total £000
Income statement						
Revenue						
Annual fees	7,807	2,929	10,095	2,289	—	23,120
Rental fees	7,652	17,955	6,146	8,805	—	40,558
Recurring services	—	154	—	2,272	—	2,426
Initial licence fees	33,789	2,662	13,114	3,338	—	52,903
Services	1,564	2,557	3,329	1,104	—	8,554
Segment revenue	50,812	26,257	32,684	17,808	—	127,561
Result						
Segment result	34,486	18,554	20,003	11,109	—	84,152
Unallocated expenses						
Corporate overheads					(19,690)	(19,690)
Research and Development costs					(21,301)	(21,301)
Profit from operations						
Finance revenue						43,161
Finance costs						3,785
						(1,979)
Profit before tax						
Income tax expense						44,967
						(10,721)
Net profit for the year						
						34,246
Assets and liabilities						
Segment assets	48,669	11,485	20,968	7,065	—	88,187
Unallocated corporate assets					74,975	74,975
Consolidated total assets						
						163,162
Segment liabilities	(17,959)	(3,350)	(8,232)	(3,380)	—	(32,921)
Unallocated corporate liabilities					(24,495)	(24,495)
Consolidated total liabilities						
						(57,416)
Other segment information						
Capital expenditure						
– property, plant and equipment	729	33	183	98	738	1,781
– intangible assets	—	—	—	—	136	136
Depreciation	(372)	(4)	(120)	(63)	(684)	(1,243)
Amortisation	—	—	—	—	(2,336)	(2,336)

The unallocated assets and liabilities are tangible assets, intangible assets, taxation balances, cash balances, trade and other payable balances and retirement benefit obligations.

7 Profit from operations

Profit from operations is stated after charging:

	2009 £000	2008 £000
Depreciation of owned property, plant and equipment	1,527	1,148
Depreciation of property, plant and equipment held under finance leases	23	95
Amortisation of intangible assets		
– included in cost of sales	2,094	1,927
– included in administrative expenses	88	92
– included in selling and distribution costs	356	317
Research and Development costs (included in cost of sales)	27,332	21,301
Staff costs	55,503	48,159
Operating lease rentals – minimum lease payments	3,418	2,261
Loss on disposal of property, plant and equipment	11	14
Adjustment to goodwill in respect of the benefit received from utilisation of tax losses (included in administrative expenses)	—	391
Net foreign exchange losses	2,359	2,551

7 Profit from operations continued

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

	2009 £000	2008 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	259	246
Fees payable to the Company auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	116	86
– tax services	25	46
– other services pursuant to legislation	35	16
	435	394

8 Finance revenue

	2009 £000	2008 £000
Expected return on pension scheme assets	2,031	2,013
Bank interest receivable	2,815	1,772
	4,846	3,785

9 Finance costs

	2009 £000	2008 £000
Bank interest payable and similar charges	7	13
Finance lease interest	3	11
Interest on pension scheme liabilities	2,284	1,955
	2,294	1,979

10 Staff costs

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

	2009 £000	2008 £000
Wages and salaries	45,100	39,493
Social security costs	5,604	4,623
Other pension costs	3,859	3,728
Expense of share-based payments	940	315
	55,503	48,159

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

	2009 Number	2008 Number
Research, development and product support	253	222
Sales, marketing and customer support	380	300
Administration	176	141
	809	663

Directors' remuneration

The disclosure of an individual Director's 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 audited section of the Directors' remuneration report on pages 36 and 37 and form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2009 and 2008 are as follows:

	2009 £000	2008 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	13,243	9,119
Adjustments in respect of prior periods	(40)	(769)
	13,203	8,350
Foreign tax	6,585	4,215
Adjustments in respect of prior periods	(162)	(960)
	6,423	3,255
Total current tax	19,626	11,605
Deferred tax		
Origination and reversal of temporary differences	(2,534)	391
Adjustment in respect of prior periods	(45)	(1,267)
Effect of change in UK tax rate	—	(8)
Total deferred tax (note 24)	(2,579)	(884)
Total income tax expense reported in Consolidated income statement	17,047	10,721

	2009 £000	2008 £000
Tax relating to items charged or credited directly to equity		
Current tax		
Tax benefit of share option exercises	950	353
Deferred tax		
Deferred tax on share options	(1,375)	629
Deferred tax on retranslation of intangible assets	(220)	(350)
Deferred tax on actuarial (loss)/gain on defined benefit pension scheme	2,105	(1,021)
Tax credit/(charge) directly to equity	1,460	(389)

b) Reconciliation of the total tax charge

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

	2009 £000	2008 £000
Tax on Group profit before tax at standard UK corporation tax rate of 28% (2008 – 30%)	16,576	13,490
Effects of:		
Expenses not deductible for tax purposes	434	117
Movement on unprovided deferred tax balances	204	(6)
Change in UK tax rate for deferred tax provision	—	(8)
Higher/(lower) tax rates on overseas earnings	80	(90)
Unrelieved tax losses	—	214
Adjustments in respect of prior years:		
– other	(247)	(2,605)
– relief for losses previously not recognised	—	(391)
Income tax expense reported in the Consolidated income statement	17,047	10,721

In 2008 the adjustments in respect of prior years include the benefit of UK Research and Development tax credits, tax losses and the reversal of other previously unrecognised deferred tax assets. These adjustments resulted in the effective tax rate being lower than the UK standard rate.

12 Dividends paid and proposed on equity shares

	2009 £000	2008 £000
Declared and paid during the year		
Interim 2008/09 dividend paid of 2.86 pence (2007/08 – 1.65 pence) per ordinary share	1,938	1,113
Final 2007/08 dividend paid of 5.0 pence (2006/07 – 2.94 pence) per ordinary share	3,380	1,980
	5,318	3,093
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2008/09 of 6.5 pence (2007/08 – 5.0 pence) per ordinary share	4,408	3,376

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2009 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting the final dividend will be paid on 31 July 2009 to shareholders on the register at the close of business on 26 June 2009.

13 Earnings per share

	2009 Pence	2008 Pence
Earnings per share for the year:		
– basic	62.27	50.80
– diluted	61.98	50.38
Adjusted earnings per share for the year:		
– basic	67.33	55.22
– diluted	67.02	54.76
	2009 Number	2008 Number
Weighted average number of ordinary shares for basic earnings per share	67,695,127	67,412,779
Effect of dilution: employee share options	312,387	567,686
Weighted average number of ordinary shares adjusted for the effect of dilution	68,007,514	67,980,465

The calculations of basic and diluted earnings per share are based on the net profit attributable to equity holders of the parent for the year of £42,154,000 (2008 – £34,246,000). Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 26.

Adjusted basic and adjusted diluted earnings per share is calculated based on an adjusted profit after tax of £45,576,000 (2008 – £37,228,000) obtained by adding intangible amortisation (excluding other software) of £2,482,000 (2008 – £2,276,000), share-based payments of £940,000 (2008 – £315,000) and adjustment to carrying value of goodwill of £nil (2008 – £391,000) to the profit after tax for the year of £42,154,000 (2008 – £34,246,000). The denominators used are the same as those detailed above for both basic and diluted earnings per share.

The adjustment made to profit after tax in calculating adjusted basic and diluted earnings per share has not been adjusted for tax in either the current or preceding year.

The Directors believe that adjusted earnings per share is a fairer presentation of the underlying performance of the business.

14 Goodwill

	£000
At 1 April 2007	15,062
Adjustment to carrying value of Tribon Solutions AB	(391)
Exchange adjustment	2,018
At 31 March 2008	16,689
Exchange adjustment	366
At 31 March 2009	17,055

On 19 May 2004, the Group completed the acquisition of Tribon Solutions AB. The total consideration was £20,277,000 and goodwill of £14,079,000 arose on the acquisition.

On 31 March 2005, the Group completed the acquisition of Realitywave Inc. The consideration was £3,192,000 and goodwill of £1,855,000 arose on the acquisition.

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.

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.

The adjustment to the carrying value of the Tribon Solutions AB goodwill in the previous period was due to the post-acquisition utilisation of tax losses, which was not recognised as a deferred tax asset on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 Goodwill continued

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated to CGUs as follows:

Year ended 31 March 2009	WEMEA £000	Asia Pacific £000	CES £000	Americas £000	Total £000
Tribon Solutions AB	302	7,934	6,075	327	14,638
Realitywave Inc.	276	276	276	276	1,104
AEA Technology	—	108	—	976	1,084
Kyokuto Boeki Kaisha	—	229	—	—	229
	578	8,547	6,351	1,579	17,055

Year ended 31 March 2008	WEMEA £000	Asia Pacific £000	CES £000	Americas £000	Total £000
Tribon Solutions AB	301	7,907	6,054	328	14,590
Realitywave Inc.	197	196	197	196	786
AEA Technology	—	108	—	976	1,084
Kyokuto Boeki Kaisha	—	229	—	—	229
	498	8,440	6,251	1,500	16,689

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The growth rates are based on management's estimates of growth in those specific markets based on past experience and external market information.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the year ending 31 March 2010 and extrapolates cash flows for future years based on an average estimated growth rate of 2% for each CGU (2008 – 10% to 15%), representing the long term average growth rate for the Group's CGUs. Future cash flows are discounted in line with the weighted average cost of capital of approximately 10% pre-tax (2008 – 10%).

Whilst it is conceivable that a key assumption in the calculation could change, the Directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated recoverable amount exceeds the carrying value.

15 Intangible assets

	Developed technology £000	Customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost					
At 1 April 2007	8,547	6,185	973	4,563	20,268
Additions	—	—	136	—	136
Disposals	—	—	(5)	—	(5)
Exchange adjustment	846	970	—	—	1,816
At 31 March 2008	9,393	7,155	1,104	4,563	22,215
Acquisition of iDesign Office Pty Ltd (note 30)	1,622	—	—	—	1,622
Additions	—	—	58	—	58
Exchange adjustment	1,155	24	48	—	1,227
At 31 March 2009	12,170	7,179	1,210	4,563	25,122
Amortisation					
At 1 April 2007	3,741	887	958	2,654	8,240
Charge for the year	1,399	317	60	560	2,336
Disposals	—	—	(5)	—	(5)
Exchange adjustment	657	181	—	—	838
At 31 March 2008	5,797	1,385	1,013	3,214	11,409
Charge for the year	1,566	356	56	560	2,538
Exchange adjustment	386	7	32	—	425
At 31 March 2009	7,749	1,748	1,101	3,774	14,372
Net book value					
At 31 March 2007	4,806	5,298	15	1,909	12,028
At 31 March 2008	3,596	5,770	91	1,349	10,806
At 31 March 2009	4,421	5,431	109	789	10,750

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £56,000 (2008 – £60,000).

15 Intangible assets continued

Purchased software rights arose on the acquisition of the products 'FOCUS' for £1,700,000 on 13 September 1999, 'VANTAGE' for £1,500,000 on 2 December 1999 and OPE software for £323,000 on 7 September 2000. These purchased software rights are being amortised on a straight-line basis over ten years. In 2006/07 the Group acquired a source code licence for certain software from Spescom Software Inc. for the sum of £1,040,000 (\$2,000,000). This software is being amortised on a straight-line basis over five years.

The customer relationships intangible was acquired as part of the acquisition of Tribon Solutions AB on 19 May 2004 and is being amortised over twenty years using the straight-line method.

Developed technology includes the Realitywave developed technology which was acquired as part of the acquisition of Realitywave Inc. on 31 March 2005 and the Tribon Solutions AB developed technology. The Realitywave and Tribon Solutions developed technology is being amortised over five years and twelve years respectively using the straight-line method. In addition, developed technology includes the developed technology intangible asset acquired as part of the acquisition of iDesign Office Pty Limited which is being amortised over five years on a straight-line basis.

Other software represents third party software and is being amortised over three years using the straight-line method.

16 Property, plant and equipment

	Long leasehold buildings and improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2007	3,209	7,363	3,245	561	14,378
Additions	—	949	520	312	1,781
Disposals	—	(27)	—	(89)	(116)
Exchange adjustment	—	199	195	26	420
At 31 March 2008	3,209	8,484	3,960	810	16,463
Acquisition of subsidiary	—	—	12	—	12
Additions	132	903	2,338	295	3,668
Disposals	—	(355)	(164)	(105)	(624)
Exchange adjustment	20	406	539	157	1,122
At 31 March 2009	3,361	9,438	6,685	1,157	20,641
Depreciation					
At 1 April 2007	484	6,461	2,515	166	9,626
Charge for the year	75	696	309	163	1,243
Disposals	—	(25)	—	(43)	(68)
Exchange adjustment	—	159	90	10	259
At 31 March 2008	559	7,291	2,914	296	11,060
Charge for the year	102	834	404	210	1,550
Disposals	—	(351)	(158)	(74)	(583)
Exchange adjustment	4	282	176	56	518
At 31 March 2009	665	8,056	3,336	488	12,545
Net book value					
At 31 March 2007	2,725	902	730	395	4,752
At 31 March 2008	2,650	1,193	1,046	514	5,403
At 31 March 2009	2,696	1,382	3,349	669	8,096

The net book value of computer equipment includes an amount of £nil (2008 – £27,000) in respect of assets held under finance leases.

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17 Investments

At 31 March 2009 the Group had the following investments, which are held by AVEVA Solutions Limited unless stated and all of which have been included in the consolidation:

	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 €25,565 each
AVEVA SA	France	Software marketing	100% ordinary shares of €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	Dormant	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 KRW 500,000 each
AVEVA Managed Services Limited	Great Britain	Dormant	100% ordinary shares of £1 each
Cadcentre Limited*	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Consulting Limited*	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of 10 Rupees each
AVEVA Limited	Great Britain	Dormant	100% ordinary shares of £1 each
Cadcentre Engineering IT Limited	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Pty Limited	Australia	Software marketing	100% ordinary shares of AUD\$1 each
AVEVA AB	Sweden	Software development and marketing	100% of ordinary shares of SEK 10 each
Tribon Solutions (UK) Limited***	Great Britain	Dormant	100% of ordinary shares of £1 each
AVEVA Pte Limited***	Singapore	Software marketing	100% of ordinary shares of SGD 10 each
Tribon dot.com Sweden AB***	Sweden	Dormant	100% of ordinary shares of SEK 100 each
AVEVA (Shanghai) Consultancy Co Limited***	China	Services and training	100% of issued share capital
AVEVA Software and Services S.A. de C.V.	Mexico	Software marketing	100% of ordinary shares of US\$50 each
AVEVA Limited Liability Company	Russia	Software marketing	100% of ordinary shares
AVEVA de Mexico S. D.E. R.L. de C.V.	Mexico	Provision of staff	100% of ordinary shares of MXP 1 each
iDesign Office Pty Limited****	Australia	Software marketing and development	100% of ordinary shares of AUD\$ 1 each
AVEVA do Brasil Informática Ltda	Brazil	Software marketing	100% of ordinary shares of BRL 1 each

* Held by AVEVA Group plc.

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

*** Held by AVEVA AB.

**** Held by AVEVA Pty Ltd.

18 Trade and other receivables

	2009 £000	2008 £000
Current		
Amounts falling due within one year:		
Trade receivables	54,201	40,804
Prepayments and other receivables	2,386	2,277
Accrued income	181	103
	56,768	43,184

Trade receivables are non-interest bearing and generally on terms of between 30 and 90 days. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2009 £000	2008 £000
Non-current		
Prepayments and other receivables	804	737

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

18 Trade and other receivables continued

As at 31 March 2009 the provision for impairment of receivables was £4,823,000 (2008 – £1,964,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2007	3,680
Charge for the year, net of amounts reversed	(1,914)
Utilised	(3)
Exchange adjustment	201
As at 31 March 2008	1,964
Charge for the year, net of amounts reversed	3,523
Utilised	(853)
Exchange adjustment	189
As at 31 March 2009	4,823

As at 31 March, the ageing analysis of trade receivables (net of provision for impairment) was as follows:

	Total £000	Neither past due nor impaired £000	Past due not impaired			
			Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2009	54,201	29,457	20,070	4,361	313	—
2008	40,804	19,829	16,764	3,434	306	471

19 Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	38,491	32,467
Short-term deposits	87,673	50,382
Net cash and cash equivalents per cash flow	126,164	82,849

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is £126,164,000 (2008 – £82,849,000).

20 Trade and other payables

	2009 £000	2008 £000
Current		
Trade payables	2,583	1,795
Social security, employee taxes and sales taxes	4,490	4,411
Other payables	197	26
Accruals	18,241	18,944
Deferred income	31,087	20,047
	56,598	45,223

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days. Social security, employee taxes and sales taxes are non-interest bearing and are normally settled on terms of between 19 and 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

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21 Financial liabilities

	2009 £000	2008 £000
Current		
Fair value of forward contracts	4,643	906
Current obligations under finance leases	—	142
	4,643	1,048

Borrowing facilities

At 31 March 2009 the Group had no committed UK bank overdraft or loan facility. At 31 March 2008 the Group had a committed UK borrowing overdraft facility of £3,000,000 of which £nil had been drawn down. The Group had right of offset against cash balances held. All conditions precedent in respect of the overdraft had been met.

In addition, in both years, the Group had a committed overdraft facility of SEK 10,000,000 (£845,000) (2008 – SEK 30,000,000 (£2,200,000)) of which £nil (2008 – £nil) had been drawn down.

The bank overdraft is secured by a floating charge over certain of the Group's assets.

22 Obligations under leases

The Group uses finance leases to acquire computer equipment and certain other assets.

Future minimum lease payments under finance leases are as follows:

	2009 £000	2008 £000
Future minimum payments due:		
Not later than one year	—	146
After one year but not more than five years	—	—
Less: finance charges allocated to future periods	—	(4)
	—	142
The present value of minimum lease payments is analysed as follows:		
Not later than one year	—	142
After one year but not more than five years	—	—
	—	142

At 31 March 2009 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2009		2008	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	2,911	441	1,078	199
After one but not more than five years	5,177	776	1,879	791
Expiry in more than five years	21	—	328	—
	8,109	1,217	3,285	990

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

23 Financial risk management

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

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

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

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

a) Market risk

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

23 Financial risk management continued

a) Market risk continued

Interest rate risk

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

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The Group is exposed to fluctuations in interest rates on its cash and cash equivalents. The Group does not have any significant borrowings. The impact is determined by applying sensitised interest rates to the cash and cash equivalents balances.

A 1% decrease in the Sterling and US dollar interest rate would have reduced interest income by approximately £1,033,000 (2008 – £551,000) and profit after tax by £738,000 (2008 – £386,000).

Foreign currency risk

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales by business units in currencies other than the Group's functional currency of Sterling. The majority of costs are denominated in the functional currency of the business unit. The main exposures relate to the US dollar and Euro reflecting the fact that a significant proportion of the Group's revenue and cash receipts are denominated in these currencies whilst a large proportion of its costs, such as Research and Development, are settled in Sterling and Swedish Krona.

The Group reduces these exchange risks, where possible, by using currency exchange contracts and currency options for the sale of US dollar and Euro as appropriate. The Group enters into specific forward foreign exchange contracts for individually significant revenue contracts when the timing of forecast cash flows is reasonably certain. In addition, the Group enters into forward foreign exchange contracts to sell US dollars and Euro to match forecast cash flows arising from its recurring revenue base. These are renewed on a revolving basis as required. At 31 March 2009, the Group had outstanding currency exchange contracts to sell \$23.5 million (2008 – \$13.5 million) and €15.2 million (2008 – €11 million). In addition, the Group utilises option instruments which have various provisions that, depending on the spot rate at maturity, give either the Group or the counterparty the option to exercise. At 31 March 2009, the Group had outstanding currency options under which the Group may, under certain circumstances, be required to sell up to \$10.5 million (2008 – \$19.5 million) and €nil (2008 – €13 million) in exchange for Sterling.

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

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. There is currently no requirement for borrowings and therefore this risk is not managed through borrowings denominated in the relevant foreign currencies. Gains and losses arising from these structural currency exposures are recognised in the Consolidated statement of recognised income and expense.

Foreign currency sensitivity analysis

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

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

A 10% change in the US dollar against Sterling, Euro against Sterling and Swedish Krona against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2007/08.

	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
31 March 2009			
US dollar	10%	86	86
	(10%)	(94)	(94)
Euro	10%	865	865
	(10%)	(951)	(951)
Swedish Krona	10%	861	861
	(10%)	(948)	(948)
<hr/>			
	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
31 March 2008			
US dollar	5%	(498)	(498)
	(5%)	237	237
Euro	5%	(367)	(367)
	(5%)	(1,279)	(1,279)
Swedish Krona	5%	881	881
	(5%)	(925)	(925)

The movement in profit for the period is mainly attributable to the Group's exposure to exchange movements in US dollar, Swedish Krona and Euro denominated monetary assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 Financial risk management continued

b) Credit risk

The Group's principal financial assets are cash equivalents, trade and other receivables. Counterparties for deposits are governed by the Treasury policy which has been approved by the Board and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies. The amount of exposure to any individual counterparty is subject to a limit as set out in the Group's treasury policy. The Group trades only with recognised, creditworthy third parties and provides credit to customers in the normal course of business. The amounts presented in the Balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The exposure to credit risk is mitigated where necessary by either letters of credit or payments in advance.

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

Disclosures relating to the credit associated with trade receivables are in note 18.

c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. The Group has no significant borrowings from third parties and therefore liquidity risk is not considered a significant risk at this time.

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

	On demand £000	Less than six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2009				
Trade and other payables	2,583	22,927	—	—
As at 31 March 2008				
Trade and other payables	1,795	23,381	—	—
Finance leases	—	73	73	—
	1,795	23,454	73	—

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

	Less than three months 000	Between three months and six months 000	Between six months and one year 000
As at 31 March 2009			
Forward foreign exchange contracts (Euro)			
Outflow	€4,500	€4,500	€6,250
Inflow	£3,920	£3,814	£5,505
Forward foreign exchange contracts (US dollar)			
Outflow	\$4,000	\$6,000	\$13,500
Inflow	£2,138	£3,314	£9,039
Forward foreign exchange options (US dollar)			
Outflow	\$9,000	\$1,500	—
Inflow	£4,780	£904	—
As at 31 March 2008			
Forward foreign exchange contracts (Euro)			
Outflow	€3,000	€3,000	€5,000
Inflow	£2,329	£2,240	£3,746
Forward foreign exchange options (Euro)			
Outflow	€3,000	€3,000	€7,000
Inflow	£2,284	£2,303	£5,361
Forward foreign exchange contracts (US dollar)			
Outflow	—	\$5,000	\$8,500
Inflow	—	£2,557	£4,349
Forward foreign exchange options (US dollar)			
Outflow	\$6,000	\$4,500	\$9,000
Inflow	£3,023	£2,295	£4,591

23 Financial risk management continued**d) Interest rate profile of financial assets and liabilities**

The interest rate profile of the financial assets and liabilities of the Group as at 31 March is as follows:

Year ended 31 March 2009

	Within one year £000	One to two years £000	Two to three years £000	Total £000
Fixed rate				
Cash and short-term deposits	82,822	—	—	82,822

	Within one year £000	One to two years £000	Two to three years £000	Total £000
Floating rate				
Cash and short-term deposits	43,342	—	—	43,342

Year ended 31 March 2008

	Within one year £000	One to two years £000	Two to three years £000	Total £000
Fixed rate				
Obligations under finance leases	(142)	—	—	(142)
Cash and short-term deposits	50,736	—	—	50,736

	Within one year £000	One to two years £000	Two to three years £000	Total £000
Floating rate				
Cash and short-term deposits	32,113	—	—	32,113

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £126,164,000 (2008 – £82,849,000), finance leases of £nil (2008 – £142,000) and forward foreign exchange contracts of £4,643,000 (2008 – £906,000).

The carrying amounts of financial assets and liabilities in the Group's financial statements approximates their fair values.

f) Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 or 2009.

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

24 Deferred tax

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

	Accelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2008	(106)	(220)	189	(2,502)	1,395	1,922	678
(Charge)/credit to Income statement	44	7	(159)	507	194	1,986	2,579
(Charge)/credit to equity	—	—	2,105	(220)	(1,375)	—	510
Exchange adjustment	4	—	—	—	—	154	158
At 31 March 2009	(58)	(213)	2,135	(2,215)	214	4,062	3,925

* A deferred tax liability arises on the difference between the tax base and the accounting base of a long leasehold property that was acquired in 1994.

Other deferred tax assets consist principally of deferred tax on bad debt provision, forward foreign exchange contracts, staff bonus accrual and timing differences in respect of revenue recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 Deferred tax continued

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

	2009 £000	2008 £000
Deferred tax liabilities	(1,589)	(2,065)
Deferred tax assets	5,514	2,743
	3,925	678

At the Balance sheet date, the Group has unused tax losses of £3,810,000 (2008 – £1,006,000) available for offset against future profits. Of the total deferred tax asset of £1,287,000 (2008 – £334,000), £580,000 (2008 – £56,000) has been recognised and is included in 'other' above. No deferred tax asset has been recognised in respect of the balance due to the unpredictability of future profit streams, these losses may be carried forward indefinitely.

At the Balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was approximately £38,800,000 (2008 – £27,500,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by AVEVA Group plc to its shareholders.

25 Retirement benefit obligations

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

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 31 March 2007	4,073	530	340	4,943
Current service cost	1,467	30	154	1,651
Interest on pension scheme liabilities	1,930	25	—	1,955
Expected return on pension scheme assets	(2,013)	—	—	(2,013)
Actuarial gain	(3,363)	(64)	—	(3,427)
Employer contributions	(1,425)	(60)	(77)	(1,562)
Exchange adjustment	—	78	(33)	45
At 31 March 2008	669	539	384	1,592
Current service cost	1,093	31	188	1,312
Interest on pension scheme liabilities	2,251	33	—	2,284
Expected return on pension scheme assets	(2,031)	—	—	(2,031)
Actuarial loss	7,517	6	—	7,523
Employer contributions	(1,877)	(76)	(60)	(2,013)
Exchange adjustment	—	91	6	97
At 31 March 2009	7,622	624	518	8,764

a) UK defined benefit scheme

The Group operates a UK defined benefit pension plan providing benefits based on final pensionable pay which is funded. This scheme was closed to new employees on 30 September 2002 (with the option of re-opening if required) and was converted to a Career Average Revalued Earnings basis on 30 September 2004. Pensions are payable to dependants on death in retirement and a lump sum is payable if death occurs in service. There is an insurance policy in place which covers this liability. 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, BDO Stoy Hayward Investment Management Limited, at rates which are calculated to be sufficient to meet the future liabilities of the scheme using the projected unit credit method. The employees' contributions are fixed as a percentage of salary, the balance being made up by the employer. Scheme assets are stated at their market values at the respective Balance sheet dates.

25 Retirement benefit obligations continued**a) UK defined benefit scheme** continued

To develop the expected long term rate of return on assets assumption, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

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

	2009 %	2008 %
Main assumptions:		
Rate of salary increases	5.10	5.50
Rate of increase of pensions in payment	3.00	3.20
Rate of increase of pensions in deferment	3.10	3.50
Discount rate	6.60	6.60
Inflation assumption	3.10	3.20
Expected rate of return on scheme assets:		
Equities	7.15	6.65
Bonds	3.70	3.70
Other	0.50	4.25

For the years ended 31 March 2009 and 2008, the following weighted average life expectancy at age 65 for mortality has been used:

	2009 Years	2008 Years
Male pensioners	23.8	23.7
Female pensioners	26.4	26.3
Non-retired males	26.7	26.6
Non-retired females	28.5	28.4

Member contributions were 7.5% (2008 – 7.5%) of pensionable salary and Company contributions were £1,877,000 (2008 – £1,425,000). The total contributions in 2010 are expected to be approximately £2,387,000.

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

	Impact on deficit increase/ (decrease) £m
0.25 percentage point increase to:	
– discount rate	(1,475)
– inflation (including pension increases linked to inflation)	845
Additional one year increase to life expectancy	586

The assets and liabilities of the scheme at 31 March 2009 and 2008 were as follows:

	2009 £000	2008 £000
Equities	18,379	25,478
Bonds	6,976	6,057
Other	3,336	1,396
Total fair value of assets	28,691	32,931
Present value of scheme liabilities	(36,313)	(33,600)
Net pension liability	(7,622)	(669)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

25 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

	2009 £000	2008 £000
Recognised in the Consolidated income statement		
Current service cost		
Cost of sales	715	960
Selling and distribution costs	196	390
Administrative expenses	182	117
Total operating charge	1,093	1,467
Finance revenue		
Expected return on pension scheme assets	(2,031)	(2,013)
Finance costs		
Interest on pension scheme liabilities	2,251	1,930
Taken to Consolidated statement of recognised income and expense		
Actual return on pension scheme assets	(6,012)	(780)
Less: expected return on pension scheme assets	(2,031)	(2,013)
	(8,043)	(2,793)
Changes in assumptions and experience adjustments on liabilities	526	6,156
Actuarial (loss)/gain recognised in Consolidated statement of recognised income and expense	(7,517)	3,363

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

	2009 £000	2008 £000
At 1 April	33,600	36,368
Current service costs	1,093	1,467
Contributions by employees	469	463
Interest on pension scheme liabilities	2,251	1,930
Benefits paid	(551)	(435)
Premiums paid	(23)	(37)
Actuarial gain	(526)	(6,156)
At 31 March	36,313	33,600

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

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

	2009 £000	2008 £000
At 1 April	32,931	32,295
Expected return	2,031	2,013
Contributions by employer	1,877	1,425
Contributions by employees	469	463
Benefits paid	(551)	(435)
Premiums paid	(23)	(37)
Actuarial loss	(8,043)	(2,793)
At 31 March	28,691	32,931

25 Retirement benefit obligations continued

a) UK defined benefit scheme continued

The history of experience adjustments are as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of scheme assets	28,691	32,931	32,295	27,767	20,612
Present value of defined benefit obligations	(36,313)	(33,600)	(36,368)	(31,227)	(25,484)
Deficit in the scheme	(7,622)	(669)	(4,073)	(3,460)	(4,872)
Experience adjustments on scheme liabilities	492	56	—	—	800
Experience adjustments on scheme assets	(8,043)	(2,793)	(534)	4,513	700

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised directly within equity was a loss of £4,630,000 (2008 – gain of £2,887,000). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity of £8,500,000 in the Group is attributable to actuarial gains and losses since inception of the pension schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Consolidated statement of recognised income and expense before 1 April 2004.

b) German defined benefit schemes

There are two defined benefit pension schemes in AVEVA GmbH. Tribon Solutions GmbH operated an unfunded defined benefit scheme that provides benefits to three deferred members following an acquisition in 1992. No current employees participate in the scheme and it is closed to new applicants. Benefit payments are made as they fall due. The scheme was transferred to AVEVA GmbH when Tribon Solutions GmbH and AVEVA GmbH merged in 2005.

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

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

	2009	2008
Rate of increase of pension in payment	1.75%–2.50%	0%
Discount rate	5.50%–6.20%	4.75%–5.50%
Mortality	14 years	14 years
Rate of salary increases	0%–2.50%	2.50%

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2008 – 60 and 63 years of age).

Analysis of movements in the present value of the defined benefit pension obligations during the year are set out below:

	2009 £000	2008 £000
At 1 April	539	530
Current service cost (included in selling and distribution costs)	31	30
Interest on pension scheme liabilities (included in finance costs)	33	25
Benefits paid	(76)	(60)
Actuarial loss (included in Consolidated statement of recognised income and expense)	6	(64)
Exchange adjustment	91	78
At 31 March	624	539

The contributions in 2010 are expected to be approximately £70,000.

c) South Korean severance pay

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

An IAS 19 valuation of the liability has been carried out using the following assumptions:

	2009 %	2008 %
Rate of salary increases	7.00	5.00
Discount rate	4.90	5.00
Inflation assumption	4.40	4.70

The retirement age for AVEVA Korea Limited employees is 60 years of age (2008 – 60 years of age).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 Retirement benefit obligations continued

c) South Korean severance pay continued

Analysis of movements in the present value of the obligation during the year are set out below:

	2009 £000	2008 £000
At 1 April	384	340
Current service cost (included in selling and distribution costs)	188	154
Payment of benefits	(60)	(77)
Exchange adjustment	6	(33)
At 31 March	518	384

d) Other retirement schemes

All Swedish employees employed by AVEVA AB aged 28 or over are members of the 'ITP', an industry scheme for salaried employees which provides benefits in addition to the state pension arrangements. The ITP scheme is managed by Alecta, a Swedish insurance company. It is a multi-employer defined benefit scheme with a supplementary defined contribution component. AVEVA AB pays monthly premiums to the insurers which vary by age, service and salary of the employee. AVEVA AB is unable to identify its share of the underlying assets and liabilities in the scheme on a fair and reasonable basis because this information is not provided by the scheme and therefore has accounted for the scheme as if it was a defined contribution pension scheme. At 31 March 2009, Alecta's surplus in the form of collective funding level was 122% (2008 – 141%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to income was £545,000 (2008 – £570,000).

e) Defined contribution schemes

The Group operates defined contribution retirement schemes for certain UK, US, German, French, Norwegian and Asian employees. The assets of the schemes are held separately from those of the Group. The total cost charged to income of £2,002,000 (2008 – £1,507,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

26 Share-based payment plans

The Group operates four equity-settled share option schemes, the AVEVA Group plc Long Term Incentive Plan (LTIP); the AVEVA Group plc Employee and Executive Share Option Scheme (Executive Scheme and Employee Scheme respectively); and the AVEVA Group plc Executive Share Option Scheme 2007 (2007 scheme). The Executive and Employee schemes lapsed in 2006 and no grants have been made under the 2007 scheme which was approved at the Annual General Meeting on 12 July 2007. The Group also operates a deferred annual bonus share plan. Details of these plans are set out below.

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

	2009 Number	2009 WAEP Pence	2008 Number	2008 WAEP Pence
Outstanding at start of year*	488,624	162.06	582,861	160.52
Granted during year	86,481	1.93	59,663	3.33
Forfeited during year	(4,157)	3.33	—	—
Exercised during year**	(301,549)	220.26	(153,900)	94.70
Expired during year	(6,000)	159.83	—	—
Outstanding at end of year	263,399	45.41	488,624	162.06
Exercisable at end of year	42,764	265.33	94,782	115.25

* Included within this balance are options over nil (2008 – 67,782) shares that have not been recognised in accordance with IFRS 2 as the options were granted prior to 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

** The weighted average share price at the date of exercise for the options exercised is £14.78 (2008 – £10.20).

Share options have been granted under both plans to certain employees of the Group and remain outstanding as follows:

Date of grant	Share option plan	Number of options 2009 Number	Number of options 2008 Number	Exercise price Pence
12 July 2001	Employee Scheme	—	12,050	159.83
12 July 2001	Executive Scheme	—	55,732	159.83
1 July 2004	LTIP	—	27,000	3.33
20 July 2005	Employee Scheme	—	11,304	265.33
20 July 2005	Executive Scheme	42,764	244,227	265.33
28 June 2006	LTIP	78,648	78,648	3.33
2 July 2007	LTIP	55,506	59,663	3.33
7 July 2008	LTIP	50,033	—	3.33
15 July 2008	Deferred Share Scheme	36,448	—	0.00
		263,399	488,624	

The weighted average remaining contractual life for the options outstanding at 31 March 2009 is 5.0 years (2008 – 3.3 years).

The average fair value of options granted during the year was £14.13 (2008 – £9.38). In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

26 Share-based payment plans *continued*

The range of exercise prices for options outstanding at the end of the year was £nil to £2.65 (2008 – £0.03 to £2.65).

The Group recognised total expenses of £940,000 and £315,000 related to equity-settled share-based payment transactions in the years ended 31 March 2009 and 2008 respectively.

Details of the share option plans are as follows:

a) Long Term Incentive Plan (LTIP)

The following awards have been made under the LTIP. The exercise price is equal to the nominal value of the underlying shares, which is 3.33 pence. Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant.

2008/09 awards

On 7 July 2008, a total of 50,033 share options were awarded to the Executive Directors and senior management under the LTIP. The performance conditions are based on average growth in earnings per share over the years from 2008/09 to 2010/11. If average EPS growth is greater than 14% per annum then all of the shares shall vest. If average earnings per share is less than 10% per annum then none of the shares shall vest. If average earnings per share growth is between 10% and 14% per annum then the number of shares that shall vest shall be determined by linear interpolation.

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 31 March 2009.

	Year ended 31 March 2009
Dividend yield	0.45%
Expected volatility	41.00%
Risk-free interest rate	4.97%
Expected life of the option	3 years
Weighted average share price	£14.92
Weighted average exercise price	£0.03

2007/08 awards

On 2 July 2007, a total of 59,663 share options were awarded to the Executive Directors and senior management under the LTIP. This scheme was used because the AVEVA Group plc Executive Share Option and Employee Share Option schemes originally introduced in 1996 had expired and the new scheme, which was approved by shareholders at the Annual General Meeting held on 12 July 2007, had not yet been established. The performance conditions are based on average growth in earnings per share over the years from 2007/08 to 2009/10. If average earnings per share growth is greater than 11.5% per annum then all of the shares shall vest. If average earnings per share growth is less than 9% per annum then none of the shares shall vest. If average earnings per share growth is between 9% and 11.5% per annum then the number of shares that shall vest shall be determined by linear interpolation.

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 31 March 2008.

	Year ended 31 March 2008
Dividend yield	0.50%
Expected volatility	31.90%
Risk-free interest rate	5.75%
Expected life of the option	3 years
Weighted average share price	£9.55
Weighted average exercise price	£0.03

2006/07 awards

On 28 June 2006, a total of 78,648 share options were awarded to the Executive Directors and senior management under the LTIP. These options are subject to performance conditions which are based on average growth in earnings per share achieved over the three years from 2006/07 to 2008/09. If average earnings per share growth is greater than 15% per annum then all of the shares shall vest. If average earnings per share growth is less than 7.5% per annum none of the shares shall vest. If average earnings per share growth is between 7.5% and 15% then the number of shares that shall vest will be determined by linear interpolation.

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 31 March 2007:

	Year ended 31 March 2007
Dividend yield	0.60%
Expected volatility	31.90%
Risk-free interest rate	4.89%
Expected life of the option	3 years
Weighted average share price	£3.62
Weighted average exercise price	£0.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

26 Share-based payment plans continued

a) Long Term Incentive Plan (LTIP) continued

2004/05 awards

A total of 90,000 share options were granted under the LTIP to certain senior executives on 1 July 2004. The extent to which the options are exercisable will depend on the ranking of the Company in terms of total shareholder return measured against other companies in the London Stock Exchange techMARK 100 index. The performance conditions were measured three years from the date of grant and all options vested in full. The contractual life of each option granted is seven years and the options become exercisable three years after the date of grant. The options lapse if the option holder leaves the employment of the Group with certain specific exceptions.

The fair value of an award of shares under the LTIP has been adjusted to take into account Total Shareholder Return (TSR) as a market-based performance condition, using a pricing model that takes into account expectations about volatility and the correlation of share price returns in the comparator group. The model follows similar principles as the Monte Carlo approach and takes into account that TSR vesting and share price performance are not independent. The following table lists the inputs to the model used for the year ended 31 March 2005:

	Year ended 31 March 2005
Dividend yield	1.23%
Expected volatility	30.00%
Risk-free interest rate	5.09%
Expected life of the option	3 years
Weighted average share price	£1.83
Weighted average exercise price	£0.03

b) Employee and executive share option plan

Options have also been granted under the AVEVA Group plc Employee Share Option Scheme and the AVEVA Group plc Executive Share Option Scheme (The Employee and Executive Scheme). The exercise price is equal to the market price at the time of the award. Options under this plan are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant.

Pre-2004 awards

All options awarded under the Employee and Executive Scheme were subject to performance conditions, which required 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.

2005/06 awards

On 20 July 2005, a total of 255,531 options were awarded under the Employee and Executive Scheme. The performance conditions required to be achieved for the exercise of the option would be that earnings per share in the financial year ending 31 March 2008 would have grown no less than 5% above the Retail Price Index per annum from that achieved in the financial year ended 31 March 2005.

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 31 March 2006.

	Year ended 31 March 2006
Dividend yield	0.90%
Expected volatility	33.44%
Risk-free interest rate	4.21%
Expected life of the option	5 years
Weighted average share price	£2.65
Weighted average exercise price	£2.65

c) Deferred annual bonus share plan

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

On 15 July 2008 the AVEVA Group Employee Benefit Trust 2008 awarded 36,448 deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2008.

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

26 Share-based payment plans continued

c) Deferred annual bonus share plan continued

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 31 March 2009.

	Year ended 31 March 2009
Dividend yield	0.45%
Expected volatility	41.00%
Risk-free interest rate	4.97%
Expected life of the option	3 years
Weighted average share price	£13.53
Weighted average exercise price	£0.00

d) AVEVA Group plc Executive Share Option Scheme 2007

The above scheme was approved by shareholders at the Annual General Meeting in 2007. No awards have yet been made under this scheme and performance conditions will be set when awards are made under this scheme.

27 Share capital

	2009 £000	2008 £000
Authorised		
90,000,000 (2008 – 90,000,000) ordinary shares of 3.33 pence (2008 – 3.33 pence) each	3,000	3,000
Allotted, called-up and fully paid		
67,818,868 (2008 – 67,517,319) ordinary shares of 3.33 pence (2008 – 3.33 pence) each	2,260	2,250

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

	2009 Number	2009 £000	2008 Number	2008 £000
At 1 April	67,517,319	2,250	67,363,419	2,245
Exercise of share options	301,549	10	153,900	5
At 31 March	67,818,868	2,260	67,517,319	2,250

Year ended 31 March 2009

Date of issue	Number of shares 2009 Number	Nominal value 2009 £	Share premium 2009 £	Market price £
4 June 2008	5,250	175	8,215	12.85
5 June 2008	55,732	1,858	87,202	14.00
11 July 2008	800	27	1,252	13.21
4 August 2008	11,304	377	29,613	15.68
4 August 2008	28,647	955	75,046	15.68
4 August 2008	64,071	2,136	167,845	15.68
4 August 2008	98,745	3,292	258,679	15.68
18 August 2008	27,000	900	—	13.48
12 December 2008	10,000	333	26,200	5.52
	301,549	10,053	654,052	

Year ended 31 March 2008

Date of issue	Number of shares 2008 Number	Nominal value 2008 £	Share premium 2008 £	Market price £
19 April 2007	3,600	120	3,990	8.44
16 July 2007	37,700	1,257	58,999	9.89
26 November 2007	40,000	1,333	62,599	9.57
14 December 2007	3,600	120	5,634	9.49
2 February 2008	3,000	100	4,695	10.18
19 February 2008	27,000	900	—	10.74
3 March 2008	3,000	100	4,695	9.60
28 March 2008	36,000	1,200	—	11.10
	153,900	5,130	140,612	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

28 Reconciliation of movements in equity

	Share capital £000	Share premium £000	Other reserves				Retained earnings £000	Total equity £000
			Merger reserve £000	Cumulative translation adjustments £000	Treasury shares £000	Total £000		
At 1 April 2007	2,245	26,381	3,921	(1,176)	—	2,745	33,941	65,312
Total recognised income and expense for the year	—	—	—	5,782	—	5,782	37,284	43,066
Issue of share capital	5	141	—	—	—	—	—	146
Share-based payments	—	—	—	—	—	—	315	315
Equity dividends	—	—	—	—	—	—	(3,093)	(3,093)
At 31 March 2008	2,250	26,522	3,921	4,606	—	8,527	68,447	105,746
Total recognised income and expense for the year	—	—	—	5,503	—	5,503	36,091	41,594
Issue of share capital	10	654	—	—	—	—	—	664
Share-based payments	—	—	—	—	—	—	940	940
Investment in own shares	—	—	—	—	(495)	(495)	—	(495)
Equity dividends	—	—	—	—	—	—	(5,318)	(5,318)
At 31 March 2009	2,260	27,176	3,921	10,109	(495)	13,535	100,160	143,131

a) Cumulative translation adjustment reserve

The cumulative translation adjustment reserve is used to record exchange differences which arose from 1 April 2004 from the translation of the financial statements of foreign subsidiaries.

b) Merger reserve

This represents the difference between the fair value and the nominal value of shares issued in connection with the acquisition of AVEVA AB in 2004.

c) Treasury shares

Treasury shares reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 to satisfy deferred shares under the Group's deferred annual bonus share plan. On 15 July 2008, the Trust acquired 36,448 ordinary shares in the Company at a price of £13.48 for total consideration of £495,000 and held these shares at 31 March 2009.

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. In addition to their salaries, the Group also provides non-cash benefits to Directors and contribute to a defined benefit pension plan on their behalf. The Directors also participate in the Group's share option schemes and deferred annual bonus share plan. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 36 and 37.

	2009 £000	2008 £000*
Short-term employee benefits	1,077	1,069
Share-based payments	359	146
	1,436	1,215

* Short-term employee benefits have been restated to reflect only cash bonuses paid in respect of the period. Previously the amounts disclosed in 2008 included £255,000 that was subsequently agreed to be paid in awards of deferred shares.

30 Acquisition of subsidiary

On 24 March 2009, the Group acquired 100% of the issued share capital of iDesign Office Pty Limited for cash consideration of £1.7 million. The Company is involved in software development and marketing of plant instrumentation software products. This transaction has been accounted for by the purchase method of accounting.

	Book value £000	Fair value £000
Net assets acquired		
Property, plant and equipment	12	12
Intangible assets – developed technology	—	1,622
Trade and other receivables	54	54
Cash and cash equivalents	14	14
Trade and other payables	(19)	(19)
Current tax liabilities	(5)	(5)
	56	1,678
Total consideration		
Satisfied by:		
Cash		1,634
Directly attributable costs		44
		1,678
Net cash outflow arising on acquisition		
Cash consideration		1,678
Cash and cash equivalents acquired		(14)
		1,664

iDesign Office Pty Limited did not make any material contribution to revenue or to profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of iDesign Office Pty Limited had been completed on the first day of the financial year, it would not have made a material difference to the Group's results. The acquisition also did not make a material contribution to the Group's post-acquisition net operating cash flows, tax or capital expenditure.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in relation to the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR'S REPORT

Independent auditor's report to the members of AVEVA Group plc

We have audited the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2009 which comprise the Balance sheet and the related notes 1 to 11. These parent Company 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.

We have reported separately on the Group financial statements of AVEVA Group plc for the year ended 31 March 2009.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual report, the Directors' remuneration report and the parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the parent Company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view, the parent Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's statement, Chief Executive's review and Finance Director's review that is cross-referenced from the Other statutory information report.

We also report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the sections included in the Directors' report headed Chairman's statement, Chief Executive's review, Finance Director's review, Other statutory information, Corporate governance statement and Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company'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 parent Company 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 parent Company financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the parent Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent Company financial statements.

Ernst & Young LLP

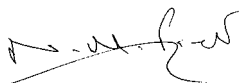
Ernst & Young LLP
Registered auditor
Cambridge
26 May 2009

COMPANY BALANCE SHEET

31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments	5	27,482	27,482
Current assets			
Debtors	6	69,210	49,808
Cash at bank and in hand		136	19
		69,346	49,827
Creditors: amounts falling due within one year	7	(13,682)	(7,649)
Net current assets		55,664	42,178
Net assets		83,146	69,660
Capital and reserves			
Called-up share capital	8	2,260	2,250
Share premium account	9	27,176	26,522
Merger reserve	9	3,921	3,921
Profit and loss account	9	49,789	36,967
Shareholders' funds	10	83,146	69,660

The financial statements on pages 74 to 78 were approved by the Board of Directors on 26 May 2009 and signed on its behalf by:



Nick Prest
Chairman



Richard Longdon
Chief Executive

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Corporate information

AVEVA Group plc (the Company) is a limited company incorporated in England and Wales whose shares are publicly traded. The principal activity of the Company is that of a holding company.

2 Accounting policies

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

a) Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

As permitted by Financial Reporting Standard No. 1 (Revised), 'Cash flow statements', the Company has not included a Cash flow statement as part of its financial statements because the Consolidated financial statements of the Group (of which the Company is a member) include a Cash flow statement and are publicly available.

b) 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 substantively enacted by the Balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance sheet date where transactions or events that result in an obligation to pay more 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 Company'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 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.

c) Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. 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.

d) Investments

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

3 Profit for the year

As permitted by Section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. AVEVA Group plc reported a profit for the financial year ended 31 March 2009 of £18,140,000 (2008 – £18,022,000).

Audit fees of £5,000 (2008 – £5,000) are borne by another Group company.

The Company does not have any employees (2008 – nil). Directors' emoluments are disclosed in the Directors' remuneration report on pages 33 to 37.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4 Dividends

	2009 £000	2008 £000
Declared and paid during the year		
Interim 2008/09 dividend paid of 2.86 pence (2007/08 – 1.65 pence) per ordinary share	1,938	1,113
Final 2007/08 dividend paid of 5.0 pence (2006/07 – 2.94 pence) per ordinary share	3,380	1,980
	5,318	3,093
Proposed for approval by shareholders at the Annual General Meeting		
Final 2008/09 proposed dividend of 6.5 pence (2007/08 – 5.0 pence) per ordinary share	4,408	3,376

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2009 and has not been included as a liability in these financial statements.

5 Fixed asset investments

	2009 £000	2008 £000
Cost and net book value		
At 31 March	27,482	27,482

Details of the Company's subsidiary undertakings are set out in note 17 in the Consolidated financial statements of the Group.

6 Debtors: amounts falling due within one year

	2009 £000	2008 £000
Amounts owed by Group undertakings	69,210	49,808

7 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Amounts owed to Group undertaking	13,682	7,645
Other creditors	—	4
	13,682	7,649

8 Called-up share capital

	2009 £000	2008 £000
Authorised		
90,000,000 (2008 – 90,000,000) ordinary shares of 3.33 pence each	3,000	3,000
Allotted, called-up and fully paid		
67,818,868 (2008 – 67,517,319) ordinary shares of 3.33 pence each	2,260	2,250

	2009 Number	2009 £000	2008 Number	2008 £000
At 1 April	67,517,319	2,250	67,363,419	2,245
Exercise of share options	301,549	10	153,900	5
At 31 March	67,818,868	2,260	67,517,319	2,250

8 Called-up share capital continued

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

Year ended 31 March 2009

Date of issue	Number of shares 2009 Number	Nominal value 2009 £	Share premium 2009 £	Market price £
4 June 2008	5,250	175	8,215	12.85
5 June 2008	55,732	1,858	87,202	14.00
11 July 2008	800	27	1,252	13.21
4 August 2008	11,304	377	29,613	15.68
4 August 2008	28,647	955	75,046	15.68
4 August 2008	64,071	2,136	167,845	15.68
4 August 2008	98,745	3,292	258,679	15.68
18 August 2008	27,000	900	—	13.48
12 December 2008	10,000	333	26,200	5.52
	301,549	10,053	654,052	

Year ended 31 March 2008

Date of issue	Number of shares 2008 Number	Nominal value 2008 £	Share premium 2008 £	Market price £
19 April 2007	3,600	120	3,990	8.44
16 July 2007	37,700	1,257	58,999	9.89
26 November 2007	40,000	1,333	62,599	9.57
14 December 2007	3,600	120	5,634	9.49
2 February 2008	3,000	100	4,695	10.18
19 February 2008	27,000	900	—	10.74
3 March 2008	3,000	100	4,695	9.60
28 March 2008	36,000	1,200	—	11.10
	153,900	5,130	140,612	

During the year the Company issued 301,549 (2008 – 153,900) ordinary shares of 3.33 pence each with a nominal value of £10,053 (2008 – £5,130) pursuant to the exercise of share options. The total proceeds were £664,105 (2008 – £145,742), which included a premium of £654,052 (2008 – £140,612).

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

Date of grant	Share option plan	Number of options Number	Exercise price Pence
20 July 2005	Executive Scheme	42,764	265.33
28 June 2006	LTIP	78,648	3.33
2 July 2007	LTIP	55,506	3.33
7 July 2008	LTIP	50,033	3.33
15 July 2008	Deferred Share Scheme	36,448	0.00
		263,399	

Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant; options under the previous Executive Share Option Scheme are normally exercisable in full or in part between the third and seventh anniversaries of the grant. Options under the Deferred Share Scheme may be exercised in the 42-day period beginning on the announcement of the financial results of the Group in each of the three calendar years after that in which the option was granted.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

9 Reserves

	Merger reserve £000	Share premium £000	Profit and loss account £000
At 1 April 2008	3,921	26,522	36,967
Share issues	—	654	—
Dividends paid	—	—	(5,318)
Profit for the year	—	—	18,140
At 31 March 2009	3,921	27,176	49,789

10 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Profit for the financial year	18,140	18,022
Dividends	(5,318)	(3,093)
Share issues	664	146
Net addition to shareholders' funds	13,486	15,075
Opening shareholders' funds	69,660	54,585
Closing shareholders' funds	83,146	69,660

11 Related party transactions

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

FIVE YEAR RECORD

	IFRS				
	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Summarised consolidated results:					
Revenue	164,041	127,561	94,906	65,930	57,163
Gross profit	126,429	97,768	67,637	44,416	38,942
Adjusted profit before tax*	62,623	47,949	28,083	13,822	9,969
Profit before tax	59,201	44,967	24,650	11,155	9,124
Income tax expense	(17,047)	(10,721)	(6,844)	(3,079)	(4,011)
Profit for the financial year	42,154	34,246	17,806	8,076	5,113
Basic earnings per share	62.27p	50.80p	26.59p	12.14p	7.97p
Adjusted basic earnings per share*	67.33p	55.22p	31.71p	16.15p	9.29p
Total dividend per share	9.36p	6.65p	4.18p	2.46p	2.03p
Summarised consolidated balance sheet:					
Non-current assets	42,219	36,378	35,731	38,245	39,753
Cash and cash equivalents (net)	126,164	82,849	41,287	23,503	11,211
Net current assets	111,265	73,025	37,757	20,830	11,478
Shareholders' funds	143,131	105,746	65,312	50,860	41,369

* Both adjusted profit before tax and adjusted basic earnings per share are stated before amortisation of intangibles, share-based payments, adjustment to goodwill, restructuring costs and past service credit on the defined benefit pension scheme in the relevant years.

The earnings and dividend per share amounts in prior periods have been restated to reflect the three for one share reorganisation which was approved at the Annual General Meeting on 14 July 2006.

GROUP DIRECTORY

Al Khobar, Saudi Arabia
Busan, South Korea
Beijing, China
Calgary, Canada
Cambridge, UK
Chesterfield, UK
Dubai, UAE
Frankfurt, Germany
Genova, Italy
Guangzhou, China
Hamburg, Germany
Hong Kong
Houston, USA
Kuala Lumpur, Malaysia
Madrid, Spain
Malmö, Sweden

Mexico City, Mexico
Melbourne, Australia
Moscow, Russia
Mumbai, India
Oslo, Norway
Paris, France
Perth, Australia
Rio de Janeiro, Brazil
Seoul, South Korea
Shanghai, China
Singapore
Solent, UK
St Petersburg, Russia
Stavanger, Norway
Wilmington, USA
Yokohama, Japan

