



Information-centric solutions for global industries

In this report

DIRECTORS' REPORT

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View this report online



ar.aveva.com/2011

Driving global growth through innovative technology and service

AVEVA is a leader in engineering design and information management solutions for the Process Plant, Power and Marine industries.

With more than 40 years of 'Continual Progression', AVEVA has evolved with the needs of our customers and the rapidly changing environments of the engineering industries we serve. Our unique information-centric approach to complex challenges is delivering real business benefits and creating long term customer relationships.

AVEVA's vision

Always the leading innovator and our customers' most trusted partner.

AVEVA's mission

AVEVA enables the creation and management of complex digital assets, allowing our customers to work globally with less risk, shorter lead times and greater business efficiency throughout the lifecycle of their physical assets.

AVEVA's industry sectors

- ▶ Oil & Gas
- ▶ Marine & Offshore
- ▶ Power
- ▶ Chemicals
- ▶ Mining & Materials
- ▶ Paper & Pulp



Learn more about our global markets and industry sectors on **P6 and P7**

Overview

Our year in brief

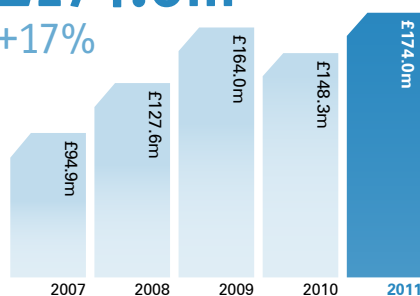
Consistently driving growth

We have performed well in challenging market conditions by focusing on our core strengths of supplying world-class products and services to our customers in the Process Plant, Power and Marine industries.

Revenue

£174.0m

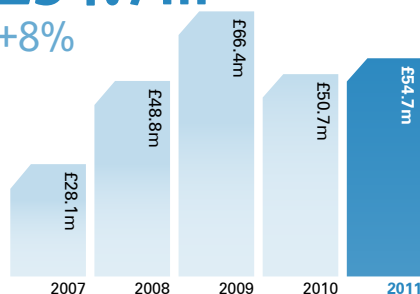
+17%



Adjusted* profit before tax

£54.7m

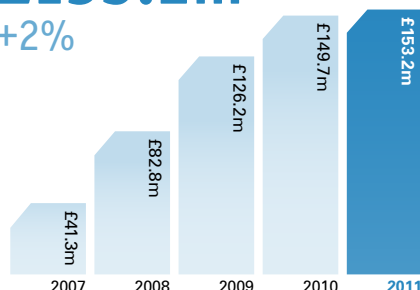
+8%



Net cash and deposits

£153.2m

+2%



Financial highlights

Revenue up 17% to £174.0 million (2010 – £148.3 million)

Recurring revenue up 14% to £117.2 million (2010 – £102.7 million) representing 67% (2010 – 69%) of total revenue

Investment in Research and Development of £28.1 million (2010 – £20.9 million)

Adjusted* profit before tax up 8% to £54.7 million (2010 – £50.7 million)

Profit before tax of £49.8 million (2010 – £49.6 million)

Adjusted* basic earnings per share of 56.08 pence (2010 – 50.92 pence)

Basic earnings per share of 50.85 pence (2010 – 49.36 pence)

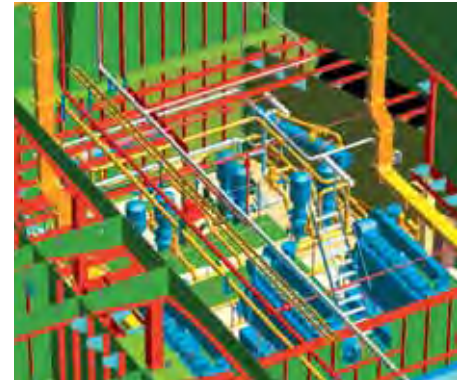
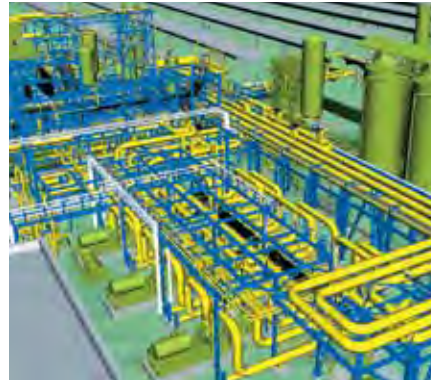
Final dividend increased to 14.89 pence (2010 – 13.9 pence) resulting in total dividend of 18.25 pence for the year (2010 – 16.9 pence), an increase of 8%

Strong balance sheet with net cash and deposits at the year end of £153.2 million (2010 – £149.7 million)

* Adjusted profit before tax is stated before amortisation of intangibles (excluding other software), share-based payments, adjustments to goodwill, the gain/loss on the fair value of forward foreign currency contracts and exceptional items. Adjusted basic earnings per share is also adjusted for the tax effect of these items.



For financial performance
in full turn to **P18**



The AVEVA Plant and AVEVA Marine portfolios provide design, engineering and management for complex projects and are tightly integrated with AVEVA's information-centric strategies for project and asset lifecycle management.

Key achievements of the year

- 30 June** AVEVA acquires Oil & Gas business from ADB Systemer AS
- 30 June** AVEVA acquires MARS products from Logimatic Software A/S
- 3 August** AVEVA builds momentum with Bangkok Dock & SKA Marine
- 30 September** Indian Oil Corporation deploys AVEVA Plant
- 16 November** Promon Engenharia chooses AVEVA NET
- 22 March** AVEVA announces win with Hyundai Heavy Industries



Read about our key achievements in more detail at www.aveva.com/News-Events

Markets at a glance

Despite the recent downturn in some of the more developed economies, our investment in technology and our expansion into developing regions has enabled us to grow our business.



Asia Pacific

£66.3m
+31%

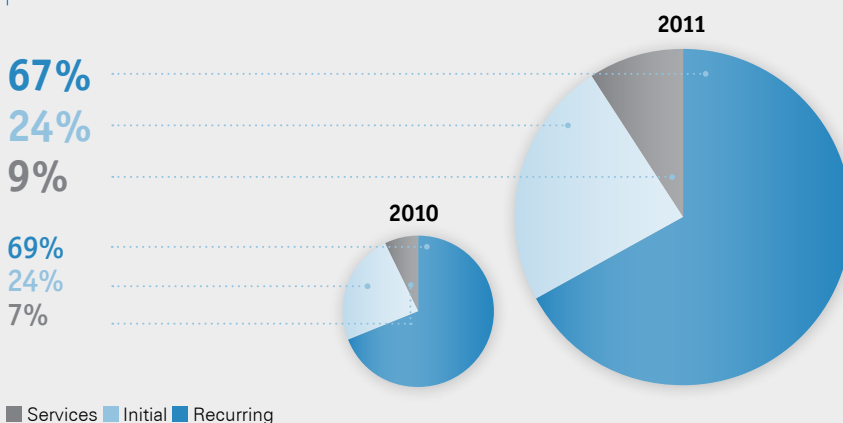
Americas

£30.8m
+14%

Europe, Middle East and Africa

£76.9m
+8%

Revenue by category



For a full market update turn to **P6 and P7**

Overview

Our business

Information-centric solutions

The AVEVA Digital Information Hub provides a powerful management strategy that puts information at the centre of all business operations. Whether for Engineering Contractors, Owner Operators or Shipyards, the Digital Information Hub integrates, controls and exploits all types of information – not only engineering data – throughout every stage of a project and across the lifecycle of an asset.

Connecting key audiences and products



Operations integrity management

Owner Operators (OOs)

AVEVA's response to the complex management needs of Owner Operators is an operations integrity strategy built around the AVEVA Digital Information Hub. Our products and services offer a powerful and trusted information management resource that addresses the Key Performance Indicators (KPIs) for both the Project Performance and Asset Performance phases of their business.

Featured products:

- ▶ AVEVA NET
- ▶ AVEVA WorkMate
- ▶ AVEVA TIM
- ▶ The AVEVA Plant Portfolio



Integrated project execution

Engineering Contractors (EPCs)

EPCs are constantly under pressure to reduce the timescale and cost of the projects they deliver to their customers. Using AVEVA's market-leading engineering and design applications in combination with the Digital Information Hub, gives them the quality and efficiency they need to meet their Service Level Agreements (SLAs) and offer a valuable competitive advantage in a challenging market.

Featured products:

- ▶ AVEVA NET
- ▶ The AVEVA Plant Portfolio

Digital Information Hub

Joined up thinking

AVEVA's Digital Information Hub creates an environment to effectively access and share critical business information across the entire enterprise.



Learn more about our products and solutions online at www.aveva.com/Products_and_Services



Integrated shipbuilding

Shipyards and contractors

Marine projects demand sophisticated design capabilities, staggering amounts of data and documents, complex schedules, and huge quantities of materials and resources. An Integrated Shipbuilding Strategy using AVEVA's Digital Information Hub offers shipyards the right information to manage the right resources together with the right materials.

Featured products:

- ▶ AVEVA NET
- ▶ AVEVA MARS
- ▶ The AVEVA Marine Portfolio



AVEVA's information-centric technology delivers powerful design and management solutions for the process plant, power and marine industries.



The AVEVA Digital Information Hub provides enhanced project and asset performance for both EPCs and Owner Operators.



AVEVA's integrated shipbuilding solutions enable a wide range of disciplines to be addressed under one collaborative framework.

Sharing industry expertise

Enterprise Solutions



AVEVA's Enterprise Solutions team offers consulting, integration and lifecycle support services for the Digital Information Hub and the AVEVA Plant and Marine product portfolios.

With proven industry expertise, the mission of Enterprise Solutions is to deliver solutions and consulting services that support the complex business processes of AVEVA's customers, while increasing their profitability and competitiveness.

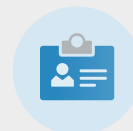
The benefits of an information-centric solution

| | |
|-------------------|---|
| Quality | Reduce rework caused by inaccurate or incomplete information. |
| Validation | Resolve information inconsistencies and gaps. |
| Risk | Mitigate operational and safety risks through improved decision support. |
| Time | Shorten project schedules and time to production startup. |
| Cost | Cut the cost of design, construction, operations, and unplanned downtime. |

Delivering clear benefits

AVEVA is helping customers to reduce risk, compress project schedules and lower their costs.

Read about AVEVA customers in action



Shanxi Electrical Power
China
Owner Operator
P13



PROMON
Brazil
Engineering Contractor
P14



Sedef Shipyard
Turkey
Shipyard
P17



Iberese
Spain
Engineering Contractor
P20

Overview

Our markets

Delivering on a global scale

Well positioned in key growth markets, AVEVA will benefit from the improvement in market dynamics. This year we made two strategic acquisitions that greatly enhance our software and service offering for the Oil & Gas and Shipbuilding markets.

Investing in new markets

Despite the recent downturn in some of the more developed economies, our investment in technology and our expansion into developing regions has enabled us to grow our business.

AVEVA global newswire...



India – Indian Oil Corporation

One of India's largest commercial enterprises subscribes to AVEVA Plant solutions

Indian Oil Corporation selected AVEVA Plant solutions for the design and construction of two major refinement plant projects.

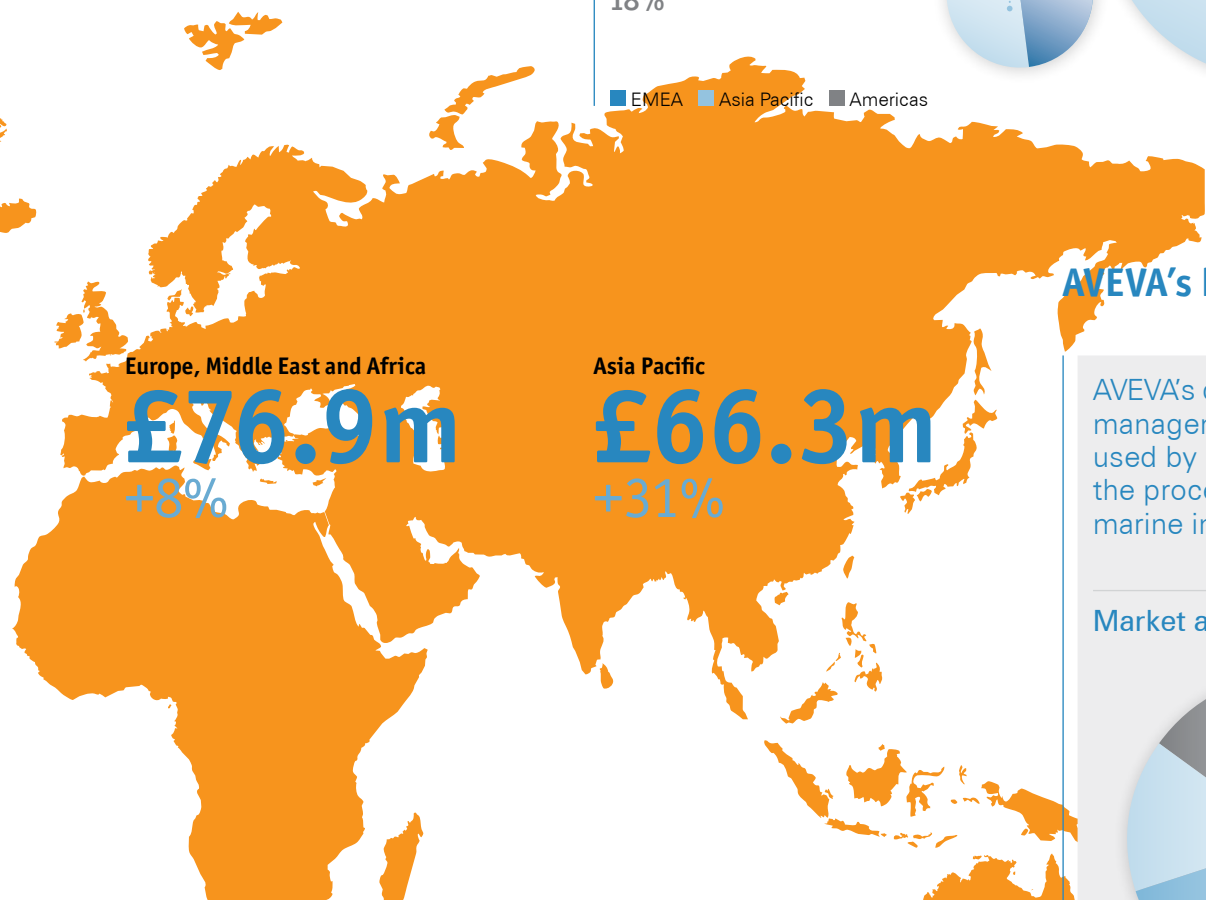
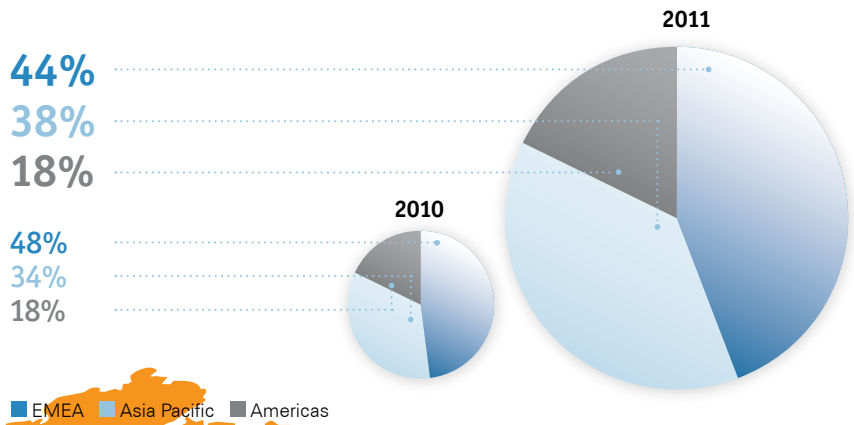
Russia – OJSC Power Machines

AVEVA signs contract with OJSC Power Machines

AVEVA signs contract to supply a suite of plant engineering and design software to OSJC Power Machines, a leading Russian manufacturer and supplier of comprehensive solutions for the power industry.



Revenue by region



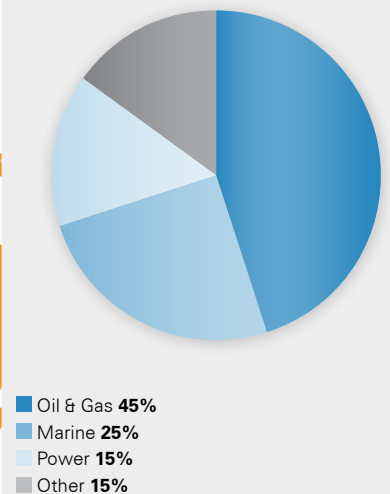
Europe, Middle East and Africa
£76.9m
 +8%

Asia Pacific
£66.3m
 +31%

AVEVA's key markets

AVEVA's design and information management solutions are used by global leaders across the process plant, power and marine industries.

Market areas by percentage:



Asia – Bangkok Dock, SKA Marine

AVEVA Marine Solutions continues to build momentum in emerging shipbuilding countries

Thai-based Bangkok Dock Company Limited and Indian-based SKA Marine Services Pvt Ltd conclude contracts for the use of AVEVA Marine solutions within their respective shipyards.



Learn more about our industry sectors online at www.aveva.com/Industry_Sectors

Overview

Our strategy

A successful strategy

Our corporate philosophy of "Continual Progression" is reflected in the evolution of our technology and business. This key concept lies at the heart of our strategic planning and underpins our impressively solid growth.

Investing in strategic technology areas

Global project collaboration

AVEVA has enhanced the performance and security of its unique design collaboration product and extended integration with the AVEVA Plant and AVEVA Marine portfolios. Designed to support multi-site engineering project collaboration, AVEVA Global allows companies to work efficiently and effectively with remote design offices and suppliers around the world.

Key benefits

- ▶ Supports projects of unlimited size.
- ▶ Enables global project development.
- ▶ Dramatically improves project efficiency.

Laser technology

AVEVA has completed the release of a full suite of software products that maximise the potential of 3D laser scanning technology. AVEVA's powerful laser offering allows companies to rapidly create and view 3D models from brownfield sites, helping them to cost-effectively extend the operation and efficiency of older assets.

Key benefits

- ▶ Rapidly captures and shares as-built information.
- ▶ Cost-effectively adds intelligence to 3D laser scan data.
- ▶ Supports efficient revamp and upgrade of existing assets.

Instrumentation and Electrical

Based on earlier technology acquisitions, AVEVA has developed next generation solutions for complex instrumentation and electrical engineering requirements. Designed in close cooperation with the engineering community, these new products meet the specific needs of these important disciplines and dramatically improve efficiency and information sharing.

Key benefits

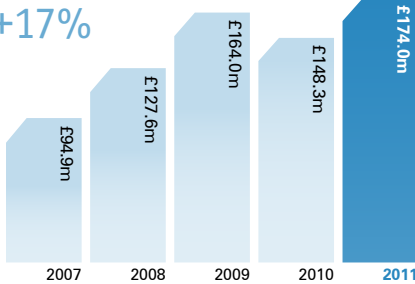
- ▶ Enables customers to use existing IT infrastructure.
- ▶ Improves design efficiency with "visual engineering".
- ▶ Delivers proven cost saving of at least 30% over other software.

Measuring our progress

Revenue

£174.0m

+17%

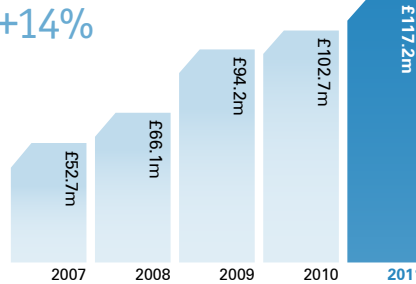


Strong growth with total revenue of £174.0 million, a record level for the Group. Total revenue consisted of £168.4 million (2010 – £148.3 million) of organic revenue and revenue from the two acquisitions made during the year of £5.6 million.

Recurring revenue

£117.2m

+14%

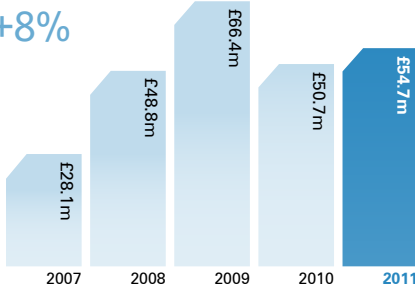


Our business model remained robust with recurring revenue growing 14% to £117.2 million (2010 – £102.7 million) and representing 67% of total revenue (2010 – 69%).

Adjusted* profit before tax

£54.7m

+8%

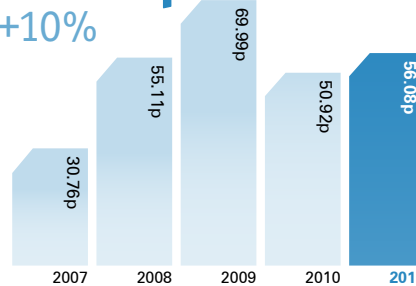


Adjusted* profit before tax increased by 8% to £54.7 million. The profit margin on this basis was 31% (2010 – 34%) after the dilutive effect of the acquisitions and the additional investment in AVEVA NET.

Adjusted* earnings per share

56.08p

+10%

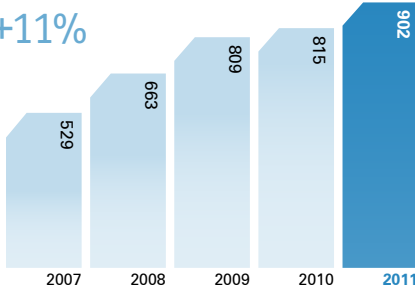


Adjusted* basic earnings per share increased 10% to 56.08 pence (2010 – 50.92 pence).

Average monthly number of employees

902

+11%

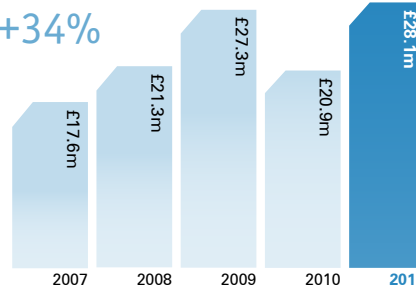


The average headcount during the year increased from 815 to 902. This reflected increases primarily in sales, marketing and customer support and was due to the continued investment in our direct sales offices, particularly in South America and China.

Research and Development expenditure

£28.1m

+34%




Maintaining our technology leadership position is a key strategic objective and during 2010/11 we continued to innovate, develop and expand our software products. Our Research and Development spend increased by 34% on 2009/2010.

Risk management

As with any organisation there are a number of potential risks and uncertainties which could have a material impact on our long-term performance. Where possible we always seek to mitigate these risks through a system of internal controls.

The principal risks and uncertainties faced by the Group are:

- ▶ Protection of the Group's intellectual property rights
- ▶ International operations
- ▶ Successful delivery of the Enterprise Solutions Strategy
- ▶ Competition
- ▶ Dependency on key markets
- ▶ Identification and successful integration of acquisitions
- ▶ Recruitment and retention of employees
- ▶ Foreign exchange risk

 For risk management in more detail turn to **P24**

Overview

Chairman's statement



Nick Prest CBE
Chairman

I am pleased to report strong growth for AVEVA in the year ended 31 March 2011, resulting in a record level of revenue for the Group, and good progress against all of our strategic objectives.

Key financials

Revenue grew organically by 14% to £168.4 million and acquisitions contributed £5.6 million, resulting in total revenue increasing 17% to £174 million. The Oil & Gas sector was the main driver behind our growth, now accounting for approximately 45% of total revenue. Our business model continued to remain robust with recurring revenue representing 67% of total revenue (2010 – 69%).

Adjusted* profit before tax increased by 8% to £54.7 million (2010 – £50.7 million). The profit margin on this basis was 31% (2010 – 34%) after the dilutive effect of the acquisitions and the previously announced additional investment in AVEVA NET. Adjusted* basic earnings per share amounted to 56.08 pence, an increase of 10% (2010 – 50.92 pence). Profit before tax amounted to £49.8 million (2010 – £49.6 million) and basic earnings per share was 50.85 pence (2010 – 49.36 pence).

The main regional contributor to the overall growth was Asia Pacific, where revenue increased by 31% to £66.3 million (2010 – £50.5 million). There was no effect on the business from the recent tragic events in Japan, but we continue to monitor carefully any impact on both the local and global Nuclear industry. Regardless of any short-term effect on the industry, we believe that the fundamental drivers behind the global demand for increased power capacity have not changed and Power remains an attractive medium to long-term global opportunity for AVEVA.

Latin America performed well, driven by Brazil, offsetting a flat performance in North America. Overall revenue in the Americas grew by 14% to £30.8 million (2010 – £26.9 million). Latin America now accounts for approximately 50% of the total Americas business.

In EMEA the performance was mixed with total revenue growing by 8% to £76.9 million (2010 – £70.9 million). We saw good growth in Russia, Eastern Europe and the UK, mainly in the Oil & Gas sector offsetting the performance in Central Europe for the Power and Chemical industries which experienced challenging conditions for most of the year.

Operations and technology

We continue to make progress with AVEVA NET and have invested in our solution delivery capability as planned. Enterprise Solutions, of which AVEVA NET is part, is dedicated to managing digital engineering information through the life of the asset for our clients and is an area of major potential for AVEVA. We have introduced a revised management organisation to intensify our focus on this area. We plan to make further investments in 2011/12 in business development and marketing in order to promote Enterprise Solutions into key end user markets. We believe that our Enterprise Solutions offering has a competitive advantage in our end user markets and are optimistic about the opportunity that it brings to AVEVA.

Maintaining our technology leadership position is a key strategic objective and during 2010/11 we continued to innovate, develop and expand our software products.

Our Research and Development spend was £28.1 million in 2010/11, an increase of 34% on the prior year. The investment was focused on developing and enhancing our core 3D software tools as well as developing the functionality of the Enterprise Solutions suite.

Cash and dividend

AVEVA's balance sheet remains strong with net cash of £153.2 million at 31 March 2011 (2010 – £149.7 million). The business remains highly cash generative with cash generated from operations before tax in the year of £44.7 million (2010 – £47.7 million). Cash generated from operations after tax was £30.8 million (2010 – £25.6 million). Acquisitions consumed £14.9 million and the increased dividend payments, £11.7 million.

The Board is recommending a final dividend of 14.89 pence (2010 – 13.9 pence), which is an increase of 7% on 2009/10, reflecting the improved performance. Combined with the interim dividend of 3.36 pence (2010 – 3.0 pence) this gives a full year dividend of 18.25 pence, an increase of 8% (2010 – 16.9 pence). Subject to approval at the Annual General Meeting, the final dividend will be paid on 29 July 2011 to shareholders on the register on 24 June 2011.

Acquisitions

In the first half we completed the acquisitions of the MARS business of Logimatic and the Oil & Gas related assets of ADB, both in Scandinavia. These further strengthened our product portfolio and solution delivery capabilities in Enterprise Solutions. The integration of both the people and technology has gone to plan and we have recently seen increasing levels of interest from the Marine and Plant markets.

AVEVA is well placed to continue to exploit the structural growth opportunities in emerging economies as well as capitalise on the improving economic conditions in mature markets.

We continue to search actively for further 'bolt-on' opportunities to broaden our product portfolio and service capability.

People

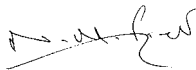
Our people remain the principal foundation of our success and this continues to be one of our market differentiators. Our staff are highly skilled and dedicated to keeping the AVEVA brand synonymous with innovation, quality and delivery. The strong performance in 2010/11 could not have been achieved without their hard work, professionalism and teamwork. On behalf of the Board I would like to thank all our staff for their contribution and commitment.

During the year, Paul Taylor stepped down from the Board and resigned from AVEVA in order to pursue a different career and personal path. Paul spent over twenty years at AVEVA, the last ten as Finance Director, and made an immense contribution to the business and we are very grateful to him. Internal succession planning has enabled us to appoint James Kidd, formerly Head of Finance, as Chief Financial Officer, following a review of external candidates. James has over ten years of operational and financial knowledge of the Group, which has eased his transition to the role.

Outlook

2010/11 has seen good growth for AVEVA with a particularly strong performance in the emerging markets mainly driven by Oil & Gas and Power. We have seen an improvement in business conditions in the last quarter of the year and we remain cautiously optimistic that this will continue into 2011/12. We increasingly expect to see Enterprise Solutions emerging as a significant business stream alongside our

established Engineering and Design Systems business. With our leading technology, global presence, long-term customer relationships, key skills and domain knowledge, AVEVA is well placed to continue to exploit the structural growth opportunities in emerging economies as well as capitalise on the improving economic conditions in mature markets.



Nick Prest
Chairman
25 May 2011

In summary

- ▶ Revenue of £174.0 million (2010 – £148.3 million)
- ▶ Recurring revenue up 14% to £117.2 million (2010 – £102.7 million) representing 67% (2010 – 69%) of total revenue
- ▶ Adjusted* profit before tax of £54.7 million (2010 – £50.7 million)
- ▶ Investment in Research and Development of £28.1 million (2010 – £20.9 million)
- ▶ Final dividend increased to 14.89 pence (2010 – 13.9 pence) resulting in total dividend of 18.25 pence for the year (2010 – 16.9 pence), an increase of 8%



Read this review online at
ar.aveva.com/2011/chairman

Business review

Chief Executive's review



Richard Longdon
Chief Executive

AVEVA performed well over the year delivering strong revenue and profit growth. This reflected improving market conditions, our global leadership in engineering design, construction and lifecycle support technology and the continuing execution of our proven development strategy.

Overview

- ▶ Strong growth across many of our markets.
- ▶ Sustained investment in technology.
- ▶ Delivered significant growth from BRIC economies.
- ▶ Deepening customer relationships.
- ▶ Step change in AVEVA NET investment.
- ▶ Acquisitions completed and now integrated.

AVEVA performed well over the year delivering strong revenue and profit growth. This reflected improving market conditions, our global leadership in engineering design, construction and lifecycle support technology and the continuing execution of our proven development strategy.

Having prepared to meet the challenges of the global downturn in 2009/2010, we have been in a strong position throughout the year to deliver growth in the majority of our end user markets around the world. We continued to invest in both our technology base and delivery capability for Enterprise Solutions (which includes AVEVA NET) and in our direct sales office network, most significantly in the growth territories of China and Latin America, where we continue to increase our presence in Brazil. As a result overall revenue was up 17% to £174 million (2010 – £148.3 million).

We completed two acquisitions in the first half, both in Scandinavia. The acquisition of the Oil & Gas related business from ADB is a natural extension of the AVEVA Enterprise Solutions offering and adds the 'Workmate' product which provides plant owner operators with maintenance management and other functionality which, when combined with AVEVA NET, creates a superb Operational

Integrity Solution. The acquisition of the MARS business of Logimatic further strengthens our ability to automate material control and resource planning for shipbuilders with its MARS application. MARS is widely used by European shipyards but as part of the AVEVA portfolio will be marketed globally and will also be combined with AVEVA NET to provide a more comprehensive solution to shipbuilders and our plant customers.

We have implemented a significant reorganisation across the Group to place greater emphasis and focus on AVEVA NET and associated products. From 1 April 2011, AVEVA NET, ADB's Workmate and Logimatic's MARS have come together to form Enterprise Solutions. Our design specific solutions are now part of the Engineering Design Systems organisation (EDS).

Strong growth across many of our markets

AVEVA's main end user markets are Oil & Gas, which represents approximately 45% of revenue, with Power at 15%, Marine at 25% and Other at 15%.

During 2010/11 we have seen a strong recovery in Oil & Gas related activity. AVEVA provides the system of choice for the design of complex Oil & Gas projects to many of the world's leading Engineering, Procurement and Construction (EPC) companies. As a result AVEVA is very well positioned to exploit the necessity for ever more complex oil recovery, including deep water exploration and production. Population and GDP growth are the drivers for energy demand and as the highly populated Asian countries grow, their demand for energy will increase substantially. China spent \$40 billion on energy assets in 2010 with demand set to surge by 75% by 2035.

Asia Pacific

£66.3m
+31%

Europe, Middle East and Africa

£76.9m
+8%

The Deepwater Horizon incident in the Gulf of Mexico had a very minimal impact on business overall but it did cause some Gulf projects to slow down or be delayed. We anticipate that in the longer term there will be an increased demand for a greater level of engineering design to ensure improved safety and systems redundancy similar to that which has been a part of North Sea design for many years.

As expected, recovery in the Marine business has been slow. We have noted a rise in the number of Oil & Gas related projects in many of our Marine customers. Most of the larger Asian shipbuilders still have significant order backlog and have been supplementing this with new Navy and Oil & Gas orders. The complexity of naval and offshore projects drives a higher engineering content and greater use of our design products.

In the Power sector we have seen a mixed performance across the geographies but with new opportunities opening up in the renewable energy sector. The bulk of AVEVA's revenue in Power is from the fossil fuel power station builders around the globe. During the year we also installed our design tools at Iberese for use on a solar thermal energy plant in Spain. Nuclear makes up approximately 5% of total revenue and we see this increasing in the longer term as it remains the one sustainable source that can meet global energy demand for the foreseeable future. However, recent events in Japan have caused disruption to the markets and will lead to a diversification in energy generation in the short term to meet demand. AVEVA expects to benefit from all conventional forms of electricity generation based on our broad spread across the industry globally.



Shanxi Electric Power Exploration & Design Institute deploys AVEVA NET

Owner Operators, China

Design corporations in China are facing a more complicated market place as competition within the power generation design industry is getting stiffer. This is compounded by the increasing demands of Owner Operators for greater and more comprehensive digitalisation of design.

Handling complex design and information requirements

As improvements in computer technology drive design to higher levels, AVEVA NET, AVEVA's Information Management solution, has been implemented by Shanxi Electric Power Exploration & Design Institute. It uses range from connecting all project data and documents, whatever their format or data type, and including the 3D model, to linking the entire project's construction processes and laying a strong foundation for handover to Owner Operators.

The Company received a contract for 2×330MW flue gas desulphurisation engineering projects at the Liupanshan power plant. Using AVEVA NET, simulation of the construction could be demonstrated, as well as simulation of the maintenance process.

AVEVA NET has provided Shanxi with a powerful platform for managing information throughout the entire design process. It has also been used in modelling, to simulate maintenance works, which is particularly useful for Owner Operators, enabling new employees to understand the construction and operations processes of the plants.



Shanxi is helping China to meet its increasingly demanding requirements for commercial and residential power.

Business review

Chief Executive's review continued



Promon Engenharia's invests in AVEVA NET for Latin American growth

Engineering Contractors, Brazil

Latin America is now leading the world in economic growth, fuelled by vast natural resources. While other countries have been struggling with the global recession for just two successive quarters. Annual GDP growth is currently forecast at 5–6%.

The benchmark of information management

Promon Engenharia selected AVEVA NET as its information management solution after running a comprehensive benchmark programme. The three-month programme compared AVEVA NET with other competing systems. AVEVA completed the programme in just one month, outperforming the competition on technology and time of implementation.

Promon Engenharia is a Brazilian organisation whose core business is the design, integration and implementation of complete infrastructure solutions (EPC and turnkey contracts) for key economic sectors such as power, Oil & Gas, mining, metallurgy, chemicals, petrochemicals, process industries, infrastructure, logistics, transportation, telecommunications, and information technology.

“Promon has a complex scenario, where we use software from different vendors, and with AVEVA NET we are now able to integrate all of these applications faster. Having accurate and rapid access to information, we are reducing our overall engineering manhours. AVEVA NET offers business benefits of defining and maintaining information integrity in an EPC environment. AVEVA NET is deployed for the new COMPERJ refinery project for Petrobras.”

Rogério Pinto, Systems Manager for Promon



Promon delivers complex infrastructure solutions for the rapidly expanding Latin American market.

Americas

£30.8m

+14%

Research and Development expenditure

£28.1m

+34%

Sustained investment in technology

AVEVA creates and supplies one of the most powerful technologies available for the design, construction and lifecycle support of assets in our target market verticals. Our long-standing mantra of 'Continual Progression' has been a thread in many of the innovations that have come to market during the last year. Research and Development spend in 2010/2011 has increased by 34%. As a result we have developed many new product enhancements which are easy to upgrade for existing customers but also offer the latest technology that will attract new customers.

There have been major new releases of the Plant and Marine products with a number of new features and greatly improved ease of use. Marine customers in particular are now taking advantage of the enhanced functionality and performance which the AVEVA proprietary database technology brings. Customers upgrading to AVEVA Marine have found the transition straightforward and the new functionality, such as global work sharing, a major advantage.

There have been new products released to enable customers to make the best use of new technologies such as laser scanning including new features which enable customers to work with the wide variety of scanning systems already on the market. As the price point for laser data capture hardware continues to fall we expect software sales in this area to increase.

Two years ago AVEVA purchased a small software business in Australia which added the ability to design instrumentation systems and store these in the 3D database. This technology has now been considerably enhanced and market feedback suggests this is now a class leading product with increased revenue demonstrating its strong potential.

AVEVA has very strong and enduring relationships with its customers which have been built on the foundation of providing best in class products.

This year we will again show that 'Continual Progression' can be coupled with the ability to introduce market leading technology. Through our customer workshops and user meetings we have trialled new innovations and concepts such as AVEVA NET on tablet computers and novel 3D holograms to enable us to assess how customers want their data delivered on new technology platforms.

Delivering significant growth from BRIC economies

We have developed a very successful network of sales and customer service offices globally with over 37 offices in 24 countries. As well as providing sales and support we have increasingly globalised our Research and Development resources to maximise the access to talented staff and provide solutions specifically suited to regional demands. In addition we operate Centres of Excellence for specific industry segments to work closely with customers in providing customised products and services.

We have developed a strong presence in most of the BRIC countries. In China we have three offices and are looking to expand these further in the coming year. China offers a tremendous opportunity in all of our major end user markets and we already have a very strong presence in Marine and Power. With the relationships we have built with CNOOC and CNPC we are expanding our footprint in the Chinese Oil & Gas market. This is particularly important as Chinese companies are starting to expand their engineering operations overseas.

Russia has been a steadily growing business for AVEVA with a strong emphasis on Oil & Gas. We have an excellent team in Russia with strong and determined leadership. Our excellent customer relationships with leading companies

and universities will help us expand our Oil & Gas business further and extend our presence in the Power and Marine markets.

An important success has been our rapid development in Latin America, particularly Brazil where we have built a strong and highly effective organisation. With close links to Petrobras and the engineering community working on the pre-salt discovery we are securing a significant share of the new projects for AVEVA design tools. We are using our growing organisation in Brazil as our hub for further expansion in Latin America and have now opened an office in Bogota, Colombia which will focus primarily on the Oil & Gas sector. We have plans for additional expansion this year in Brazil, Colombia and a new office in Peru.

We have an extensive customer base across India as many engineering companies locate their high value engineering centres in the country. We also have a very large developer contingent working within our outsource partners. India has significant engineering resources and the end user market is strong in Oil & Gas, Power and Marine. Our investment plan will see us strengthen our presence in India during 2011/12 as we invest in sales and customer service resource.

Deepening customer relationships

AVEVA has very strong and enduring relationships with its customers which have been built on the foundation of providing best in class products. By delivering these products with first-class product support local to the customer, we have developed strong technical links and long-term commercial relationships with many of the world leaders in all of our end markets. Through our ongoing support programmes, worldwide user meetings and senior level customer meetings, we maintain



Promon uses AVEVA NET on the COMPERJ refinery project for Petrobras in Brazil.

We have developed a very successful network of sales and customer service offices globally with over 37 offices in 24 countries. As well as providing sales and support we have increasingly globalised our Research and Development resources to maximise the access to talented staff and provide solutions specifically suited to regional demands.

Business review

Chief executive's review continued



Sedef uses AVEVA Marine and AVEVA MARS for the design and construction of commercial and naval vessels.

AVEVA NET is a key growth driver for the Group that takes our offering beyond the design and construction phase of an asset's lifecycle into operations and beyond.

Deepening customer relationships continued

a dialogue with the leading owner operators and EPC firms globally. Recurring revenue grew by 14% in the year to £117.2 million, now representing 67% of total revenue and we have seen this strengthen continuously even during the difficult years. During 2010/11 we were pleased to bring on board over 100 new customers and continue to expand our relationships with existing customers.

AVEVA has benefited from strong customer relationships in co-developing technology with customers such as AREVA, EDF, Hyundai, DSME, Shell, BP, Mitsubishi and many more.

Step change in AVEVA NET investment

The newly formed Enterprise Solutions team, comprising AVEVA NET, ADB's Workmate and Logimatic's MARS, will be responsible for all aspects of product development, marketing, strategy as well as delivery and implementation of our information management products. AVEVA NET is a key growth driver for the Group that takes our offering beyond the design and construction phase of an asset's lifecycle into operations and beyond. AVEVA NET is an enterprise-level software application with unique and powerful information management capabilities that addresses this growing need in our key end user markets.

The full effect of a focused team working on Enterprise Solutions is expected to bring about accelerated growth in the coming year. Last year we increased our pipeline across the board and are working on many important prospects and projects, including all five independent Oil & Gas super majors, and many National Oil Companies and independent operators, as well as the top tier chemical

and mining companies. As well as adding asset projects with existing customers, we also sold AVEVA NET to several new customers last year, which we expect to significantly grow in future. Part of the success of the AVEVA NET solution is the very open and flexible structure of the product and the fact that it can be quickly implemented with customers' existing applications. Many of the sales we have made are to customers wishing to integrate data which does not involve any of AVEVA's design tools. We have also enjoyed considerable success in brownfield projects where data is old and requires a degree of cleansing as part of our implementation service. We estimate there are over 4,000 major plants globally which could benefit from having AVEVA NET's solutions. After the period end we have signed a strategic alliance agreement with Logica to assist us with service delivery on AVEVA NET engagement globally.

Typical Enterprise Solutions engagements have a larger initial service content and therefore attract a lower margin which will slightly dampen overall profit margin growth through the implementation phase as we grow these complex, high-value and long-term engagements at a faster rate than our design products. In the medium term there will be a positive impact on our recurring revenue stream as Enterprise Solutions projects have a much greater longevity than the traditional three to five year cycle for design products.

During the year ahead we expect to be making further investment in Enterprise Solutions, primarily around business development, service delivery and project management.

Organisation and people

During the year we hired over 90 people across the Group with the largest number of new hires in Asia. This was in addition to the 89 staff that joined as part of the acquisition of ADB (23) and Logimatic (66). Across the Group our Human Resources team has worked hard to make AVEVA an attractive employer in a very competitive employment marketplace. We also enjoy a very low staff turnover of 8.9%, much lower than the average for our industry.

In the last quarter we have effected a significant reorganisation across the Group to place greater emphasis and focus on AVEVA NET and associated products. From 1 April 2011, AVEVA NET, ADB's Workmate and Logimatic's MARS will all come together to form Enterprise Solutions. This new group will be led by Derek Middlemas, our COO. Our design-specific solutions are now part of the Engineering Design Systems Group (EDS). This group still makes up the largest proportion of revenue and contains our highest margin product lines. The EDS group will be led by David Wheeldon, our CTO.

The Chairman has already commented on the dedication of our staff and I would like to echo that and I would also like to pay a special tribute to all the AVEVA staff in Japan who have been very supportive of our customers in their time of need following the earthquake on 11 March 2011. Our office in Yokohama was undamaged and our staff there not only maintained a full support service to the customers but also delivered a very good full year result even closing business during the last few weeks of the year. AVEVA has worked closely with its Japanese customers over many years and we hold them in high regard. We have made a donation to the earthquake relief effort and are confident that the Japanese market will respond very positively with its rebuilding efforts.

Recurring revenue

£117.2m
+14%

Adjusted* profit before tax

£54.7m
+8%

Outlook

The strengths of AVEVA are its long established position as a trusted supplier to many of the world's leading companies in the Oil & Gas, Power and Marine industries, its exposure to high growth markets, good visibility of future revenue and healthy financial position. Our prudent management approach has positioned us well to take advantage of improving market dynamics by leveraging the continued investment we have been making in technology, coupled with ongoing expansion of our sales channel and delivery capability. We are entering 2011/12 with confidence that the momentum which has been building in the latter part of 2010/11 will continue and that our organisational improvements will help deliver strong organic revenue growth in the coming year.

Our plans to expand further this year into Latin America, China and India are on track along with the roll-out of further enhancements to our current product portfolio and new products later in the year. AVEVA's financial strength and strong management team give us the capability and structure to seek further acquisitions, both bolt-on and strategic, to extend and strengthen our product lines and market presence as well as investing in our existing business to enhance our organic growth.



Richard Longdon
Chief Executive
25 May 2011



Sedef Shipyard improves competitiveness with AVEVA solution

Shipyards and Contractors, Turkey

Sedef Shipyard, situated on the Bay of Tuzla, near Istanbul, is today among Turkey's leading and most innovative shipyards, building practically all types of ships for both naval and commercial clients.

A proven cost-saving solution

Sedef invested in the AVEVA Marine and AVEVA MARS systems over the past 15 years to improve its efficiency in a highly competitive market. In the case of AVEVA MARS, Sedef were among the very first shipyards in Turkey to invest in an IT solution for shipyard materials and production planning.

In AVEVA MARS and AVEVA Marine, Sedef has a dedicated and integrated IT environment which, combined with the skills of its employees, has helped Sedef to become a modern and competitive shipyard by reducing project cycles and bringing down Sedef's total costs.

“Before implementing the AVEVA solutions, we calculated that it took some 600,000 man hours to build a container ship. When using AVEVA, building an identical ship took only 450,000 man hours. This reduction in production time has considerably improved our financial results.”

Cumhur Kuter, General Manager, Sedef Shipyard



Sedef has created a highly diversified and efficient shipyard that delivers vessels to clients around the world.

Business review

Chief Financial Officer's review



James Kidd (appointed 1 January 2011)
Chief Financial Officer

In 2010/11, AVEVA saw strong growth with total revenue of £174.0 million, a record level for the Group.

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.

We operate a 'right to use' licensing model for both Enterprise Solutions software and Engineering and Design products. 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. This model continues to provide a strong recurring revenue base for AVEVA which allows us to invest in the future roadmap of our products.

Our Enterprise Solutions software involves a higher degree of services compared to our Engineering and Design tools. These services consist of implementation and customisation of these solutions and are provided either on a time and materials basis or under fixed price contracts.

Key performance indicators

The Group's key financial and non-financial performance indicators are total revenue, recurring revenue, adjusted* profit before tax, headcount and adjusted* earnings per share. These are discussed on the following page:

Revenue

In 2010/11, AVEVA saw strong growth with total revenue of £174.0 million, a record level for the Group. Total revenue consisted of £168.4 million (2010 – £148.3 million) of organic revenue and revenue from the two acquisitions made during the year of £5.6 million. Organic revenue increased by £20.1 million or 14%.

The main driver behind this strong performance was Asia Pacific with organic revenue growing 30% year on year to £65.8 million, driven by the Oil & Gas and Power sectors. There were also signs of improvement in Marine from Offshore Oil & Gas projects, particularly an important deal signed with Hyundai Heavy Industries in Korea to expand the usage of our 3D products. There has to date been no impact on the business from the events in Japan but we remain watchful as to how this may affect our customers' investment plans.

In Asia Pacific, we did see a trend away from initial licence fees to rental fees during the year mainly in Japan, Korea and South East Asian countries as customers opted for the more flexible model.

In EMEA, Central Europe was impacted by the slower economic recovery across the region in the year which resulted in lower overall growth rates. Despite this, organic revenue increased by 4% to £73.7 million (2010 – £70.9 million) and the region had a much stronger second half to the year.

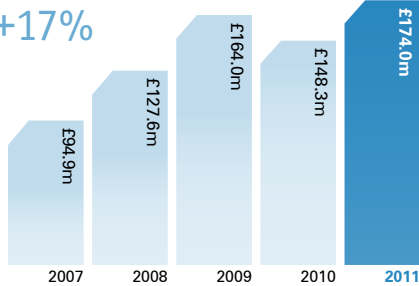
In the Americas, North American sales were affected by the economic conditions and the competitive environment. Latin America has continued to grow strongly, contributing approximately 50% of the Americas revenue,



Revenue

£174.0m

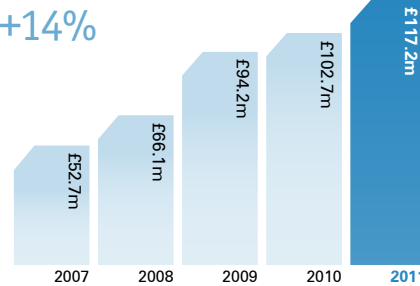
+17%



Recurring revenue

£117.2m

+14%



mainly driven by opportunities in the Oil & Gas market in Brazil. In total, organic revenue in the Americas grew by 7% to £28.9 million.

Revenue from the acquisitions of Logimatic Software A/S (Logimatic) and ADB Oil & Gas business (ADB) in the year amounted to £5.6 million and was split £3.2 million for EMEA, £1.9 million for Americas and £0.5 million for Asia Pacific. Revenue mainly consisted of services from ongoing projects and annual fees earned since the acquisition date.

The revenue of the Group is predominantly in foreign currency, with approximately 40% in US Dollar and 25% in Euro. Revenue was impacted by exchange rate movements in these and other foreign currencies during the year with organic revenue on a constant currency basis increasing approximately 11% to £164.2 million (reported £168.4 million) compared to £148.3 million in 2009/10.

Revenue from our end user markets was in line with previous years with Oil & Gas approximately accounting for 45%, Marine 25%, Power 15% and Other consisting of Mining, Petrochemical, Chemical, Pharmaceutical, and Paper and Pulp, 15%.

Recurring revenue grew by 14% to £117.2 million (2010 – £102.7 million), reflecting the continued renewal of annual fees and rental fees from our established customer base. In particular, we saw strong demand for rental licences providing evidence that some new customers prefer the greater flexibility of a rental arrangement. Rental revenue increased 17% to £71.3 million in 2010/11 (2010 – £61.2 million), most notably in Asia Pacific which grew 64%.

| | 2011 £000 | 2010 £000 | % change |
|--|----------------|--------------|----------|
| Revenue | | | |
| Recurring revenue | 117,199 | 102,701 | 14% |
| Initial licence fees | 40,960 | 35,149 | 17% |
| Services | 15,829 | 10,484 | 53% |
| Total revenue | 173,988 | 148,334 | 17% |
| Cost of sales (including Research and Development costs) | (39,168) | (30,380) | 29% |
| Gross profit | 134,820 | 117,954 | 14% |
| Total operating expenses | (85,660) | (68,745) | 25% |
| Profit from operations | 49,160 | 49,209 | 0% |
| Adjusted* operating margin | 31% | 34% | (9%) |
| Net bank interest | 1,151 | 1,097 | 5% |
| Net interest on pension scheme | (516) | (732) | (30%) |
| Adjusted* profit before tax | 54,720 | 50,685 | 8% |
| Profit before tax | 49,795 | 49,574 | 0% |
| Income tax expense | (15,303) | (16,134) | (5%) |
| Profit after tax | 34,492 | 33,440 | 3% |
| Earnings per share (pence) | | | |
| – basic | 50.85p | 49.36p | 3% |
| – diluted | 50.56p | 49.08p | 3% |
| – adjusted* basic | 56.08p | 50.92p | 10% |
| – adjusted* diluted | 55.76p | 50.62p | 10% |

* Adjusted profit before tax and adjusted earnings per share are calculated before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items in the relevant year. In addition, adjusted earnings per share also include the tax effects of these adjustments.

Business review

Chief Financial Officer's review continued



AVEVA helps Iberese bring solar power to Spain with Lebrija

Engineering Contractors, Spain

With an average of 340 days of sunshine a year, Spain is today the world's largest producer of solar thermal energy – the generation of energy from the heat of the sun. Southern Spain is seeing a boom in solar power, with numerous Concentrating Solar Power (CSP) plants being built on sites throughout Andalusia.

Improving data management capabilities

Lebrija 1, located in the province of Seville, is a turnkey project in which Iberese is responsible for all the engineering except for the civil work for the foundations. Lebrija 1 will generate an output of 50MW supporting 50,000 households. The solar field includes nearly 6,000 parabolic collectors, approximately 18,000 solar receivers, and more than 150,000 parabolic reflectors.

“Using AVEVA Plant has helped to make the Lebrija 1 project very successful for Iberese, a company specialising in the engineering and erection of power plants. We needed a system which would allow concurrent working between different disciplines on the same 3D model, and which could manage large quantities of data. With this experience gained in handling more complex projects and bigger teams, we are now ready to take on other major projects in Spain and abroad, not only in the solar energy sector but also for biomass and co-generation projects.”

Alejandro López Aznar, Project Manager, Iberese



Iberese is leading the way for renewable energy production with the design of the Lebrija 1 CSP plant.

Revenue continued

Services revenue grew 51% during 2010/11 to £15.8 million (2010 – £10.5 million), but continues to be a relatively small part of the business, representing only 9% of total revenue (2010 – 7%). This strong growth in services was driven by Enterprise Solutions with the new acquisitions in the year and AVEVA NET as more projects were executed.

Enterprise Solutions

During the year, we have seen some encouraging customer wins for Enterprise Solutions, which includes AVEVA NET, and the pipeline continues to grow. As a result of the investment of £5.0 million that was planned and delivered in the Enterprise Solutions business during the year we are now better placed to exploit opportunities in the growing lifecycle management market which AVEVA NET serves. We will need to continue to invest in business development skills, project management and solution delivery in 2011/12 as the Enterprise Solutions business continues to grow.

We further increased our Enterprise Solutions offerings through the acquisitions of Logimatic, a Danish company which provides material control and production planning software to the Marine industry, and the trade and assets of ADB Systemer AS, a Norwegian business which specialises in information integrity solutions to owner-operators in the Oil & Gas industry. We suffered slightly higher losses than we initially anticipated (£0.9 million for the year), but by the year end both business were successfully integrated and a strong pipeline of projects and opportunities exists.

Research and Development costs represented 16% of total revenue (2010 – 14%) reflecting our continued investment in developing our portfolio products.

Whilst AVEVA NET revenue remains under 10% of AVEVA's total revenue, we enter the new financial year with an impressive customer list and opportunity pipeline and feel there remains strong opportunity for growth.

Cost of sales and operating expenses

Cost of sales consists of direct cost of selling (third-party royalties, consultancy costs and agent's commission) as well as Research and Development costs and associated Information Technology costs. Total cost of sales for the year was £39.2 million (2010 – £30.4 million). Research and Development costs were £28.1 million (2010 – £20.9 million), an increase of 34% which includes £2.9 million relating to the acquisitions and £25.2 million to organic investment. Research and Development costs represented 16% of total revenue (2010 – 14%) reflecting our continued investment in developing our portfolio of products. The focus in Research and Development has been to target our investment in key product areas such as AVEVA NET and to continue to develop our traditional 3D products.

Operating expenses were £85.7 million (2010 – £68.7 million) for the year, an increase of 25% on the prior year. On an adjusted* basis, operating expenses increased by 18.2%. Of the total operating expenses selling and distribution costs were £71.7 million (2010 – £60.0 million) and administrative expenses were £14.0 million (2010 – £8.7 million).

During 2010/11, we continued to invest in both our delivery capability for Enterprise Solutions (which includes AVEVA NET) and in our direct sales office network, most significantly in the growth territories of China, India and Latin America, where we continue to increase our presence in Brazil and have now incorporated

a subsidiary in Columbia. As a result, on an adjusted* basis, selling and distribution costs increased by £11.7 million or 20%.

Administrative expenses include in 2009/10 and 2010/11 a number of one-off items including in 2009/10 a gain on the fair value of forward foreign exchange contracts of £3.6 million. On an adjusted* basis, excluding these amounts, administrative expenses increased by 6.4%.

The adjusted* operating margin in 2010/11 was 31% (2010 – 34%), or 28% (2010 – 33%) on a statutory basis. The slight reduction in operating margin was driven by the planned investment in the AVEVA NET opportunity and the dilutive impact of the initial losses incurred by the two businesses acquired during the year.

Headcount

Total headcount at 31 March 2011 amounted to 972 (2010 – 843), a net increase of 129 staff (including 89 employees from the acquisitions of Logimatic and ADB). The average headcount during the year was 902 (2010 – 815) of which 248 were in Research, development and product support (2010 – 228), 475 in sales, marketing and customer support (2010 – 417) and 179 in administration (2010 – 170).

The increase in the average headcount in sales, marketing and customer support was due to the continued investment in our direct sales offices, particularly in South America and China.

Total staff costs for the year were £72.5 million compared with £58.8 million in 2010, an increase of 23% due to the increased headcount.

Finance revenue and finance costs

Finance revenue represents bank interest receivable on cash and cash equivalents of £1.2 million (2010 – £1.1 million) and the

expected return on the UK defined benefit pension plan of £2.4 million (2010 – £1.7 million). Finance costs principally relate to the interest charge on the pension scheme liabilities of £2.9 million (2010 – £2.5 million).

Adjusted* profit before tax

On the face of the Income statement, we present adjusted profit before tax which is a performance measure that is not defined by GAAP but which the Directors believe provides a reliable and consistent measure of the Group's underlying performance.

Adjusted profit before tax is stated before amortisation of intangibles (excluding other software), share-based payments, gains or losses on the fair value of forward foreign exchange contracts and exceptional items.

The exclusion of these items resulted in adjusted profit before tax for the year of £54.7 million (2010 – £50.7 million). Reported profit before tax for the year was £49.8 million compared to £49.6 million in 2009/10.

Similarly, in presenting an adjusted measure of earnings per share we exclude the same items together with their related tax effects.

Taxation

The Group's effective tax rate for the year was 30.7% compared to 32.5% in 2009/10. The main reasons for the effective rate being higher than the UK standard rate of tax applicable during the 2010/11 year were irrecoverable withholding tax suffered in Asia and expenses not deductible for tax purposes.

Business review

Chief Financial Officer's review continued

AVEVA's balance sheet continued to strengthen during the year and at 31 March 2011 net assets were £202.4 million.

The Board recommends payment of a final dividend of 14.89 pence which together with the interim dividend of 3.36 pence, gives a total dividend for the year of 18.25 pence, an increase of 8% from 2009/10.

Taxation continued

The Group has tax losses of £2.2 million (2010 – £5.1 million) which relate to overseas subsidiaries for which no deferred tax asset has been recognised. The losses can be carried forward indefinitely.

The UK Government has substantively enacted a 2% reduction in the main rate of corporation tax from 28% to 26% effective from 1 April 2011 and has further proposed reducing the UK rate by a further 1% per annum to 23% by 1 April 2014. These changes had no material impact on the tax charge of 2010/11 but the Group expects to benefit from these reductions in future periods as future UK profits are earned and subject to the lower rates of corporation tax.

Earnings per share and dividends

Basic earnings per share were 50.85 pence (2010 – 49.36 pence) and diluted earnings per share were 50.56 pence (2010 – 49.08 pence).

Adjusted* basic earnings per share increased 10% to 56.08 pence (2010 – 50.92 pence). Diluted adjusted* earnings per share on the same basis increased 10% to 55.76 pence (2010 – 50.62 pence). The Directors believe that adjusted* earnings per share provides a more representative presentation of the underlying performance of the business.

The Board of Directors recommends payment of a final dividend of 14.89 pence (2010 – 13.9 pence) which, together with the interim dividend of 3.36 pence (2010 – 3.0 pence), gives a total dividend for 2010/11 of 18.25 pence (2010 – 16.9 pence), an 8% increase over 2009/10. Subject to approval at the Annual General Meeting, the final dividend will be paid on 29 July 2011 to shareholders on the register on 24 June 2011.

Balance sheet and cash flows

AVEVA's balance sheet continued to strengthen during the year and at 31 March 2011 net assets were £202.4 million compared to net assets of £169.2 million at 31 March 2010.

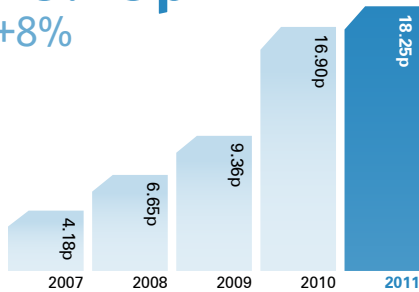
Cash generated from operating activities before tax in the period amounted to £44.7 million (2010 – £47.7 million). Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 91% compared to 97% in 2009/10 which continues to reflect the robust quality of earnings. However, following a strong trading performance in the final quarter of the financial year, trade receivables were £68.4 million compared with £40.9 million at 31 March 2010 and consequently this did reduce the rate of cash conversion. As these receivables are collected from customers, we expect to be able to report significant cash conversion in the first half of 2011/12.

In total, cash and cash equivalents and treasury deposits increased by £3.5 million to £153.2 million. Whilst this increase is lower than the increase reported in 2010 of £23.5 million, the 2011 increase is reported after the impact of the acquisitions of Logimatic and ADB (£14.9 million), the effect of increased equity dividends (£5.3 million) and a one-off contribution to the UK defined benefit scheme of £2.5 million.

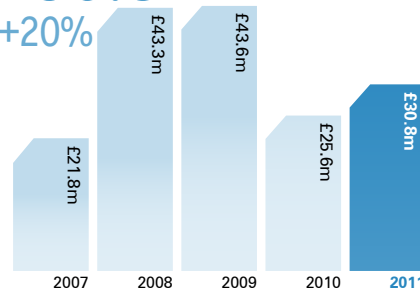
AVEVA continues to be cash generative and the Group has continued to focus closely on cash management during the year particularly on the collection of customer receivables and repatriation of cash to the UK from overseas subsidiaries. Total cash and deposits held in the UK at 31 March 2011 represented 86% of the total cash and deposits balance (2010 – 85%). The Group has no debt.

Dividend per share**18.25p**

+8%

**Cash generated from operating activities****£30.8m**

+20%



The acquisitions of Logimatic and ADB created additional intangible assets of £17.2 million, comprising goodwill of £7.6 million, developed technology of £7.0 million and customer relationships of £2.6 million.

Current assets increased to £227.4 million from £195.6 million principally due to the increase in trade receivables. Current liabilities totalled £69.5 million at 31 March 2011 (2010 – £48.9 million) which included deferred revenue of £36.4 million (2010 – £26.9 million), and trade payables and accruals of £33.1 million (2010 – £22.0 million).

Non-current liabilities include retirement benefit obligations of £3.0 million (2010 – £13.1 million). This mainly relates to the UK defined benefit pension scheme which had a deficit under IAS 19 of £1.4 million at 31 March 2011 (2010 – £11.7 million). The reduction in the total obligation was caused primarily by actuarial gains of £8.2 million coupled with contributions by AVEVA of £3.8 million, including a special one-off contribution agreed with the trustees of the UK defined benefit scheme of £2.5 million.

Capital structure

The issued share capital at 31 March 2011 was 67.97 million (2010 – 67.93 million) ordinary shares of 3.33 pence each. During the year the AVEVA Group Employee Benefit Trust 2008 purchased 36,423 ordinary shares in the Company in the open market at an average price of £11.82 per share for total consideration of £430,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2011, the Trust owned 127,947 ordinary shares in the Company.

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. The Group is, and expects to continue to be, cash positive and currently holds net deposits. The treasury policy includes strict counterparty limits.

The Group has a net funding requirement in Sterling due to the majority of Research and Development costs being incurred in the UK and funds are held centrally in the UK in order to fund these costs. 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 result in a net currency exposure and where possible these exposures are hedged. These hedges aim to mitigate the risk of exchange rate movements causing earnings volatility.

James Kidd
Chief Financial Officer
25 May 2011

Business review

Managing risk and uncertainty

Managing risk and uncertainty

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.

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

| Risk | Explanation and mitigation |
|--|---|
| <p>Intellectual property</p> | <p>The Group's success has been built upon the development of its substantial intellectual property rights and the future growth of the business requires the continual progression of these tools. The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products and must effectively appraise its investment decisions and ensure that we continue to provide class-leading solutions that meet the needs of our markets.</p> <p>There are many risks in software development. 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. The business continually reviews the alignment of the activities of our Research and Development teams to ensure that they remain focused on areas that will meet the demands of our customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products.</p> <p>The protection of the Group's proprietary software products remains critical and this is achieved 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.</p> |
| <p>International operations</p> | <p>The Group operates in Continental Europe, the Middle East, the United States, South America and Asia Pacific and must determine how best to utilise its resources across these diverse markets. Where necessary the business must adapt its market approach to best capitalise on local market opportunities, particularly in the strategically key developing economies.</p> <p>In addition, the Group is required to comply with the local laws, regulations and tax legislation in each of these jurisdictions. Significant changes in these laws and regulations or failure to comply with them could lead to additional liabilities and penalties. The Group manages its overseas operations by employing locally qualified personnel who are able to provide expertise in the appropriate language and an understanding of local culture, custom and practice. Dependence on local management can increase the risks of Group policy not being correctly applied, especially where diverse languages and cultures exist. The Group endeavours to mitigate these risks through oversight by regional management in each of the three major zones of the Group, Asia Pacific, EMEA and the Americas, as well as through the use of local professional advisers.</p> |

| Risk | Explanation and mitigation |
|--|---|
| Enterprise Solutions | The continued investment in and development of the Group's Enterprise Solutions offerings is seen as important to continuing the Group's growth. This is a relatively new market with different characteristics compared to our traditional Engineering and Design business. This brings different challenges and opportunities for the Group which although we believe we are well positioned to manage and exploit, there remains a risk that our investment in this area does not produce the financial returns expected. |
| 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. |
| 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. 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 & 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 expenditure 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. |
| Identification and successful integration of acquisitions | During the year, the Group successfully completed the acquisitions of Logimatic Software A/S and the trade and assets of ADB Systemer AS and expects to continue to review acquisition targets as part of its strategy. The integration of acquisitions 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 and successful integration of the acquired intellectual property. |
| 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. |
| 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. |

Corporate Governance

Corporate social responsibility report

Operating responsibly and ethically in all areas of business

We seek to be honest and fair in our relationships with both customers and suppliers.

Integrated CSR

We have a strong ethical belief in the way business should be conducted and how employees should be treated. We have integrated social, environmental and ethical policies into the way we do business and how we interact with our stakeholders including our shareholders, employees, customers, suppliers and local community. Our main areas of focus are:

- ▶ customers and suppliers;
- ▶ employees;
- ▶ training and development;
- ▶ health and safety;
- ▶ environment;
- ▶ travel;
- ▶ educational partnerships; and
- ▶ community involvement.

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 and how employees should be treated. We have integrated social, environmental and ethical policies into the way we do business and how we interact 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 and maintenance of its core values is vital. The Board considers that it has sufficient information in order to be able to assess these risks.

Customers and suppliers

We seek to be honest and fair in our relationships with both customers and suppliers with the majority of costs being headcount related. AVEVA has relatively few preferred suppliers, and evaluates potential suppliers based on several factors including vendor policies, reputation and contractual terms and conditions.

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.

We offer the highest level of support and continue to enhance our product offering to ensure our customers' effective use of our software, minimising waste and improving efficiency. 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.

In October 2010, the Group successfully began a new global series of AVEVA World Summits. Organised for AVEVA customers and partners, three regional Summits were presented throughout the month of October in Amsterdam, Las Vegas and Beijing. With a focus on business and project strategy topics for mid-level and senior management, the new AVEVA World Summits complement AVEVA's popular user group meetings that address more technical product subjects for engineers and operators. Adopting the theme of "Engage – Inspire – Deliver", 2010 was the first year that AVEVA conducted the Summit series for their customer community around the world. More than 800 delegates at the three regional conferences attended business strategy presentations and participated in a range of social and networking activities over the course of the two-day events. Combining both the plant and marine industries, each Summit had a mix of speakers that included AVEVA senior management, independent analysts, and customer case studies.

Employees

The Group now has over 950 employees of whom over 600 are based overseas. We are dependent on the drive and commitment of our employees; they are our most important and valuable asset and key to our continuing success. We have continued to review the skills and experience needed to fill our critical roles and continue to recruit in certain areas. Retention and skill development is regularly reviewed by the Board as part of the risk management process.

We recognise that we must excel in the management of people and support employees to develop their careers within the Group, which assists towards maintaining a high level of morale.



AVEVA remains a long-term supporter of cancer and hospice charities, as well as emergency medical services that operate within the local community and around the world.

Staff turnover remains well below the industry norm and positive retention programmes are being developed by the Group HR team. Staff retention rate is monitored regularly and at 31 March 2011, the retention rate was 91% (2010 – 92%). We aim to be an employer of choice by:

- ▶ recruiting, training and developing high calibre people and helping them to subscribe to our values while continuing to grow the business in key areas;
- ▶ providing clean, healthy and safe working conditions;
- ▶ being an equal opportunity employer and not tolerating any discriminatory actions or harassment of our employees; we are proud of the diverse nature of our workforce;
- ▶ recognising the requirement to provide facilities for disabled employees and taking all reasonable measures to meet any special needs an employee might have;
- ▶ encouraging employees to use alternative communication channels to reduce travel where possible, support fuel-efficient commuting through the provision of car share networks, cycle sheds, showers and changing facilities in the UK offices;
- ▶ offering flexible benefits in the UK to allow employees to select benefits to suit their lifestyle, and an Employee Assistance Programme to provide independent support for a variety of both work and non-work related issues; and
- ▶ launching a wellness initiative in 2010 which included encouraging a healthy life style and lunchtime exercise routines.

AVEVA will continue to review its benefits programme throughout the Group to ensure that valued and cost-effective benefits are offered to all employees while remaining competitive. The Group's employment policies are continually under review and are aimed at meeting or exceeding the legislative requirements in the countries in which the Group operates. Wherever possible, these 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.

Training and development E-Learning

In support of the development and retention of staff, the Group makes available to all employees across the Group an E-Learning tool which enables them to access technical and generic training material. This is particularly suited to an employee base so widely spread across different locations.

This initiative includes bespoke training for new employees and information for specific groups such as graduates, managers, etc. We have also used our AVEVA intranet to publish webcasts from the Group's executive team members which has proved a very useful way to brief our widespread employees on the challenges and opportunities facing the Group.

Central Induction Programme

Our successful Central Induction Programme has continued to be enjoyed by new recruits and proved very beneficial in providing information and a welcome to the Company.

This is now being supplemented with the E-Learning programme and local induction plans. During the year over 100 new employees attended the courses hosted in Cambridge, including employees that joined the Group following the acquisitions of Logimatic Software A/S and ADB Systemer AS.

Management development training programme

Managing employees in a changing and demanding organisation with such diverse cultures and numerous locations brings a number of challenges. AVEVA has developed a training programme and a learning framework to provide support 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. In 2011 the opportunity for management development has been further enhanced with the introduction of the AVEVA Leadership Programme which will help to ensure that we develop and retain top talent and to aid succession planning.

Graduate training programme

During the year, the AVEVA graduate training programme has been extended to include graduates in our EMEA and North American sales divisions and non-R&D functions such as business strategy and finance. During the year an additional five new graduates were hired and will undergo a two year graduate training programme gaining experience from different disciplines in the Group.

We are proud that in 2011 the graduate training programme achieved endorsement from the Institute of Leadership and Management.

Corporate Governance

Corporate social responsibility report continued



Training and development continued 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 employee appraisal process is designed to provide a fair and open evaluation environment which:

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

Health and safety

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

We encourage and support environmentally considerate travel to work arrangements at all our principal office locations, according to local circumstances. At our Cambridge headquarters this includes encouraging employees to cycle to work, share car journeys or use public transport. There are a number of employees who take advantage of the excellent facilities for cyclists with staff encouraged to use these. International travel is important to support and promote our business worldwide. The level of international travel is monitored on a regular basis and ways to reduce travel investigated.

Video and web conferencing is utilised whenever practicable. Continuing investment in our core IT infrastructure across the Group is enabling improved communication/collaboration and reducing the need for travel.

Educational partnerships

Skills shortages continue to be a challenge in most engineering companies and it will take some time for the recent increases in the number of engineering students at universities and technical colleges to close the skills gap that currently exists. In recognition of this,

and in addition to its own in-house graduate recruitment schemes, AVEVA actively supports the work of educational establishments and government bodies around the world to narrow the skills gap. The AVEVA Academic Initiative is a Group-wide programme with several key objectives:

- ▶ work with universities and technical institutes to promote the use of AVEVA products within undergraduate courses and postgraduate research projects;
- ▶ work with government agencies to re-skill engineers for employment in other disciplines; and
- ▶ work with engineering bodies to encourage school leavers to pursue careers in engineering.

The Company provides both software and training support to enable engineering students to gain hands-on experience of the latest technologies and use these to undertake a variety of academic and practical projects directly applicable to the industries in which they will work.

In 2010/11 AVEVA provided support to:

Asia Pacific region:

- ▶ Over 30 universities, colleges and high schools in China, India, Korea, Malaysia, Singapore and Taiwan.

EMEA:

- ▶ More than 15 universities and colleges in Algeria, Finland, France, Germany, Italy, Russia, Serbia, Spain, Sweden and the UK.

Americas:

- ▶ Seven universities, colleges and postgraduate institutes in North America and Canada.



AVEVA's social commitment extends to organisations that are dedicated to the personal development of young people through adventure and business mentoring activities.

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.

In addition, AVEVA has donated in excess of \$800,000 – worth of engineering software and provided free, special training courses to US initiatives aimed at re-skilling designers and engineers from the declining auto industry and upgrading the skills of piping designers re-entering the plant industry workforce.

AVEVA sees its Academic Initiative as a vital strategic investment that will bring long-term benefits to the engineering industries around the world.

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. Employees are encouraged to participate personally in charitable and community activities with the Group also gift-matching the efforts of employees who took part in the Chariots of Fire Charity Marathon, the Oxford to Cambridge Bike Ride and Red Nose Day.

During the past year we have donated £49,618 to a wide range of organisations as summarised below:

Japanese Tsunami Appeal Fund

Following the recent earthquake and tsunami in Japan AVEVA made a donation to the Japanese Tsunami Appeal Fund via the Red Cross.

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.

Macmillan Cancer Support

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

Help for Heroes

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

Headway

Headway promotes understanding of all aspects of brain injury and to provide information, support and services to people with a brain injury, their families and carers.

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.

East Anglian Children's Hospice (EACH)

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

Arthur Rank Hospice

Arthur Rank Hospice provides specialist palliative care to people living throughout much of Cambridgeshire. The Hospice offers a safe, friendly and supportive environment for those affected by cancer and other life-limiting illnesses. The staff work to provide the best levels of end-of-life care to improve patients' quality of life, while also supporting their relatives and carers.

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.

Corporate Governance

Board of Directors



Nick Prest CBE (appointed 11 January 2006) 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, the AIM quoted defence technical services Group, and Chairman of Shephard Group, a privately owned media business.



Richard Longdon (appointed 16 August 1994) 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.



James Kidd (appointed 1 January 2011) Chief Financial Officer

James Kidd is a Chartered Accountant and joined AVEVA in 2004. Prior to his appointment to the Board, James held several senior finance roles within the Group and was Head of Finance from 2006. He joined the Group at the time of the Tribon acquisition and played a significant part in the completion of this transaction and the subsequent integration of the acquired business. His responsibilities have included investor relations, the development of the Group's overseas subsidiaries, standardisation of financial processes and procedures as well as being heavily involved in the Group's recent acquisitions. Prior to joining AVEVA James worked for both Arthur Andersen and Deloitte, serving technology clients in both transactional and audit engagements.



Jonathan Brooks (appointed 12 July 2007)
Non-Executive Director

Jonathan Brooks joined AVEVA in July 2007. 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, Skrill Holdings Ltd, a provider of online payment systems and e2v technologies plc, an LSE listed manufacturer of specialised components and sub systems. He is also Chairman of Picochip Inc., a venture capital-backed company developing wireless processors. Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc.



Philip Dayer (appointed 7 January 2008)
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 & Gas company, on their flotation in 2006. Philip is a Non-Executive Director of Hurricane Exploration plc, The Parkmead Group plc, JSC Kazmunaigas Exploration Production and Navigators Underwriting Agency Limited, Senior Independent Director of Cadogan plc and Chairman of IP PLUS plc.



Hervé Couturier (appointed 1 April 2010)
Non-Executive Director

Hervé Couturier joined the AVEVA Board in April 2010. Since 2008 he has been Executive Vice President of SAP AG's Technology Group and Head of Research. He also serves as a board member for SimCorp A/S, a public Danish software company, and has held management positions at a number of IT companies including Business Objects, the worldwide leader of business intelligence solutions, now part of SAP S1 Corporation, a provider of software for financial and payment services, and XRT, a leading European treasury management software company, now part of the Sage Group PLC. Hervé holds both an engineering degree and a Master of Science degree from the École Centrale Paris in France. He began his career at IBM in 1982, where he held various engineering and business positions through until 1997.

Corporate Governance

Company information and advisers

Directors

Nick Prest CBE

Chairman

Philip Dayer

Non-Executive Director and
Senior Independent Director

Jonathan Brooks

Non-Executive Director

Hervé Couturier

Non-Executive Director

Richard Longdon

Chief Executive

James Kidd

Chief Financial Officer

Secretary

Helen Barrett-Hague

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

Ashurst LLP

Broadwalk House
5 Appold Street
London EC2A 2HA

Mills & Reeve LLP

Francis House
112 Hills Road
Cambridge CB2 1PH

Joint stockbrokers

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB

Numis Securities Limited

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars

Capita Registrars Limited

The Registry
34 Beckenham Road
Beckenham BR3 4TU

Financial PR

Hudson Sandler

29 Cloth Fair
London EC1A 7NN

Corporate Governance

Other statutory information

Principal activities

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

Results and dividends

The Group made a profit for the year after taxation of £34.5 million (2010 – £33.4 million). Revenue was £174.0 million (2010 – £148.3 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 14.89 pence per ordinary share (2010 – 13.9 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 29 July 2011 to shareholders on the register at close of business on 24 June 2011.

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 Chief Financial Officer's review.

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, recurring revenue, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2011 are set out in the Chief Financial Officer's review on pages 18 to 23, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group is included on pages 24 and 25.

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 (2010 – £nil). At 31 March 2011, the Group had an average of 18 days' purchases owed to trade creditors (2010 – 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 and has a comprehensive programme to protect it.

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 25 to the Consolidated financial statements.

Going concern

The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2011 the Group had bank and cash and treasury deposit balances of £153.2 million (2010 – £149.7 million) and no debt. As a result, the Directors believe that the Group is well placed to manage business risks successfully.

Therefore after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue 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)

Philip Dayer (Non-Executive Director and Senior Independent Director)

Jonathan Brooks (Non-Executive Director)

Hervé Couturier (Non-Executive Director, appointed 1 April 2010)

Richard Longdon (Chief Executive)

James Kidd (Chief Financial Officer, appointed 1 January 2011)

Paul Taylor (Finance Director, resigned 1 January 2011)

David Mann (Non-Executive Director, retired 7 July 2010)

Corporate Governance

Other statutory information continued

Directors and their interests continued

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2011 in respect of transactions notifiable under Disclosure and Transparency Rule 3.1.2 that have been disclosed to the Company are as follows:

| | At 31 March 2011 ordinary shares | At 31 March 2010 or subsequent date of appointment ordinary shares |
|-----------------|---|---|
| Nick Prest | 16,690 | 16,690 |
| Philip Dayer | 7,000 | 7,000 |
| Jonathan Brooks | — | — |
| Hervé Couturier | — | — |
| Richard Longdon | 378,024 | 364,970 |
| James Kidd | 3,226 | 3,226 |

No changes took place in the interests of Directors in the shares of the Company between 31 March 2011 and 25 May 2011.

Directors' share options are disclosed in the Directors' remuneration report on pages 42 to 47.

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 election of James Kidd and the re-election of all other current Directors. Brief biographical details of all Directors, including those who are proposed for re-election, appear on pages 30 and 31.

Conflict of interest

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

Share capital

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

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

There are no restrictions on 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 Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares. There are no special control rights in relation to the Company's shares; pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares.

Voting rights

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

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

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

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

Dividends, distributions and liquidation

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

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

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

Change of control

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

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

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

Substantial shareholdings

On 25 May 2011, 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 % |
|--|-----------|-------------------|
| Black Rock Investment Management Capital Group | 8,596,784 | 12.65 |
| Standard Life Investments | 4,007,745 | 5.90 |
| NewSmith Capital Partners | 2,803,684 | 4.12 |
| Legal and General Investment Management | 2,620,809 | 3.86 |
| William Blair LLC | 2,446,053 | 3.60 |
| | 2,434,281 | 3.58 |

Articles of Association

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

Powers of the Directors

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

Appointment of Directors

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

The Company's Articles of Association require that at each Annual General Meeting of the Company one third of the Directors shall retire from office and be subject to re-election by members. However, the Company intends for all Directors who held office at 31 March 2011 to stand for re-election together with James Kidd, being the first Annual General Meeting since his appointment. This practice established by the Company in 2010 is compliant with the new UK Corporate Governance Code which requires all directors of companies who form part of the FTSE 350 be subject to re-election at each Annual General Meeting.

Charitable and political donations

During the year the Group made charitable donations totalling £49,618 (2010 – £35,590) of which £10,000 was paid to Macmillan Cancer Support, £15,000 to The Outward Bound Trust and £10,000 to the Japanese Tsunami appeal. The remainder was donated to local and national charities.

No political donations were made in the year (2010 – £nil).

Annual General Meeting

The Annual General Meeting will be held on 7 July 2011 at The Trinity Centre, 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN. The Notice of the Annual General Meeting is being sent to shareholders along with this Annual report which contains details of the resolutions proposed.

Employee benefit trust

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. The Trust holds a total of 127,947 ordinary shares in AVEVA Group plc representing 0.18% 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, and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

Corporate Governance

Other statutory information continued

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' indemnity

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

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.

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 32. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

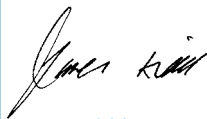
- ▶ so far as he is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
- ▶ he has taken all the steps he ought to have taken as a Director in order to make himself aware of any such relevant audit information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

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 32) 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 applicable 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 and Business review include a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board



James Kidd
Chief Financial Officer
25 May 2011



Richard Longdon
Chief Executive

High Cross
Madingley Road
Cambridge CB3 0HB

Corporate Governance

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 provided by the Financial Reporting Council (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 and to the date of this report except for the following:

- ▶ A.7.2 – One Non-Executive Director (David Mann) who served until his retirement at the last Annual General Meeting (July 2010) did not have a contract of employment for a specific term due to his appointment being prior to the issue of the 2003 Combined Code. Following David Mann's retirement, the Company has been in compliance with the principle of all Non-Executive Directors holding contracts of employment for a specific term.

The Company has applied the 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 42.

The Company is aware of the terms of the UK Corporate Governance Code published in May 2010 which will apply for the first time to the Company from 1 April 2011 and is taking appropriate steps to ensure compliance with that code.

Composition of the Board

During the year the Board comprised the Chairman, three Non-Executive Directors (including the Senior Independent Director) and two Executive Directors (being the Chief Executive and Chief Financial Officer).

In April 2010, the Company announced the appointment of Hervé Couturier as a Non-Executive Director. Further details of the process for the appointment of Mr Couturier are contained in the Nominations Committee report. In addition, in April 2010, it was announced that following eleven years of service to the Group, David Mann was to retire as Non-Executive Director and Senior Independent Director at the Annual General Meeting in July 2010.

In November 2010, the Company announced that after twenty one years with AVEVA, and the last ten years serving as Group Finance Director, Paul Taylor had decided to step down from the Board with effect from 1 January 2011. Paul was replaced on the Board by James Kidd whose appointment as Chief Financial Officer was announced in November 2010 and became effective 1 January 2011. James Kidd has been an employee of the Company since 2004, has held several senior roles and has been Head of Finance since 2006.

Brief biographical details of all Board members are set out on pages 30 and 31. The membership of all Board Committees is set out below:

| | | Board | Audit | Remuneration | Nominations | Treasury Risk Management |
|------------------------------|---|----------|----------|--------------|-------------|--------------------------|
| Nick Prest | Chairman | Chairman | — | Member | Chairman | — |
| Philip Dayer | Senior Independent Non-Executive Director | Member | Member | Chairman | Member | Chairman |
| David Mann ¹ | Independent Non-Executive Director | Member | — | — | — | — |
| Jonathan Brooks | Independent Non-Executive Director | Member | Chairman | Member | Member | Member |
| Hervé Couturier ² | Independent Non-Executive Director | Member | Member | — | — | — |
| Richard Longdon | Chief Executive | Member | — | — | — | — |
| James Kidd ³ | Chief Financial Officer | Member | — | — | — | Member |

1 Retired from the Board on 7 July 2010. In the period prior to his retirement David Mann was the Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit Committee.

2 Appointed to the Board on 1 April 2010.

3 Appointed to the Board on 1 January 2011. Prior to James Kidd's appointment Paul Taylor served as Group Finance Director and was also a member of the Treasury Risk Management Committee. Paul Taylor resigned from the Board on 1 January 2011.

Operation of the Board

The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Limited, the main operating company in the Group which owns all of the Group's trading subsidiaries. The AVEVA Solutions Limited Board 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 AVEVA Group Board is well informed on technical and market factors driving the Group's performance as well as on financial outcomes.

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 include:

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

Corporate Governance

Corporate Governance statement continued

Operation of the Board continued

The Board met nine times during the year. The Board delegates the day to day responsibility for managing the Group to the Executive Directors. The Chairman ensures that the Board functions effectively, overseeing the timely and effective provision of information to the Board. 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, Remuneration, Nominations and Treasury Risk Management Committees 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 | Audit Committee meetings | Remuneration Committee meetings | Nominations Committee meetings | Treasury Risk Management Committee meetings |
|---------------------------------------|----------------|--------------------------|---------------------------------|--------------------------------|---|
| Number of meetings held: | 9 | 3 | 3 | 1 | 2 |
| Number of meetings attended: | | | | | |
| Nick Prest | 9 | — | 3 | 1 | — |
| David Mann (retired 7 July 2010) | 2 | 1 | 1 | — | — |
| Jonathan Brooks | 9 | 3 | 2 | 1 | 2 |
| Philip Dayer | 9 | 3 | 2 | 1 | 2 |
| Hervé Couturier | 4 | 1 | — | — | — |
| Richard Longdon | 9 | — | — | — | — |
| Paul Taylor (resigned 1 January 2011) | 7 | — | — | — | 2 |
| James Kidd (appointed 1 January 2011) | 2 | — | — | — | — |

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

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

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

Performance evaluation

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 evaluation is designed to determine whether the Board continues to be capable of providing the high level judgement required and whether, as a Board, The Directors are informed and up to date with the business and its goals and understand the context within which it operates. The evaluation in 2011 was conducted by the Chairman who concluded that it was working satisfactorily.

As part of the Board review process the performance of the Chairman was assessed by the Senior Independent Director following consultation with the other Non-Executive Directors.

The Company is aware that the terms of the UK Corporate Governance Code, which will apply to the Company for the first time from 1 April 2011, state that the evaluation of the Board for a company that is a member of the FTSE 350 should be externally facilitated at least every three years. The Company is considering the most effective way in which to implement this principle and the most appropriate timing for first involving external facilitation.

Indemnities to Directors

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

Policy on appointment and re-appointment

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. Following his appointment in January 2011, James Kidd is subject to election at the forthcoming Annual General Meeting. In addition, as in the prior year and in accordance with Corporate Governance best practice, all of the remaining Board members are offering themselves for re-election at the Annual General Meeting.

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

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

Operation of the Board continued

Independence of Non-Executive Directors and segregation of duties

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 30 and 31 demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

Hervé Couturier was appointed to the Board in April 2010. After a formal review, the Board concluded that Mr Couturier is independent in character and judgement.

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

Committees of the Board

The Board has four Committees: Audit, Remuneration, Nominations and Treasury Risk Management. 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

Committee Chairman: Nick Prest
 Committee Members: Jonathan Brooks
 Philip Dayer

The Nominations Committee was formed in April 2009. The Chief Executive is invited to attend meetings as appropriate to the business being considered. The activities of the Nominations Committee include 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. The Nominations Committee meets periodically when required. In addition to the meetings there are a number of ad-hoc meetings to address specific matters.

On 1 April 2010, Hervé Couturier was appointed to the Board. External search consultants were engaged by the Nominations Committee to assist in the identification of appropriate candidates having considered the requisite skills, knowledge and experience required for the position. All short listed candidates were interviewed and as a result Mr Couturier was selected and his appointment was then recommended to and approved by the Board.

During the year, Paul Taylor indicated to the Board of his intention to step down as Finance Director. The Board again appointed an external executive search firm to assist with the selection of appropriate candidates having considered the requisite skills, knowledge and experience required for the position. The shortlisted individuals who included both external and internal candidates were interviewed by the Chairman of the Nominations Committee, the Chair of the Audit Committee and the Chief Executive. As a result, the Nominations Committee recommended the appointment of James Kidd as Chief Financial Officer to the Board with effect from 1 January 2011.

Remuneration Committee

Committee Chairman: Philip Dayer
 Committee Members: Nick Prest
 Jonathan Brooks

The Remuneration Committee makes recommendations to the Board on the Group's policy for Executive and senior management 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. During the year the Committee asked Deloitte LLP for advice on the structure and comparability of Non-Executive, Executive and senior management remuneration. The Directors' remuneration report sets out in more detail the Remuneration Committee's policies and practices on Executive remuneration.

Audit Committee

Committee Chairman: Jonathan Brooks
 Committee Members: Philip Dayer
 Hervé Couturier

The Chairman of the Committee 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. Hervé Couturier joined the Audit Committee from the date of the last Annual General Meeting (7 July 2010) being the date that David Mann retired. The Committee invites the Chief Financial Officer and senior representatives from the auditors to attend meetings as appropriate to the business being considered. The Committee also meet with the auditors without any members of the executive management team being present. Subsequent to the year end, an Audit Committee meeting was held to review the results of the audit, which was attended by all members.

Corporate Governance

Corporate Governance statement continued

Committees of the Board continued

Audit Committee continued

The Audit Committee met three times 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 members (as part of the full Board) review all proposed announcements to be made by the Group to the extent that they contain financial information. The Audit Committee considers the effectiveness of financial reporting and internal controls, compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency 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 this 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. The Audit Committee monitors fees paid to the auditors for non-audit work and delegates the authority for approval of such work to the Chief Financial Officer where the level of fees involved are insignificant. During the year there was limited non-audit work performed by the auditors which mainly consisted of tax compliance work for subsidiaries of the Group and other statutory filing work. Any significant non-audit work such as reporting accountant engagements would require prior approval from the Audit Committee.

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. 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.

An analysis of non-audit fees is provided in note 7 to the financial statements.

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, do not consider one necessary at this point but will continue to monitor this annually.

Treasury Risk Management Committee (TRMC)

Committee Chairman: Philip Dayer

Committee Members: Jonathan Brooks
James Kidd

The TRMC was formed in April 2009 to oversee the Group's treasury function given the increasing importance of managing the Group's treasury activities and associated risks. In addition to the above members, the Head of Corporate Reporting and Group Treasurer are also invited to attend the meetings. The TRMC reviews the Group's overall financial risk management including:

- ▶ foreign exchange risk and related hedging policy;
- ▶ credit risk which includes monitoring the Group's counter-party exposure to banks; and
- ▶ liquidity risk which includes reviewing the cash management structure in the Group.

The policies of the Group in relation to these areas are explained in note 25 to the financial statements.

During the year the TRMC met twice to discuss the above matters and provided a report to the Board after each meeting. Paul Taylor was a member of the Committee prior to his resignation effective 1 January 2011. Following Paul Taylor's resignation, James Kidd has been appointed as a member of the TRMC but the committee did not meet between the date of his appointment and the year end date.

Dialogue with institutional shareholders

Communication with shareholders is given high priority by the Board. The Chief Executive and the Chief Financial Officer 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. Senior managers from Product Development, Business Strategy and Finance also attended analyst and shareholder meetings during the year. All of these meetings seek to build a mutual understanding of objectives with major shareholders by discussing long-term strategy and obtaining feedback. The Board also receives formal feedback from analysts and institutional shareholders through the Company's public relations adviser and financial adviser. The Board is also appraised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views. The Senior Independent Non-Executive Director, Philip Dayer, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Chief Financial Officer has failed to resolve or if such contact would be inappropriate. The Chairman, Senior Independent and Non-Executive Directors are available for dialogue with shareholders at any time and attend (together with the other members of the Board) the Annual General Meeting, but are not routinely involved in investor relations or shareholder communications. Corporate information is also available on the Company's website, www.aveva.com.

Constructive use of the Annual General Meeting

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

Share capital structure

Further information on the share capital structure of the Company is contained on pages 34 and 35.

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 system of internal controls currently include:

- ▶ an Executive Board comprising the Executive Directors, Group Operations Director, Group Product Development Director, and Head of Group 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, Group Operations Director, Group Product Development Director, Head of Group Human Resources and Sales Division 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, IT application controls, organisation structure, Group policies, segregation of duties and reviews by management;
- ▶ an annual budget process which is reviewed, monitored and approved by the Board;
- ▶ regular meetings between the Executive Board, Sales Division 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 periodically carries out visits to the Group's subsidiaries and receives presentations on their operations.

The Board has also performed a specific assessment for the purpose of this Annual report. This involved reviewing the reports from a risk assessment workshop involving the Executive Board and senior members of management from Product Development, Sales and Finance/Legal. The workshop was conducted in January 2011 and was facilitated by a third party. This assessment considered all significant aspects of internal control necessary for the Company to successfully carry out the key business strategies of the Group. The Audit Committee assists the Board in discharging its review responsibilities.

Corporate Governance

Directors' remuneration report

This report has been prepared in accordance with Schedule 5 and 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the relevant requirements of the Listing Rules of the Financial Services Authority and the Combined Code on Corporate Governance (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 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 Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Role of the Remuneration Committee

The Board sets the remuneration policy for the Group. The Remuneration Committee makes recommendations to the Board within its agreed terms of reference, details of which are available at www.aveva.com.

The Remuneration Committee's principal responsibility is to determine the remuneration package of both the Company's Executive Directors and its senior management within broad policies agreed with the Board. When reviewing and setting remuneration policy the Committee considered a range of factors including the prevailing economic environment and the evolving landscape in best practice guidelines to ensure that it remains appropriate. In addition, it reviews the remuneration policy for the Company as a whole and administers the Company's share incentive plans for all participants. The remuneration of the Non-Executive Directors is determined by the Executive Directors and the Chairman, rather than the Committee.

The conclusions and recommendations of the Remuneration Committee were finalised in three 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 Philip Dayer (Chairman), Nick Prest and Jonathan Brooks. David Mann was the Chairman of the Committee for the one meeting that was held prior to his retirement from the Board in July 2010.

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, which was collated by independent remuneration consultants as well as the reviews of remuneration for employees of the Group generally. The Chief Executive was not present at the meetings.

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 deliver short and long term goals. The Company's policy is that a substantial proportion of remuneration of Executive Directors should be performance-related and should be delivered in shares to create alignment with shareholders interests. For maximum levels of performance 69% of the CEO's and 67% of the CFO's total remuneration would be performance related.

The payment of bonuses and the vesting of share incentives are subject to meeting performance conditions established by the Committee at the beginning of each performance period reflecting what, at that time, the Committee considers demanding targets. These targets are set taking account of the market in which the Group operates and the expectations of the investment community on the Group's future potential performance.

In 2008 the Board introduced the AVEVA Group Management Bonus Deferred Share Scheme 2008 (the Deferred Share Scheme) for Executive Directors and selected employees. The Committee considers that it is appropriate to have a deferred component to the bonus scheme in order to retain key individuals and to create enhanced alignment with shareholders. 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.

The Remuneration Committee has access to detailed external research from independent consultants. During the year, the Committee, supported by Deloitte LLP, undertook a comprehensive review of executive remuneration arrangements. This review considered whether the Group's current remuneration arrangements are aligned with the future business strategy and the long-term creation of shareholder value, as well as considering whether pay levels were fair and appropriate for a company of the size and complexity of AVEVA.

The Committee concluded that the overall structure of remuneration arrangements remains appropriate and effectively incentivises executives to deliver on-going earnings growth as well as incentivising them to build a strong foundation for the AVEVA NET business. The successful delivery of the AVEVA NET strategy is considered to be crucial to the building of long-term shareholder value and therefore it is intended to continue to incentivise the delivery of this through the executive incentive arrangements.

Outside appointments

The Board believes that accepting non-executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case by case basis. Paul Taylor serves as a Non-Executive Director of Anite plc. His annual fee was £37,000. As Mr Taylor performed these services independently of his duties to the Company, he was thus entitled to receive such compensation. Paul Taylor resigned from the Board on 1 January 2011.

The individual components of the remuneration packages offered are:

Basic salaries

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.

UNAUDITED INFORMATION continued

Remuneration policy continued

Basic salaries continued

In 2010/11, the Remuneration Committee, having duly considered the results of the benchmark review conducted by Deloitte LLP, concluded that given the experience and tenure of the Chief Executive and his strategic importance to the business, the remuneration opportunity for the Group Chief Executive was significantly behind market practice compared to other companies of a similar size and complexity. In light of this the Committee feel that it is reasonable and appropriate to bring his pay more in line with the market. The Committee is, therefore, intending to increase his basic salary to £390,000. The Committee plans to make this increase in two phases to avoid a significant one off increase. His salary, therefore, will be increased from £335,000 to £365,000 with effect from 1 April 2011 (an 8.9% increase) and then, subject to continued performance, to £390,000 (a 6.8% increase) to be effective from 1 April 2012.

In keeping with a general review of salaries for the Group as a whole, the Chief Financial Officer received a salary increase of 3% in line with the average increase across the Group.

Details of the current salaries with effect from 1 April 2011 are as follows:

| | £ |
|-----------------|---------|
| Richard Longdon | 365,000 |
| James Kidd | 175,100 |

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.

Bonus payments

The Executive Directors participate in annual performance-related bonus arrangements determined by the Committee. As noted above, these arrangements include a component using the Deferred Share Scheme. Under these incentive arrangements, depending on the extent to which performance conditions are achieved, an overall bonus amount is determined. 60% of this overall bonus amount is payable in cash, and the balance, 40%, 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 financial year in which the bonus was earned.

Deferred awards, which take the form of nil-cost options, will normally deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted. 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 financial 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.

2010/11 bonus

For the annual performance bonus arrangements for 2010/11, the bonus was primarily based on achieving stretching Group adjusted profit before tax (PBT) targets. In addition, 10% of the bonus was based on performance against strategic objectives for AVEVA NET. The agreed targets were considered to be appropriate and stretching against the budgeted profit for 2010/11 and market conditions prevailing at that time. 10% of the bonus is based on achievement for the six months to 30 September and 90% based on the full year results. For 2010/11, the maximum bonus amount which an Executive Director could earn was 100% of basic salary. Performance targets were achieved in full, with the Group delivering 7.9% adjusted PBT growth and with continued strong performance in building a strong foundation for the AVEVA NET business resulting in a cash bonus equal to 60% (2010 – 60%) of basic salary with the remaining 40% (2010 – 40%) of the bonus amount being used to calculate the number of deferred shares for which each Executive Director was eligible. The Committee considered that this level of payout is appropriate both in the context of performance against targets as well as the underlying performance of the business in what continues to be challenging economic conditions. Paul Taylor's entitlement to a bonus payment in respect of the year 2010/11 was pro-rated in line with the date of his resignation from the Board and 100% of the bonus will be settled in cash.

2011/12 bonus

Given the importance of AVEVA NET to the long-term creation of shareholder value it was agreed that the 2011/12 bonus annual bonus will be based on a combination of the delivery of stretching Group adjusted profit before tax growth performance and the growth in AVEVA NET revenues. In addition, 10% of bonus payments to Executive Directors will be contingent on the achievement of personal objectives which are required to be agreed in advance on an individual basis by the Remuneration Committee. These individual objectives are linked to the delivery of the business strategy.

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.

Corporate Governance

Directors' remuneration report continued

UNAUDITED INFORMATION continued

Remuneration policy continued

Pensions continued

Richard Longdon has now accrued the maximum benefits that he is entitled to under the rules of the pension scheme and as a result he is no longer accruing any further benefit. In 2009/10, Richard Longdon was paid a one-off sum of £25,000 in lieu of any further pension benefit.

James Kidd is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme) and each year the Company contributes 10% of salary to the plan.

No other Directors were members of a pension scheme during the year (2010 – 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 comparable companies. The Remuneration Committee will consult with major shareholders as appropriate. The Company's share schemes have 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 Management Bonus Deferred Share Scheme 2008, 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:

Long Term Incentive Plan (LTIP)

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 (3.33 pence); these options will be exercisable only if stretching performance criteria are met. There are no rules under the LTIP scheme which govern the maximum awards that can be made to participants. However in 2010/11 the market value of awards under the LTIP awarded to Richard Longdon and Paul Taylor amounted to 100% and 80% of basic salary respectively (2010 – 50%). As noted above, during the year the Committee reviewed the level of remuneration arrangements to ensure that they remain appropriate compared to companies of a similar size. This review concluded that the CEO's total remuneration was behind that of similar sized companies, particularly in the context of the length of his tenure and performance during this time. The Committee, therefore, intends to increase the maximum LTIP grant from 100% to 120% of base salary for 2011/12. The Committee believes that the increased LTIP opportunity will not only further align the Group CEO's personal reward with the future performance of the Company and shareholder value creation, but will also act as a strong retention tool for such a valuable member of the management team. The LTIP award for James Kidd the CFO will be set at 100% of base salary.

The Committee continues to believe that Earnings Per Share growth is an appropriate performance measure for awards under the LTIP, as growing earnings is strongly aligned with our long-term business strategy and the creation of shareholder value.

In determining each of the awards under the LTIP, the Remuneration Committee considered and concluded that the performance conditions set were challenging in the context of internal and external expectations at the time of the awards. Details of the outstanding awards under the LTIP are as follows:

2007/08 awards

In 2007/08, a total of 18,234 nominal value share options were conditionally awarded to the Executive Directors under the LTIP. The performance conditions were based on average growth in EPS over the years from 2007/08 to 2009/10. If average EPS growth was greater than 11.5% per annum then all of the shares would vest. If average EPS was less than 9% per annum then none of the shares would vest. If average EPS growth was between 9% and 11.5% per annum then the number of shares that would vest would be determined by linear interpolation. Performance against these targets was tested during the year and awards vested in full.

2008/09 awards

In 2008/09, a total of 17,929 nominal value share options were conditionally awarded to the Executive Directors under the LTIP. The performance conditions are based on average growth in EPS over the years from 2009/10 to 2010/11. If average EPS growth is greater than 14% per annum then all of the shares shall vest. If average EPS is less than 10% per annum then none of the shares shall vest. If average EPS growth is between 10% and 14% per annum then the number of shares that shall vest shall be determined by linear interpolation. Although the vesting date has not yet been reached, it is anticipated that the performance conditions attached to this award will not be met and therefore these awards shall lapse.

2009/10 awards

In 2009/10, a total of 36,628 nominal value share options were conditionally awarded to the Executive Directors under the LTIP. In view of the general economic background, the Remuneration Committee gave especially careful consideration to what performance conditions would be appropriate and finally agreed that they should be based on average diluted EPS over the three years from 2009/10 to 2011/12. All shares under this option shall vest if average diluted EPS for the three years ending 31 March 2012 is equal to or above 52.14 pence. Should average diluted EPS for the period be below 52.14 pence, then no shares will vest and the option will lapse.

2010/11 awards

In 2010/11, a total of 37,961 nominal value share options were awarded to Executive Directors under the LTIP. The performance conditions are based on average EPS growth over the three years from 2010/11 to 2012/13. If average diluted EPS growth is more than 12% above RPI for the same period then all of the shares under this option will vest. If average diluted EPS growth is less than 4% above RPI then none of the shares will vest. If average EPS growth is between 4% and 12% per annum then the number of shares that shall vest shall be determined by linear interpolation.

UNAUDITED INFORMATION continued

Remuneration policy continued

Share awards continued

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. In order to deliver shares under the Deferred Share Scheme, an Employee Benefit Trust (EBT) was established following shareholder approval at the 2008 Annual General Meeting. Awards of deferred shares are made by the trustee of EBT using shares purchased in the market.

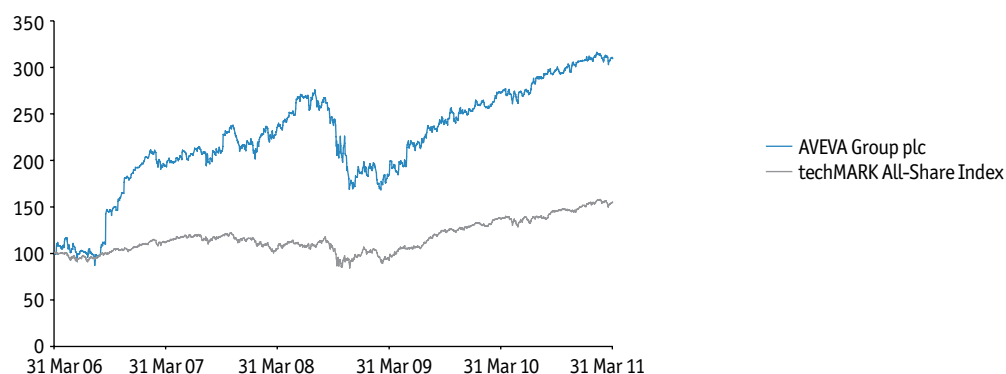
On 15 June 2010 the EBT awarded 12,471 and 8,046 deferred shares to Richard Longdon and Paul Taylor respectively in respect of the bonus arrangements for the year ended 31 March 2010.

Following the achievement of the objectives for 2010/11, it is anticipated that 8,536 and 1,082 deferred shares will be awarded to Richard Longdon and James Kidd respectively in respect of the bonus arrangements for the year ended 31 March 2011.

Total shareholder return performance graph

The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 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 2006–2011



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 of current contract | Notice period Months |
|-----------------|------------------|---------------------|--|-------------------------|
| Nick Prest | 10 January 2006 | 11 January 2006 | 11 January 2012 | 3 |
| Philip Dayer | 2 January 2011 | 7 January 2008 | 2 January 2014 | 3 |
| Jonathan Brooks | 12 July 2010 | 12 July 2007 | 12 July 2013 | 3 |
| Hervé Couturier | 18 March 2010 | 1 April 2010 | 1 April 2013 | 3 |
| Richard Longdon | 28 November 1996 | 28 November 1996 | Rolling | 12 |
| James Kidd | 1 January 2011 | 1 January 2011 | 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.

Non-Executive Director fees

Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities; time devoted to the role and prevalent market rates. The fees for the Non-Executive Directors have been reviewed during the year and were brought in line with comparable companies. Non-executive fee policy was therefore increased to a basis fee of £39,000 with an additional fee of £5,000 for chairmanship of the Remuneration and Audit Committees. The Chairman of the Company receives an all inclusive fee of £110,000. Total fees for Non-Executive Directors are summarised below:

| | £ |
|--|---------|
| Nick Prest (Chairman) | 110,000 |
| Jonathan Brooks (Chair of the Audit Committee) | 44,000 |
| Philip Dayer (Chair of the Remuneration Committee) | 44,000 |
| Hervé Couturier | 39,000 |

Corporate Governance

Directors' remuneration report continued

AUDITED INFORMATION

Directors' remuneration

The total amounts for Directors' emoluments and other benefits received, but excluding pensions and the value of options granted to acquire ordinary shares in the Company granted were as follows:

| | Basic salary £000 | Fees £000 | Cash bonus ¹ £000 | Benefits in kind £000 | 2011 Total £000 | 2010 Total £000 |
|--------------------------|----------------------|--------------|---------------------------------|-----------------------------|-----------------------|-----------------------|
| Nick Prest | — | 110 | — | — | 110 | 85 |
| David Mann | — | 13 | — | — | 13 | 33 |
| Jonathan Brooks | — | 44 | — | — | 44 | 35 |
| Philip Dayer | — | 44 | — | — | 44 | 30 |
| Hervé Couturier | — | 39 | — | — | 39 | — |
| Richard Longdon | 335 | — | 201 | 25 | 561 | 568 |
| Paul Taylor ² | 162 | — | 162 | 13 | 337 | 353 |
| James Kidd ² | 42 | — | 26 | 4 | 72 | — |
| Aggregate emoluments | 539 | 250 | 389 | 42 | 1,220 | 1,104 |

- In addition to the cash bonus award noted above, it is anticipated that Richard Longdon and James Kidd will be awarded 8,536 and 1,082 deferred shares respectively (2010 – 12,471 deferred shares were awarded to Richard Longdon and 8,046 were awarded to Paul Taylor) under the Deferred Share Scheme. The estimated monetary value of these awards was £134,106 (2010 – £130,000) for Richard Longdon and £17,000 (2010 – nil) for James Kidd.
- The remuneration shown in the table above includes the remuneration for the period during which Paul Taylor and James Kidd were Directors of the Company. Following his resignation from the Board effective 1 January 2011 and for the period to 31 March 2011, Paul Taylor remained an employee of the Company and in addition received salary of £27,000 and benefits in kind of £2,000.

Share options

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

| Scheme | As at 1 April 2010 ¹ Number | Granted Number | Exercised Number | As at 31 March 2011 ² Number | Gain on exercise £ | Exercise price Pence | Earliest date of exercise | Date of expiry |
|------------------------------|---|-------------------|---------------------|--|--------------------------|----------------------------|---------------------------------|-------------------|
| Richard Longdon | | | | | | | | |
| LTIP | 11,083 | — | (11,083) | — | 89,994 | 3.33 | 02.07.10 | 02.07.14 |
| LTIP | 10,891 | — | — | 10,891 | — | 3.33 | 07.07.11 | 07.07.15 |
| LTIP | 22,264 | — | — | 22,264 | — | 3.33 | 07.07.12 | 07.07.16 |
| LTIP | — | 25,038 | — | 25,038 | — | 3.33 | 26.07.13 | 26.07.17 |
| Deferred Share Scheme (2008) | 12,282 | — | (8,188) | 4,094 | 93,753 | 0.00 | 26.05.09 | Note 3 |
| Deferred Share Scheme (2009) | 22,487 | — | (7,496) | 14,991 | 85,829 | 0.00 | 26.05.10 | Note 3 |
| Deferred Share Scheme (2010) | — | 12,471 | — | 12,471 | — | 0.00 | 26.05.11 | Note 3 |
| Paul Taylor | | | | | | | | |
| LTIP | 7,151 | — | (7,151) | — | 81,641 | 3.33 | 02.07.10 | 02.07.14 |
| LTIP | 7,038 | — | — | 7,038 | — | 3.33 | 07.07.11 | 07.07.15 |
| LTIP | 14,364 | — | — | 14,364 | — | 3.33 | 07.07.12 | 07.07.16 |
| LTIP | — | 12,923 | — | 12,923 | — | 3.33 | 26.07.13 | 26.07.17 |
| Deferred Share Scheme (2008) | 7,923 | — | (5,282) | 2,641 | 60,479 | 0.00 | 26.05.09 | Note 3 |
| Deferred Share Scheme (2009) | 14,508 | — | (4,836) | 9,672 | 55,372 | 0.00 | 26.05.10 | Note 3 |
| Deferred Share Scheme (2010) | — | 8,046 | — | 8,046 | — | 0.00 | 26.05.11 | Note 3 |
| James Kidd | | | | | | | | |
| LTIP | 2,101 | — | — | 2,101 | — | 3.33 | 07.07.11 | 07.07.15 |
| LTIP | 4,289 | — | — | 4,289 | — | 3.33 | 07.07.12 | 07.07.16 |
| LTIP | 2,435 | — | — | 2,435 | — | 3.33 | 26.07.13 | 26.07.17 |
| Deferred Share Scheme (2009) | 886 | — | — | 886 | — | 0.00 | 26.05.10 | Note 3 |
| Deferred Share Scheme (2010) | 737 | — | — | 737 | — | 0.00 | 26.05.11 | Note 3 |

1 Or date of appointment for James Kidd, being 1 January 2011.

2 Or date of resignation from the Board for Paul Taylor, being 1 January 2011.

3 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.

AUDITED INFORMATION continued

Share options continued

The market price as at 31 March 2011 was £16.15 (31 March 2010 – £11.85) with a high-low spread for the year of £10.44 to £17.39.

During the year Richard Longdon and Paul Taylor exercised options over 11,083 and 7,151 ordinary shares under the LTIP respectively at an exercise price of £0.03 and in addition they exercised 15,684 and 10,118 respectively at an exercise price of £nil under the Deferred Share Scheme. The market price on the date of exercise was £11.45 which resulted in an aggregate gain on exercise of £269,576 for Richard Longdon and £197,492 for Paul Taylor. Richard Longdon retained 13,054 and Paul Taylor 8,421 of the shares over which options were exercised.

At 31 March 2011, Richard Longdon owned 378,024 ordinary shares (2010 – 364,970 ordinary shares) and options over 89,749 ordinary shares (2010 – 79,007 options). James Kidd owned 3,226 ordinary shares and options over 10,448 ordinary shares.

Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant. Details of the performance conditions of share option awards are set out on pages 44 and 45.

Pensions

Richard Longdon and Paul Taylor are both members of the AVEVA Solutions Limited defined benefit pension scheme. Both accrued further benefit under the terms of this Scheme for each year of service, however Richard Longdon had accrued the maximum benefit that he was entitled to during 2009.

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

| | Accumulated accrued pension at 31 March' 2011 £ | Accumulated accrued pension at 31 March 2010 £ | Increase in accrued pension during year £ | Increase in accrued pension during the year, after removing the effects of inflation £ | Transfer value of increase, removing after the effects of inflation, less Directors' contributions £ |
|-----------------|--|---|---|--|---|
| Richard Longdon | 148,912 | 143,964 | 4,948 | — | — |
| Paul Taylor | 57,338 | 54,868 | 2,470 | 2,470 | 17,299 |

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 2011' £ | 31 March 2010 £ | Movement, less Directors' contributions £ |
|-----------------|------------------------|-----------------------|---|
| Richard Longdon | 2,164,521 | 2,097,351 | 67,170 |
| Paul Taylor | 599,042 | 615,644 | (23,548) |

1 Or date of resignation from the Board for Paul Taylor, being 1 January 2011.

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.

In the period since his appointment to the Board, James Kidd received employer contributions of £4,200 into the AVEVA Group Personal Pension Plan.

By order of the Board



Helen Barrett-Hague
Company Secretary
25 May 2011

High Cross
Madingley Road
Cambridge CB3 0HB

Financial statements

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 2006 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.

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 are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially 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.

Financial statements

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 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 48, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- ▶ give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- ▶ the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- ▶ certain disclosures of Directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- ▶ the Directors' statement, set out on page 33, in relation to going concern; and
- ▶ the part of the Corporate Governance Statement on pages 37 to 41 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- ▶ certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2011 and on the information in the Directors' remuneration report that is described as having been audited.



Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
25 May 2011

Financial statements

Consolidated income statement for the year ended 31 March 2011

| | Notes | 2011 £000 | 2010 £000 |
|---|-------|-----------------|--------------|
| Revenue | 5, 6 | 173,988 | 148,334 |
| Cost of sales | | (39,168) | (30,380) |
| Gross profit | | 134,820 | 117,954 |
| Operating expenses | | | |
| Selling and distribution expenses | | (71,707) | (60,027) |
| Administrative expenses | | (13,953) | (8,718) |
| Total operating expenses | | (85,660) | (68,745) |
| Profit from operations | 7 | 49,160 | 49,209 |
| Finance revenue | 9 | 3,584 | 2,861 |
| Finance expense | 10 | (2,949) | (2,496) |
| Analysed as: | | | |
| Adjusted profit before tax | | 54,720 | 50,685 |
| Amortisation of intangibles (excluding other software) | | (2,797) | (1,665) |
| Share-based payments | | (1,541) | (1,184) |
| Gain on fair value of forward foreign exchange contracts | | 948 | 3,610 |
| Exceptional items | 8 | (1,535) | (1,872) |
| Profit before tax | | 49,795 | 49,574 |
| Income tax expense | 12 | (15,303) | (16,134) |
| Profit for the year attributable to equity holders of the parent | | 34,492 | 33,440 |
| Earnings per share (pence) | | | |
| – basic | 14 | 50.85 | 49.36p |
| – diluted | 14 | 50.56 | 49.08p |

All activities relate to continuing activities.

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

Financial statements

Consolidated statement of comprehensive income for the year ended 31 March 2011

| | Notes | 2011 £000 | 2010 £000 |
|---|-------|----------------|--------------|
| Profit for the year | | 34,492 | 33,440 |
| Other comprehensive income | | | |
| Exchange differences arising on translation of foreign operations | | 3,287 | 1,537 |
| Actuarial gain/(loss) on retirement benefit obligations | 27 | 8,218 | (4,907) |
| Tax on items relating to components of other comprehensive income | 12(a) | (2,509) | 1,302 |
| Total comprehensive income for the year attributable to equity holders of the parent | | 43,488 | 31,372 |

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

Financial statements

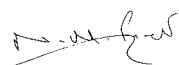
Consolidated balance sheet

31 March 2011

| | Notes | 2011 £000 | 2010 £000 |
|-------------------------------------|-------|----------------|--------------|
| Non-current assets | | | |
| Goodwill | 16 | 27,534 | 18,177 |
| Other intangible assets | 17 | 18,696 | 10,571 |
| Property, plant and equipment | 18 | 7,721 | 7,557 |
| Deferred tax assets | 26 | 3,638 | 5,016 |
| Other receivables | 20 | 767 | 746 |
| | | 58,356 | 42,067 |
| Current assets | | | |
| Trade and other receivables | 20 | 73,089 | 44,084 |
| Current tax assets | | 1,125 | 1,801 |
| Treasury deposits | 21 | 123,002 | 106,555 |
| Cash and cash equivalents | 21 | 30,185 | 43,169 |
| | | 227,401 | 195,609 |
| Total assets | | 285,757 | 237,676 |
| Equity | | | |
| Issued share capital | 29(a) | 2,266 | 2,264 |
| Share premium | | 27,288 | 27,288 |
| Other reserves | | 17,631 | 14,455 |
| Retained earnings | | 155,187 | 125,215 |
| Total equity | | 202,372 | 169,222 |
| Current liabilities | | | |
| Trade and other payables | 22 | 69,467 | 48,869 |
| Financial liabilities | 23 | 85 | 1,033 |
| Current tax liabilities | | 8,005 | 4,044 |
| | | 77,557 | 53,946 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 26 | 2,801 | 1,426 |
| Retirement benefit obligations | 27 | 3,027 | 13,082 |
| | | 5,828 | 14,508 |
| Total equity and liabilities | | 285,757 | 237,676 |

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 25 May 2011. They were signed on its behalf by:



Nick Prest
Chairman



Richard Longdon
Chief Executive

Company number
2937296

Financial statements

Consolidated statement of changes in shareholders' equity 31 March 2011

| | Notes | Share capital £000 | Share premium £000 | Other reserves | | | Retained earnings £000 | Total equity £000 | |
|---|-------|-----------------------|-----------------------|------------------------|--|-------------------------|---------------------------|----------------------|----------------|
| | | | | Merger reserve £000 | Cumulative translation adjustments £000 | Own shares held £000 | | | |
| At 1 April 2009 | | 2,260 | 27,176 | 3,921 | 10,109 | (495) | 13,535 | 100,160 | 143,131 |
| Profit for the year | | — | — | — | — | — | — | 33,440 | 33,440 |
| Other comprehensive income/(expense) | | — | — | — | 1,537 | — | 1,537 | (3,605) | (2,068) |
| Total comprehensive income | | — | — | — | 1,537 | — | 1,537 | 29,835 | 31,372 |
| Issue of share capital | 29(a) | 4 | 112 | — | — | — | — | — | 116 |
| Share-based payments, net of tax | | — | — | — | — | — | — | 1,692 | 1,692 |
| Investment in own shares | | — | — | — | — | (653) | (653) | — | (653) |
| Cost of employee benefit trust shares issued to employees | | — | — | — | — | 36 | 36 | (36) | — |
| Equity dividends | 13 | — | — | — | — | — | — | (6,436) | (6,436) |
| At 31 March 2010 | | 2,264 | 27,288 | 3,921 | 11,646 | (1,112) | 14,455 | 125,215 | 169,222 |
| Profit for the year | | — | — | — | — | — | — | 34,492 | 34,492 |
| Other comprehensive income | | — | — | — | 3,287 | — | 3,287 | 5,709 | 8,996 |
| Total comprehensive income | | — | — | — | 3,287 | — | 3,287 | 40,201 | 43,488 |
| Issue of share capital | 29(a) | 2 | — | — | — | — | — | — | 2 |
| Share-based payments | | — | — | — | — | — | — | 1,541 | 1,541 |
| Tax on share-based payments | | — | — | — | — | — | — | 252 | 252 |
| Investment in own shares | | — | — | — | — | (430) | (430) | — | (430) |
| Cost of employee benefit trust shares issued to employees | | — | — | — | — | 319 | 319 | (319) | — |
| Equity dividends | 13 | — | — | — | — | — | — | (11,703) | (11,703) |
| At 31 March 2011 | | 2,266 | 27,288 | 3,921 | 14,933 | (1,223) | 17,631 | 155,187 | 202,372 |

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

Financial statements

Consolidated cash flow statement for the year ended 31 March 2011

| | Notes | 2011 £000 | 2010 £000 |
|---|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 34,492 | 33,440 |
| Income tax | 12(a) | 15,303 | 16,134 |
| Net finance revenue | 9, 10 | (636) | (365) |
| Amortisation of intangible assets | 17 | 2,890 | 1,749 |
| Depreciation of property, plant and equipment | 18 | 1,893 | 1,948 |
| (Gain)/loss on disposal of property, plant and equipment | 7 | (49) | 38 |
| Share-based payments | 28 | 1,541 | 1,184 |
| Difference between pension contributions paid and amounts recognised in the Consolidated income statement | | (2,321) | (1,389) |
| Changes in working capital: | | | |
| Trade and other receivables | | (27,357) | 9,684 |
| Trade and other payables | | 19,872 | (11,123) |
| Changes to fair value of forward foreign exchange contracts | | (948) | (3,610) |
| Cash generated from operating activities before tax | | 44,680 | 47,690 |
| Income taxes paid | | (13,876) | (22,114) |
| Net cash generated from operating activities | | 30,804 | 25,576 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 18 | (2,087) | (1,479) |
| Purchase of intangible assets | 17 | (527) | (1,305) |
| Acquisition of subsidiaries and business undertakings, net of cash acquired | 15 | (13,390) | — |
| Proceeds from disposal of property, plant and equipment | | 98 | 98 |
| Interest received | 9 | 1,165 | 1,114 |
| Purchase of treasury deposits (net) | 21 | (16,447) | (106,555) |
| Net cash used in investing activities | | (31,188) | (108,127) |
| Cash flows from financing activities | | | |
| Interest paid | 10 | (13) | (17) |
| Purchase of own shares | 29(b) | (430) | (653) |
| Proceeds from the issue of shares | 29(a) | 2 | 116 |
| Dividends paid to equity holders of the parent | 13 | (11,703) | (6,436) |
| Net cash flows used in financing activities | | (12,144) | (6,990) |
| Net decrease in cash and cash equivalents | | (12,528) | (89,541) |
| Net foreign exchange difference | | (456) | 6,546 |
| Opening cash and cash equivalents | 21 | 43,169 | 126,164 |
| Closing cash and cash equivalents | 21 | 30,185 | 43,169 |

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

Financial statements

Notes to the consolidated financial statements

1 Corporate information

AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 32. 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 2011. 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 a non-GAAP performance measure on the face of the Consolidated income statement. The Directors believe that this alternative measure of profit provides a reliable and consistent measure of the Group's underlying performance. The face of the Consolidated income statement presents adjusted profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards. Adjusted earnings per share is calculated having adjusted profit after tax for the same items and their tax effect. The term adjusted profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures of profit.

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 2011. 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 81 to 86.

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 GAAP and IFRSs.

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

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

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

c) Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. The other pronouncements which came into force during the year were not relevant to the Group.

Amendment to IFRS 2 Group Cash-settled Share-based Payment Arrangements

The amendment clarifies the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the Group pays for those goods or services. This amendment did not have a significant impact on the financial position or performance of the Group.

Improvements to IFRS (issued 2009)

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each amendment. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

New standards and interpretations not yet effective

During the year, the IASB and IFRIC have issued the following standards which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

IFRS 9 Financial Instruments – Classification and Measurement

This is the first part of a new standard to replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Published by the IASB in November 2009, this is effective for annual periods beginning on or after 1 January 2013. This standard is not yet endorsed by the European Union.

IAS 24 Related Party Disclosures (Amendment) (effective 1 January 2011)

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is not considered to have an impact on the financial statements of the Group.

Financial statements

Notes to the consolidated financial statements continued

3 Significant accounting estimates

The key assumptions concerning the future and other key sources of judgement and 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) Retirement benefit obligations

The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied are described in note 27 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2011 was £3,027,000 (2010 – £13,082,000).

b) Provision for impairment of receivables

The Group makes provision for the impairment of receivables on a customer specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers and management consider a number of factors including the financial strength of the customers, the level of default that the Group has suffered in the past, the age of the receivable outstanding and the Group's trading experience with that customer. The provision for impairment of receivables at 31 March 2011 was £3,643,000 (2010 – £6,629,000).

4 Summary of significant accounting policies

a) Revenue

The Group generates its revenue principally from licensing the rights to use its software products directly to end users and to a lesser extent indirectly through resellers. Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the ordinary course of business, net of discounts and sales taxes. It comprises of initial licence fees, annual fees and rental licence fees, together with income from consultancy and other related services.

For each revenue stream, revenue is not recognised unless and until:

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

Initial/annual licence agreements

Users are charged an initial licence fee upon installation for a set number of users together with an obligatory annual fee, which is charged every year. Annual fees consist of the right to use and customer support and maintenance, which includes core product upgrades and enhancements and remote support services. Users must continue to pay annual fees in order to maintain the right to use the software.

Initial licence fees are recognised once the above conditions have been met. Annual fees are recognised on a straight-line basis over the period of the contract, which is typically 12 months. If annual fees are charged at a discount, an amount is allocated out of the initial licence fee at fair market value based on the value established when annual fees are charged separately to customers.

Rental licence agreements

As an alternative to the initial licence fee plus annual fee model, the Group also supplies its software under 3 different types of rental licence agreement.

Rental licence fees which are invoiced monthly and which are cancellable by the customer are recognised on a monthly basis.

Other rental licence agreements are invoiced at the start of the contracted period, are non-cancellable and consist of two separate components, the right to use and customer support and maintenance. Revenue in respect of the customer support and maintenance element is valued at fair market value based on the value established when annual fees are charged separately to customer. This component is recognised on a straight-line basis over the period of the contract. The residual amount representing the right to use element is recognised upfront, provided all of the above criteria have been met. Where uncertainty exists and it is not possible to reliably determine the fair value of the customer support and maintenance element, total revenue 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 different software products 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 customer support and maintenance 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.

4 Summary of significant accounting policies continued

a) Revenue continued

Services

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

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

b) Foreign currencies

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

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

The subsidiaries have a number of different functional currencies. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into Pounds Sterling (£) at the rate of exchange ruling at the Balance sheet date, and their Income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on the retranslation are taken directly to the Consolidated statement of comprehensive income.

c) Exceptional items

The Group discloses items of both income and expense which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes the costs of significant restructuring exercises, fees associated with business combinations and costs incurred in integrating acquired companies.

d) Goodwill

Goodwill on acquisitions is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

If the potential benefit of tax losses or other deferred tax assets does not satisfy the criteria in IFRS 3 for separate recognition when a business combination is initially accounted for but is subsequently realised, the Group recognises the deferred tax income in the Consolidated income statement.

e) 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 Consolidated income statement in the year in which it is incurred. Internal software development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated.

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

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

f) Research expenditure

Research expenditure is written off in the year of expenditure.

Financial statements

Notes to the consolidated financial statements continued

4 Summary of significant accounting policies continued

g) Property, plant and equipment

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

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

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

Leasehold buildings and improvements are amortised on a straight-line basis over the period of the lease (3 to 49 years) or useful economic life, if shorter.

h) Impairment of assets

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

i) 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.

j) Cash and cash equivalents

Cash and short-term deposits in the Consolidated balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 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.

k) 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 Consolidated balance sheet with any movements being recorded in the Consolidated income statement. Fair value is estimated using the settlement rates prevailing at the period end.

l) Leases

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

m) 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.

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.

4 Summary of significant accounting policies continued

m) Taxation continued

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

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

The income tax effects of items recorded in either other comprehensive income or equity are recognised in the Consolidated statement of comprehensive income or the Consolidated statement of changes in shareholders' equity respectively. Otherwise, income tax is recognised in the Consolidated income statement.

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

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

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

n) 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 3 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 Consolidated balance sheet. The Group also operates a defined benefit pension scheme for 1 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 qualified external actuaries using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The retirement benefit liability in the Consolidated balance sheet represents the present value of the defined benefit obligation (using a discount rate derived from a published index of AA rated corporate bonds) as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions. The current service cost is recognised in the Consolidated income statement as an employee benefit expense. The 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 Consolidated income statement as finance revenue and finance expenses respectively.

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

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

o) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 28. 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.

Financial statements

Notes to the consolidated financial statements continued

4 Summary of significant accounting policies continued

o) Share-based payments continued

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.

p) Employee benefit trust

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

Consideration received for the sale of shares held by the trust is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.

5 Revenue

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

| | 2011 £000 | 2010 £000 |
|-------------------------|--------------|--------------|
| Annual fees | 45,713 | 40,397 |
| Rental licence fees | 71,263 | 61,164 |
| Recurring services | 223 | 1,140 |
| Total recurring revenue | 117,199 | 102,701 |
| Initial licence fees | 40,960 | 35,149 |
| Services | 15,829 | 10,484 |
| Total revenue | 173,988 | 148,334 |
| Finance revenue | 3,584 | 2,861 |
| | 177,572 | 151,195 |

Services consist of consultancy, implementation services and training fees.

The acquired businesses of Logimatic and ADB in total contributed £1,409,000 of recurring revenue, £376,000 of initial licence fees and £3,864,000 of services revenue.

6 Segment information

For management purposes the Group is organised into three geographical segments known as Sales divisions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). Each segment is determined by the location of the Group's operations and is organised and managed separately due to the differing local requirements in each market. Sales divisions are granted distribution rights to license the Group's software to customers in their respective territories.

The Executive Board, comprising of the Chief Executive, Chief Financial Officer, Group Operations Director, Product Development Director and Head of Group Human Resources, monitors the operating results of the Sales divisions for the purposes of making decisions about performance assessment and resource allocation. Sales division performance is evaluated based on adjusted profit before tax using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive Board. Support functions such as product development and head office departments are controlled and monitored centrally.

6 Segment information continued

Information concerning the Group's segments is set out below:

| | Year ended 31 March 2011 | | | |
|---|--------------------------|---------------|------------------|----------------|
| | Asia Pacific £000 | EMEA £000 | Americas £000 | Total £000 |
| Income statement | | | | |
| Revenue | | | | |
| Annual fees | 18,478 | 22,400 | 4,835 | 45,713 |
| Rental licence fees | 21,020 | 30,076 | 20,167 | 71,263 |
| Recurring services | — | 50 | 173 | 223 |
| Initial licence fees | 24,250 | 15,015 | 1,695 | 40,960 |
| Services | 2,576 | 9,316 | 3,937 | 15,829 |
| Segment revenue | 66,324 | 76,857 | 30,807 | 173,988 |
| Segment operating costs | | | | |
| | (24,848) | (30,348) | (15,274) | (70,470) |
| Segment profit contribution before interest | 41,476 | 46,509 | 15,533 | 103,518 |
| Finance revenue | 58 | 19 | 80 | 157 |
| Finance expense | — | (49) | — | (49) |
| Segment profit contribution | 41,534 | 46,479 | 15,613 | 103,626 |
| Reconciliation of segment profit contribution to profit before tax | | | | |
| Segment profit contribution | | | | 103,626 |
| Research and development expenditure | | | | (28,082) |
| Corporate overheads (including exceptional costs of £1,535,000) | | | | (26,276) |
| Other finance revenue | | | | 3,427 |
| Other finance expense | | | | (2,900) |
| Profit before tax | | | | 49,795 |
| Other segmental disclosures | | | | |
| Exceptional items (note 8) | — | — | — | |
| Depreciation | (775) | (307) | (286) | |

Total revenue includes £501,000, £3,206,000 and £1,942,000 for Asia Pacific, EMEA and Americas respectively, relating to the acquisitions of ADB and Logimatic.

| | Year ended 31 March 2010 | | | |
|---|--------------------------|---------------|------------------|----------------|
| | Asia Pacific £000 | EMEA £000 | Americas £000 | Total £000 |
| Income statement | | | | |
| Revenue | | | | |
| Annual fees | 15,436 | 20,360 | 4,601 | 40,397 |
| Rental licence fees | 12,823 | 30,347 | 17,994 | 61,164 |
| Recurring services | — | 100 | 1,040 | 1,140 |
| Initial licence fees | 19,703 | 13,548 | 1,898 | 35,149 |
| Services | 2,542 | 6,541 | 1,401 | 10,484 |
| Segment revenue | 50,504 | 70,896 | 26,934 | 148,334 |
| Segment operating costs | | | | |
| | (20,361) | (28,267) | (11,545) | (60,173) |
| Segment profit contribution before interest | 30,143 | 42,629 | 15,389 | 88,161 |
| Finance revenue | 40 | 15 | 44 | 99 |
| Finance expense | — | (13) | — | (13) |
| Segment profit contribution | 30,183 | 42,631 | 15,433 | 88,247 |
| Reconciliation of segment profit contribution to profit before tax | | | | |
| Segment profit contribution | | | | 88,247 |
| Research and development expenditure | | | | (20,946) |
| Corporate overheads (including exceptional costs of £1,617,000) | | | | (18,006) |
| Other finance revenue | | | | 2,762 |
| Other finance expense | | | | (2,483) |
| Profit before tax | | | | 49,574 |
| Other segmental disclosures | | | | |
| Exceptional items (note 8) | (71) | (159) | (25) | |
| Depreciation | (691) | (303) | (169) | |

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Notes to the consolidated financial statements continued

6 Segment information continued

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £14,661,000 and £159,327,000 (2010 – £11,951,000 and £136,383,000) respectively. No individual country accounted for 10% or more of the Group's total revenue. Revenue is allocated to countries on the basis of the location of the customer.

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £13,622,000 and £41,096,000 (2010 – £7,878,000 and £29,173,000) respectively. There are no material non-current assets located in an individual country outside of the UK.

No single external customer accounted for 10% or more of the Group's total revenue (2010 – none).

Further information concerning revenue by type of product and service is disclosed in note 5.

7 Profit from operations

Profit from operations is stated after charging:

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Depreciation of owned property, plant and equipment | 1,893 | 1,948 |
| Amortisation of intangible assets: | | |
| – included in cost of sales | 2,206 | 1,275 |
| – included in administrative expenses | 94 | 118 |
| – included in selling and distribution expenses | 590 | 356 |
| Research and development costs (included in cost of sales) | 28,082 | 20,946 |
| Staff costs | 72,532 | 58,848 |
| Operating lease rentals – minimum lease payments | 4,442 | 3,761 |
| (Gain)/loss on disposal of property, plant and equipment | (49) | 38 |
| Net foreign exchange losses | 2,114 | 1,076 |

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

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements | 290 | 274 |
| Fees payable to the Company auditor and its associates for other services: | | |
| – the audit of Company's subsidiaries pursuant to legislation | 172 | 127 |
| – tax services | 129 | 59 |
| – other services pursuant to legislation | 7 | 23 |
| | 598 | 483 |

8 Exceptional items

Exceptional items comprise:

| | 2011 £000 | 2010 £000 |
|-----------------------------------|--------------|--------------|
| Acquisition and integration costs | 1,535 | — |
| Restructuring costs | — | 1,872 |
| | 1,535 | 1,872 |

In 2010/11 costs totalling £1,535,000 were incurred in completing and integrating the acquisitions of Logimatic Software A/S and of the trade and assets from ADB Systemer AS. These costs included due diligence and professional fees and other integration costs.

Restructuring costs incurred in 2009/10 amounted to £1,872,000 and arose from the programme to reduce headcount following the merger of CES Europe and WEMEA Sales divisions and the restructuring of operations in Research and Development. These costs mainly comprised redundancy costs and related expenditure.

9 Finance revenue

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Expected return on pension scheme assets | 2,419 | 1,747 |
| Bank interest receivable | 1,165 | 1,114 |
| | 3,584 | 2,861 |

10 Finance expense

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Interest on pension scheme liabilities | 2,935 | 2,479 |
| Bank interest payable and similar charges | 14 | 17 |
| | 2,949 | 2,496 |

11 Staff costs

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

| | 2011 £000 | 2010 £000 |
|---------------------------------|---------------|---------------|
| Wages and salaries | 59,425 | 47,842 |
| Social security costs | 7,445 | 6,218 |
| Other pension costs | 4,121 | 3,604 |
| Expense of share-based payments | 1,541 | 1,184 |
| | 72,532 | 58,848 |

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

| | 2011 Number | 2010 Number |
|---|----------------|----------------|
| Research, development and product support | 248 | 228 |
| Sales, marketing and customer support | 475 | 417 |
| Administration | 179 | 170 |
| | 902 | 815 |

Directors' remuneration

The disclosure of an individual Director's remuneration and interests required by the Companies Act 2006 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 46 and 47 and form part of these financial statements.

12 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2011 and 2010 are as follows:

| | 2011 £000 | 2010 £000 |
|--|----------------------|----------------------|
| Tax charged in Consolidated income statement | | |
| Current tax | | |
| UK corporation tax | 7,910 | 7,282 |
| Adjustments in respect of prior periods | (258) | (575) |
| | 7,652 | 6,707 |
| Foreign tax | 10,311 | 6,721 |
| Adjustments in respect of prior periods | (1,280) | 849 |
| | 9,031 | 7,570 |
| Total current tax | 16,683 | 14,277 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (1,171) | 1,715 |
| Adjustment in respect of prior periods | (209) | 142 |
| Total deferred tax (note 26) | (1,380) | 1,857 |
| Total income tax expense reported in Consolidated income statement | 15,303 | 16,134 |
| | 2011 £000 | 2010 £000 |
| Tax relating to items charged/(credited) directly to Consolidated statement of comprehensive income | | |
| Deferred tax on retranslation of intangible assets | 200 | 40 |
| Deferred tax on actuarial (gain)/loss on defined benefit pension scheme | 2,309 | (1,342) |
| Tax charge/(credit) reported in Consolidated statement of comprehensive income | 2,509 | (1,302) |

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Notes to the consolidated financial statements continued

12 Income tax expense continued

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:

| | 2011 £000 | 2010 £000 |
|--|---------------|---------------|
| Tax on Group profit before tax at standard UK corporation tax rate of 28% (2010 – 28%) | 13,943 | 13,881 |
| Effects of: | | |
| – expenses not deductible for tax purposes | 744 | 866 |
| – irrecoverable withholding tax | 2,514 | 392 |
| – movement on unprovided deferred tax balances | (120) | 257 |
| – change in UK tax rate for deferred tax balances | (15) | — |
| – differing tax rates on overseas earnings | (16) | 322 |
| – adjustments in respect of prior years | (1,747) | 416 |
| Income tax expense reported in Consolidated income statement | 15,303 | 16,134 |

At the Balance sheet date the UK government had substantively enacted a 2% reduction in the main rate of UK corporation tax from 28% to 26% effective from 1 April 2011. The government has also proposed reducing the UK corporation tax rate by a further 1% per annum to 23% by 1 April 2014. However, these further rate changes had not been substantively enacted at the Balance sheet date and their effects are not, therefore, included in these financial statements. We do not expect that the enactment of these changes will have a material impact on the deferred tax balance of the Group.

13 Dividends paid and proposed on equity shares

| | 2011 £000 | 2010 £000 |
|--|---------------|--------------|
| Declared and paid during the year | | |
| Interim 2010/11 dividend paid of 3.36 pence (2009/10 – 3.0 pence) per ordinary share | 2,280 | 2,034 |
| Final 2009/10 dividend paid of 13.9 pence (2008/09 – 6.5 pence) per ordinary share | 9,423 | 4,402 |
| | 11,703 | 6,436 |
| Proposed for approval by shareholders at the Annual General Meeting | | |
| Final proposed dividend 2010/11 of 14.89 pence (2009/10 – 13.9 pence) per ordinary share | 10,121 | 9,442 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2011 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 29 July 2011 to shareholders on the register at the close of business on 24 June 2011.

14 Earnings per share

| | 2011 Pence | 2010 Pence |
|---|------------------------|------------------------|
| Earnings per share for the year: | | |
| – basic | 50.85 | 49.36 |
| – diluted | 50.56 | 49.08 |
| Adjusted earnings per share for the year: | | |
| – basic | 56.08 | 50.92 |
| – diluted | 55.76 | 50.62 |
| | 2011 Number | 2010 Number |
| Weighted average number of ordinary shares for basic earnings per share | 67,831,192 | 67,741,927 |
| Effect of dilution: employee share options | 384,643 | 394,460 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 68,215,835 | 68,136,387 |

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 £34,492,000 (2010 – £33,440,000). 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 28.

14 Earnings per share continued

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

| | 2011 £000 | 2010 £000 |
|--|---------------|---------------|
| Profit after tax for the year | 34,492 | 33,440 |
| Intangible amortisation (excluding software) | 2,797 | 1,665 |
| Share-based payments | 1,541 | 1,184 |
| Gain on fair value of forward foreign exchange contracts | (948) | (3,610) |
| Exceptional items | 1,535 | 1,872 |
| Tax effect | (1,379) | (58) |
| Adjusted profit after tax | 38,038 | 34,493 |

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

The adjustment made to profit after tax in calculating adjusted basic and diluted earnings per share has been adjusted for the tax effects of the items adjusted.

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

15 Business combinations

During the year, the Group completed the acquisition of Logimatic Software A/S and acquired the trade and assets from ADB Systemer AS. Acquisition costs (including due diligence and professional fees) and integration costs have been included in the Consolidated income statement. Goodwill for both acquisitions represents the value of the assembled workforce and the future synergy benefits of integrating both businesses in the AVEVA Group. The assembled workforce brings product development skills and expertise, service delivery skills and domain knowledge of the respective end user markets to the Group.

Logimatic Software A/S

On 30 June 2010, the Group acquired 100% of the share capital of Logimatic Software A/S, a Danish company which provides material control and production planning software to the Marine industry. The total cash consideration paid (net of cash and cash equivalents acquired) was £9,301,000.

Details of the provisional fair values of the net assets acquired and goodwill is set out below, which includes purchased intangibles consisting of developed technology and customer relationships:

| | Book value £000 | Fair value £000 |
|------------------------------------|--------------------|--------------------|
| Intangible assets | 719 | 7,502 |
| Property, plant and equipment | 23 | 23 |
| Trade and other receivables | 1,254 | 1,127 |
| Cash and cash equivalents | 3,075 | 3,075 |
| Trade and other payables | (1,207) | (1,207) |
| Current tax liabilities | (1,782) | (1,782) |
| Deferred tax liabilities | (259) | (1,923) |
| Net assets acquired | 1,823 | 6,815 |
| Goodwill | | 5,561 |
| Consideration, satisfied in cash | | 12,376 |
| Cash and cash equivalents acquired | | (3,075) |
| Net cash outflow | | 9,301 |

From the date of acquisition to 31 March 2011, the business contributed £3.2 million to revenue and incurred a loss before tax of £0.5 million. If the company had been acquired from the start of the period, it would have contributed £4.3 million in revenue and a loss before tax of £0.6 million.

Acquisition of trade and assets from ADB Systemer AS (ADB)

On 30 June 2010, the Group acquired the trade and certain assets of ADB's Oil & Gas business, including intellectual property, from a Norwegian company, ADB Systemer AS. The acquisition provides software products and service delivery capability to deliver information integrity solutions to owner-operators in the Oil & Gas industry. The total cash consideration paid was £4,089,000.

The fair value of the assets acquired consisted mainly of developed technology of £2,125,000 and goodwill of £2,010,000.

From the date of acquisition to 31 March 2011, the business contributed £2.4 million to revenue and incurred a loss before tax of £0.4 million. It is not practical to determine the effect of the acquisition from the start of the period because the trade and assets were part of a larger business and not separately analysed.

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Notes to the consolidated financial statements continued

16 Goodwill

| | £000 |
|-------------------------|---------------|
| At 1 April 2009 | 17,055 |
| Exchange adjustment | 1,122 |
| At 31 March 2010 | 18,177 |
| Additions | 7,571 |
| Exchange adjustment | 1,786 |
| At 31 March 2011 | 27,534 |

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. The carrying amount of goodwill has been allocated to CGUs as follows:

| | Asia Pacific £000 | EMEA £000 | Americas £000 | Total £000 |
|---------------------------------|-------------------------|---------------|------------------|---------------|
| Year ended 31 March 2011 | | | | |
| On the acquisition of: | | | | |
| Tribon Solutions AB | 9,227 | 7,417 | 383 | 17,027 |
| Realitywave Inc. | 244 | 490 | 244 | 978 |
| AEA Technology | 108 | — | 976 | 1,084 |
| Kyokuto Boeki Kaisha | 229 | — | — | 229 |
| Logimatic Software A/S | 2,008 | 2,008 | 2,008 | 6,024 |
| ADB Systemer AB | 219 | 1,681 | 292 | 2,192 |
| | 12,035 | 11,596 | 3,903 | 27,534 |
| Year ended 31 March 2010 | | | | |
| Tribon Solutions AB | 8,576 | 6,892 | 356 | 15,824 |
| Realitywave Inc. | 260 | 520 | 260 | 1,040 |
| AEA Technology | 108 | — | 976 | 1,084 |
| Kyokuto Boeki Kaisha | 229 | — | — | 229 |
| | 9,173 | 7,412 | 1,592 | 18,177 |

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 2012 and extrapolates cash flows for future years based on an average estimated growth rate of 2% for each CGU (2010 – 2%), 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 (2010 – 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.

17 Intangible assets

| | Developed technology £000 | Customer relationships £000 | Other software £000 | Purchased software rights £000 | Total £000 |
|-------------------------|---------------------------------|-----------------------------------|---------------------------|---|---------------|
| Cost | | | | | |
| At 1 April 2009 | 12,170 | 7,179 | 1,210 | 4,563 | 25,122 |
| Additions | — | — | 125 | 1,180 | 1,305 |
| Exchange adjustment | 337 | 581 | 7 | — | 925 |
| At 31 March 2010 | 12,507 | 7,760 | 1,342 | 5,743 | 27,352 |
| Additions | — | — | 66 | 461 | 527 |
| Acquisitions | 7,059 | 2,568 | — | 6 | 9,633 |
| Exchange adjustment | 732 | 804 | (7) | (2) | 1,527 |
| At 31 March 2011 | 20,298 | 11,132 | 1,401 | 6,208 | 39,039 |
| Amortisation | | | | | |
| At 1 April 2009 | 7,749 | 1,748 | 1,101 | 3,774 | 14,372 |
| Charge for the year | 793 | 356 | 84 | 516 | 1,749 |
| Exchange adjustment | 482 | 173 | 5 | — | 660 |
| At 31 March 2010 | 9,024 | 2,277 | 1,190 | 4,290 | 16,781 |
| Charge for the year | 1,761 | 592 | 93 | 444 | 2,890 |
| Exchange adjustment | 466 | 207 | (1) | — | 672 |
| At 31 March 2011 | 11,251 | 3,076 | 1,282 | 4,734 | 20,343 |
| Net book value | | | | | |
| At 31 March 2009 | 4,421 | 5,431 | 109 | 789 | 10,750 |
| At 31 March 2010 | 3,483 | 5,483 | 152 | 1,453 | 10,571 |
| At 31 March 2011 | 9,047 | 8,056 | 119 | 1,474 | 18,696 |

For the purposes of the adjusted earnings per share calculation (note 14), intangible asset amortisation excludes the charge relating to other software of £93,000 (2010 – £84,000).

Developed technology

Developed technology includes the Realitywave technology which was acquired as part of the acquisition of Realitywave Inc. in 2005, the Tribon Solutions AB technology which was acquired in 2004, the iDesign Office technology acquired in 2009, the MARS technology which was acquired as part of the acquisition of Logimatic Software A/S in 2010/11 and the ADB technology that was also acquired in 2010/11. All amortisation is calculated using the straight-line method. The Tribon technology was amortised over 5 years and is now full written down. The Realitywave technology is being amortised over 12 years and the iDesign Office, MARS and ADB technologies over 5 years.

Customer relationships

The customer relationships intangible asset includes those relationships acquired as part of the acquisition of Tribon Solutions AB and those acquired during 2010/11 as part of the Logimatic Software A/S acquisition. The value of these relationships are being amortised using the straight-line method over lives of 20 years and 10 years respectively.

Other software

Other software represents third party software and is being amortised over 3 years using the straight-line method.

Purchased software rights

In 2007 the Group acquired a source code licence for certain software from Spescom Software Inc. for the sum of £1,040,000. This software is being amortised on a straight-line basis over 5 years.

In 2009/10 the Group acquired licences for third party software components that are included in the suite of AVEVA products at a cost of £1,180,000. The licences have a term of 5 years and accordingly are being amortised on a straight-line basis over that period.

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Notes to the consolidated financial statements continued

18 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 2009 | 3,361 | 9,438 | 6,685 | 1,157 | 20,641 |
| Additions | — | 507 | 840 | 132 | 1,479 |
| Disposals | — | (211) | (67) | (268) | (546) |
| Exchange adjustment | 4 | 87 | 104 | 64 | 259 |
| At 31 March 2010 | 3,365 | 9,821 | 7,562 | 1,085 | 21,833 |
| Additions | 79 | 1,174 | 492 | 342 | 2,087 |
| Acquisition | — | 55 | 3 | — | 58 |
| Disposals | — | (334) | (106) | (211) | (651) |
| Reclassification | 330 | — | (330) | — | — |
| Exchange adjustment | 4 | 28 | (37) | 7 | 2 |
| At 31 March 2011 | 3,778 | 10,744 | 7,584 | 1,223 | 23,329 |
| Depreciation | | | | | |
| At 1 April 2009 | 665 | 8,056 | 3,336 | 488 | 12,545 |
| Charge for the year | 104 | 959 | 661 | 224 | 1,948 |
| Disposals | — | (208) | (35) | (167) | (410) |
| Exchange adjustment | 3 | 70 | 71 | 49 | 193 |
| At 31 March 2010 | 772 | 8,877 | 4,033 | 594 | 14,276 |
| Charge for the year | 224 | 712 | 668 | 289 | 1,893 |
| Disposals | — | (326) | (70) | (206) | (602) |
| Reclassification | 30 | — | (30) | — | — |
| Exchange adjustment | 4 | 20 | 14 | 3 | 41 |
| At 31 March 2011 | 1,030 | 9,283 | 4,615 | 680 | 15,608 |
| Net book value | | | | | |
| At 31 March 2009 | 2,696 | 1,382 | 3,349 | 669 | 8,096 |
| At 31 March 2010 | 2,593 | 944 | 3,529 | 491 | 7,557 |
| At 31 March 2011 | 2,748 | 1,461 | 2,969 | 543 | 7,721 |

19 Investments

At 31 March 2011 the Group had the following principal 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 |
| AVEVA AS | Norway | Software marketing and development, 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 Information Technology | | | |
| India Private Limited | India | Software marketing | 100% ordinary shares of 10 Rupees 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 |
| AVEVA Pte Limited*** | Singapore | Software marketing | 100% of ordinary shares of SGD 10 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 |
| AVEVA do Brasil Informática Ltda | Brazil | Software marketing | 100% of ordinary shares of BRL 1 each |
| AVEVA Denmark A/S | Denmark | Software marketing and development | 100% of ordinary shares of DKK 1 each |
| AVEVA Columbia SAS | Columbia | Software marketing | 100% of ordinary shares of COP 1,000 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.

20 Trade and other receivables

| | 2011 £000 | 2010 £000 |
|--------------------------------------|---------------|---------------|
| Current | | |
| Amounts falling due within one year: | | |
| Trade receivables | 68,379 | 40,928 |
| Prepayments and other receivables | 3,714 | 2,630 |
| Accrued income | 996 | 526 |
| | 73,089 | 44,084 |

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.

| | 2011 £000 | 2010 £000 |
|-----------------------------------|--------------|--------------|
| Non-current | | |
| Prepayments and other receivables | 767 | 746 |

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

As at 31 March 2011 the provision for impairment of receivables was £3,643,000 (2010 – £6,629,000) and an analysis of the movements during the year was as follows:

| | £000 |
|--|--------------|
| At 1 April 2009 | 4,823 |
| Charge for the year, net of amounts reversed | 1,834 |
| Utilised | (235) |
| Exchange adjustment | 207 |
| At 31 March 2010 | 6,629 |
| Amounts reversed, net of charge for the year | (938) |
| Utilised | (1,918) |
| Exchange adjustment | (130) |
| As at 31 March 2011 | 3,643 |

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

| | Total £000 | Past due not impaired | | | | More than twelve months £000 |
|-------------|---------------|---|-------------------------------------|------------------------------------|--------------------------------------|---------------------------------------|
| | | Neither past due nor impaired £000 | Less than four months £000 | Four to eight months £000 | Eight to twelve months £000 | |
| 2011 | 68,379 | 42,092 | 22,103 | 2,878 | 1,293 | 13 |
| 2010 | 40,928 | 23,245 | 14,555 | 2,426 | 702 | — |

21 Cash and cash equivalents and treasury deposits

| | 2011 £000 | 2010 £000 |
|---|----------------|----------------|
| Cash at bank and in hand | 30,094 | 37,021 |
| Short-term deposits | 91 | 6,148 |
| Net cash and cash equivalents per cash flow | 30,185 | 43,169 |
| Treasury deposits | 123,002 | 106,555 |
| | 153,187 | 149,724 |

Treasury deposits represent bank deposits with an original maturity of over three months.

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 cash equivalents and treasury deposits is £153,187,000 (2010 – £149,724,000).

22 Trade and other payables

| | 2011 £000 | 2010 £000 |
|---|---------------|---------------|
| Current | | |
| Trade payables | 3,399 | 2,630 |
| Social security, employee taxes and sales taxes | 5,180 | 4,160 |
| Other payables | 223 | 51 |
| Accruals | 24,299 | 15,091 |
| Deferred revenue | 36,366 | 26,937 |
| | 69,467 | 48,869 |

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.

Financial statements

Notes to the consolidated financial statements continued

23 Financial liabilities

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Current | | |
| Fair value of forward foreign exchange contracts | 85 | 1,033 |

Borrowing facilities

At 31 March 2011 the Group had no committed bank overdraft or loan facilities. At 31 March 2010, the Group had a committed overdraft facility of SEK 10,000,000 (£915,000) of which £nil had been drawn down. The bank overdraft was secured by a floating charge over certain of the Group's assets.

24 Obligations under leases

At 31 March 2011 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

| | 2011 | | 2010 | |
|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | Land and buildings £000 | Plant and machinery £000 | Land and buildings £000 | Plant and machinery £000 |
| Not later than one year | 3,768 | 243 | 2,701 | 251 |
| After one but not more than five years | 5,220 | 319 | 5,231 | 394 |
| | 8,988 | 562 | 7,932 | 645 |

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.

25 Financial risk management

The Group's principal financial instruments comprise cash and short-term deposits, treasury deposits 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 foreign 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 speculative trading in financial instruments shall be undertaken.

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

a) Market risk

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

Interest rate risk

The Group holds net funds, and hence its interest rate risk is associated with short-term cash deposits and treasury 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.

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 and treasury deposits. The Group does not have any borrowings. The impact is determined by applying sensitised interest rates to the cash and cash equivalents and treasury deposit balances.

A 1% decrease in the Sterling and US Dollar interest rate would have reduced interest income by approximately £925,000 (2010 – £670,000) and profit after tax by £666,000 (2010 – £480,000).

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 manages these exchange risks, where possible, by using currency exchange contracts for the sale of US Dollar, Euro and Yen 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, Euro and Yen to match forecast cash flows arising from its recurring revenue base. These are renewed on a revolving basis as required. At 31 March 2011, the Group had outstanding currency exchange contracts to sell \$17.75 million (2010 – \$24.5 million), €9.5 million (2010 – €12.8 million) and JPY nil (2010 – JPY 120 million).

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

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. 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 comprehensive income.

25 Financial risk management continued

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 shareholders' equity. The impact is determined by applying the sensitised foreign exchange rate to the monetary assets and liabilities at the Balance sheet date.

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

A 10% change in the US Dollar against Sterling, 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 2009/10.

| | Increase/ (decrease) in average rate | Profit/ (loss) £000 | Equity £000 |
|----------------------|--|---------------------------|----------------|
| 31 March 2011 | | | |
| US Dollar | 10% | (1,771) | (1,771) |
| | (10%) | 1,949 | 1,949 |
| Euro | 10% | 758 | 758 |
| | (10%) | (834) | (834) |
| Swedish Krona | 10% | 216 | 216 |
| | (10%) | (240) | (240) |
| <hr/> | | | |
| | Increase/ (decrease) in average rate | Profit/ (loss) £000 | Equity £000 |
| 31 March 2010 | | | |
| US Dollar | 10% | (88) | (88) |
| | (10%) | 97 | 97 |
| Euro | 10% | 295 | 295 |
| | (10%) | (324) | (324) |
| Swedish Krona | 10% | 115 | 115 |
| | (10%) | (127) | (127) |

b) Credit risk

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

Counterparties for cash and cash equivalents and treasury 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 of £70 million 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 Consolidated balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. 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 20.

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:

| | Less than three months £000 | Between three months and six months £000 | Between six months and one year £000 | Greater than one year £000 |
|----------------------------|--------------------------------------|--|--|-------------------------------------|
| As at 31 March 2011 | | | | |
| Trade and other payables | 33,101 | — | — | — |
| <hr/> | | | | |
| As at 31 March 2010 | | | | |
| Trade and other payables | 21,932 | — | — | — |

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Notes to the consolidated financial statements continued

25 Financial risk management continued

c) Liquidity risk continued

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 2011 | | | |
| Forward foreign exchange contracts (Euro) | | | |
| Outflow | €3,000 | €3,000 | €3,500 |
| Inflow | £2,502 | £2,553 | £3,009 |
| Forward foreign exchange contracts (US Dollar) | | | |
| Outflow | \$5,250 | \$5,250 | \$7,250 |
| Inflow | £3,375 | £3,321 | £4,620 |
| As at 31 March 2010 | | | |
| Forward foreign exchange contracts (Euro) | | | |
| Outflow | €3,750 | €3,500 | €5,500 |
| Inflow | £3,284 | £3,085 | £4,962 |
| Forward foreign exchange contracts (US Dollar) | | | |
| Outflow | \$7,500 | \$6,000 | \$11,000 |
| Inflow | £4,808 | £3,651 | £6,848 |
| Forward foreign exchange contracts (Yen) | | | |
| Outflow | JPY30,000 | JPY30,000 | JPY60,000 |
| Inflow | £205 | £209 | £441 |

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 2011

| | Within one year £000 | One to two years £000 | Two to three years £000 | Total £000 |
|------------------------------|----------------------------|-----------------------------|-------------------------------|---------------|
| Fixed rate | | | | |
| Cash and short-term deposits | 2,882 | — | — | 2,882 |
| Treasury deposits | 123,002 | — | — | 123,002 |
| Floating rate | | | | |
| Cash and short-term deposits | 27,303 | — | — | 27,303 |

Year ended 31 March 2010

| | Within one year £000 | One to two years £000 | Two to three years £000 | Total £000 |
|------------------------------|----------------------------|-----------------------------|-------------------------------|---------------|
| Fixed rate | | | | |
| Cash and short-term deposits | 9,293 | — | — | 9,293 |
| Treasury deposits | 106,494 | — | — | 106,494 |
| Floating rate | | | | |
| Cash and short-term deposits | 33,937 | — | — | 33,937 |

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £30,185,000 (2010 – £43,169,000) and treasury deposits of £123,002,000 (2010 – £106,555,000). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

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

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

25 Financial risk management continued

e) Fair values continued

At 31 March 2011 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts is £85,000 at 31 March 2011 (2010 – liability of £1,033,000).

The resulting gain of £948,000 (2010 – gain of £3,610,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

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 2010 or 2011.

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

26 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the current 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 2010 | 39 | (207) | 3,275 | (1,906) | 542 | 1,847 | 3,590 |
| Acquisition | 12 | — | — | (1,874) | — | (61) | (1,923) |
| Credit/(charge) to Income statement | (454) | 7 | (600) | 1,968 | 182 | 277 | 1,380 |
| Credit/(charge) to other comprehensive income | — | — | (2,309) | (200) | — | — | (2,509) |
| Credit to equity | — | — | — | — | 283 | — | 283 |
| Exchange adjustment | 2 | — | — | — | — | 14 | 16 |
| At 31 March 2011 | (401) | (200) | 366 | (2,012) | 1,007 | 2,077 | 837 |

* 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.

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:

| | 2011 £000 | 2010 £000 |
|--------------------------|--------------|--------------|
| Deferred tax liabilities | (2,801) | (1,426) |
| Deferred tax assets | 3,638 | 5,016 |
| | 837 | 3,590 |

At the Balance sheet date, the Group has unused tax losses of £2,241,000 (2010 – £5,072,000) available for offset against future profits. Of the total deferred tax asset of £760,433 (2010 – £1,584,000), £nil (2010 – £nil) has been recognised and is included in 'other' above. No deferred tax asset has been recognised 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 £34,100,000 (2010 – £23,300,000). 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. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemptions but may be subject to foreign withholding taxes.

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

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Notes to the consolidated financial statements continued

27 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 2009 | 7,622 | 624 | 518 | 8,764 |
| Current service cost | 834 | 31 | 154 | 1,019 |
| Interest on pension scheme liabilities | 2,428 | 51 | — | 2,479 |
| Expected return on pension scheme assets | (1,747) | — | — | (1,747) |
| Actuarial loss | 4,794 | 113 | — | 4,907 |
| Employer contributions | (2,239) | (81) | (78) | (2,398) |
| Exchange adjustment | — | (35) | 93 | 58 |
| At 31 March 2010 | 11,692 | 703 | 687 | 13,082 |
| Current service cost | 1,130 | 36 | 271 | 1,437 |
| Interest on pension scheme liabilities | 2,897 | 38 | — | 2,935 |
| Expected return on pension scheme assets | (2,419) | — | — | (2,419) |
| Actuarial (gain)/loss | (8,245) | 27 | — | (8,218) |
| Employer contributions | (3,647) | (79) | (32) | (3,758) |
| Exchange adjustment | — | (9) | (23) | (32) |
| At 31 March 2011 | 1,408 | 716 | 903 | 3,027 |

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 external, professionally qualified actuary, BDO 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.

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:

| | 2011 % | 2010 % |
|---|-----------|-----------|
| Main assumptions: | | |
| Rate of salary increases | 5.50 | 5.70 |
| Rate of increase of pensions in payment | 3.30 | 3.40 |
| Rate of increase of pensions in deferment | 2.80 | 3.70 |
| Discount rate | 5.50 | 5.50 |
| Inflation assumption | 3.50 | 3.70 |
| Expected rate of return on scheme assets: | | |
| Equities | 6.30 | 6.65 |
| Bonds | 3.90 | 4.00 |
| Other | 0.50 | 0.50 |

For the years ended 31 March 2011 and 2010, the following weighted average life expectancy at age 65 for mortality has been used:

| | 2011 Years | 2010 Years |
|---------------------|---------------|---------------|
| Male pensioners | 24.3 | 24.1 |
| Female pensioners | 25.3 | 26.6 |
| Non-retired males | 26.5 | 27.0 |
| Non-retired females | 27.6 | 28.9 |

Member contributions were 7.5% (2010 – 7.5%) of pensionable salary and Company contributions were £3,647,000 (2010 – £2,239,000) including a one-off contribution of £2,500,000. The total contributions in 2012 are expected to be approximately £1,593,000.

27 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

| | Impact on deficit increase/(decrease) | |
|---|--|---------------|
| | 2011 £000 | 2010 £'000 |
| 0.25 percentage point increase to: | | |
| – discount rate | (2,353) | (2,227) |
| – inflation (including pension increases linked to inflation) | 1,392 | 1,332 |
| Additional one year increase to life expectancy | 791 | 860 |

The assets and liabilities of the scheme at 31 March 2011 and 2010 were as follows:

| | 2011 £000 | 2010 £000 |
|-------------------------------------|--------------|--------------|
| Equities | 33,841 | 30,189 |
| Bonds | 9,023 | 9,298 |
| Other | 5,034 | 1,249 |
| Total fair value of assets | 47,898 | 40,736 |
| Present value of scheme liabilities | (49,306) | (52,428) |
| Net pension liability | (1,408) | (11,692) |

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

| | 2011 £000 | 2010 £000 |
|---|--------------|----------------|
| Recognised in the Consolidated income statement | | |
| Current service cost | | |
| Cost of sales | 707 | 534 |
| Selling and distribution expenses | 301 | 170 |
| Administrative expenses | 122 | 130 |
| Total operating charge | 1,130 | 834 |
| Finance revenue | | |
| Expected return on pension scheme assets | (2,419) | (1,747) |
| Finance costs | | |
| Interest on pension scheme liabilities | 2,897 | 2,428 |
| Taken to Consolidated statement of comprehensive income | | |
| Actual return on pension scheme assets | 4,148 | 10,253 |
| Less: expected return on pension scheme assets | (2,419) | (1,747) |
| | 1,729 | 8,506 |
| Changes in assumptions and experience adjustments on liabilities | 6,516 | (13,300) |
| Actuarial gain/(loss) recognised in Consolidated statement of comprehensive income | 8,245 | (4,794) |

During 2010/11, there was a change in the UK statutory measure of indexation for some pension benefits from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This resulted in an actuarial gain of £750,000 which has been accounted for as a change of assumption.

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

| | 2011 £000 | 2010 £000 |
|--|---------------|---------------|
| At 1 April | 52,428 | 36,313 |
| Current service costs | 1,130 | 834 |
| Contributions by employees | 391 | 418 |
| Interest on pension scheme liabilities | 2,897 | 2,428 |
| Benefits paid | (980) | (812) |
| Premiums paid | (44) | (53) |
| Actuarial (gain)/loss | (6,516) | 13,300 |
| At 31 March | 49,306 | 52,428 |

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

Financial statements

Notes to the consolidated financial statements continued

27 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

| | 2011 £000 | 2010 £000 |
|----------------------------|---------------|---------------|
| At 1 April | 40,736 | 28,691 |
| Expected return | 2,419 | 1,747 |
| Contributions by employer | 3,647 | 2,239 |
| Contributions by employees | 391 | 418 |
| Benefits paid | (980) | (812) |
| Premiums paid | (44) | (53) |
| Actuarial gain | 1,729 | 8,506 |
| At 31 March | 47,898 | 40,736 |

The history of experience adjustments is as follows:

| | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|--|--------------|--------------|--------------|--------------|--------------|
| Fair value of scheme assets | 47,898 | 40,736 | 28,691 | 32,931 | 32,295 |
| Present value of defined benefit obligations | (49,306) | (52,428) | (36,313) | (33,600) | (36,368) |
| Deficit in the scheme | (1,408) | (11,692) | (7,622) | (669) | (4,073) |
| Experience adjustments on scheme liabilities | 3,353 | 1,452 | 492 | 56 | — |
| Experience adjustments on scheme assets | 1,729 | 8,506 | (8,043) | (2,793) | (534) |

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised directly within other comprehensive income was a loss of £1,179,000 (2010 – loss of £9,424,000). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken to the Consolidated statement of comprehensive income 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 comprehensive income 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 four 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:

| | 2011 | 2010 |
|--|-------------|-------------|
| Rate of increase of pension in payment | 1.75%–2.50% | 1.50%–2.50% |
| Discount rate | 5.25%–5.30% | 5.30%–6.20% |
| Mortality | 16 years | 13 years |
| Rate of salary increases | 0%–2.50% | 0%–2.50% |

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2010 – 60 and 63 years of age).

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

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| At 1 April | 703 | 624 |
| Current service cost (included in selling and distribution costs) | 36 | 31 |
| Interest on pension scheme liabilities (included in finance costs) | 38 | 51 |
| Employer contributions | (79) | (81) |
| Actuarial loss (included in Consolidated statement of comprehensive income) | 27 | 113 |
| Exchange adjustment | (9) | (35) |
| At 31 March | 716 | 703 |

The contributions in 2012 are expected to be approximately £80,000.

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:

| | 2011 % | 2010 % |
|--------------------------|-----------|-----------|
| Rate of salary increases | 6.10 | 5.00 |
| Discount rate | 3.78 | 3.70 |
| Inflation assumption | 3.90 | 2.60 |

The retirement age for AVEVA Korea Limited employees is 60 years of age (2010 – 60 years of age).

27 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:

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| At 1 April | 687 | 518 |
| Current service cost (included in selling and distribution costs) | 271 | 154 |
| Payment of benefits | (32) | (78) |
| Exchange adjustment | (23) | 93 |
| At 31 March | 903 | 687 |

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 2011, Alecta's surplus in the form of collective funding level was 144% (2010 – 143%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to income was £537,000 (2010 – £741,000).

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 £2,147,000 (2010 – £1,844,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

28 Share-based payment plans

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

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

| | 2011 Number | 2011 WAEP Pence | 2010 Number | 2010 WAEP Pence |
|------------------------------|----------------|-----------------------|----------------|-----------------------|
| Outstanding at start of year | 378,220 | 2.25 | 263,399 | 45.41 |
| Granted during year | 156,999 | 2.39 | 226,855 | 2.02 |
| Forfeited during year | — | — | — | — |
| Exercised during year* | (76,460) | 1.97 | (112,034) | 103.26 |
| Expired during year | — | — | — | — |
| Outstanding at end of year | 458,759 | 2.34 | 378,220 | 2.25 |
| Exercisable at end of year | 42,398 | 1.76 | 21,528 | 1.87 |

* The weighted average share price at the date of exercise for the options exercised is £11.98 (2010 – £9.72).

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 2011 | Number of options 2010 | Exercise price Pence |
|---------------|-----------------------|---------------------------|---------------------------|-------------------------|
| 28 June 2006 | LTIP | 12,072 | 12,072 | 3.33 |
| 2 July 2007 | LTIP | 10,293 | 55,507 | 3.33 |
| 7 July 2008 | LTIP | 50,032 | 50,032 | 3.33 |
| 15 July 2008 | Deferred Share Scheme | 19,393 | 33,754 | 0.00 |
| 27 May 2009 | Deferred Share Scheme | 72,131 | 89,016 | 0.00 |
| 7 July 2009 | LTIP | 137,839 | 137,839 | 3.33 |
| 15 June 2010 | Deferred Share Scheme | 44,423 | — | 0.00 |
| 26 July 2010 | LTIP | 112,576 | — | 3.33 |
| | | 458,759 | 378,220 | |

The weighted average remaining contractual life for the options outstanding at 31 March 2011 is 5.32 years (2010 – 5.63 years).

The average fair value of options granted during the year was £12.32 (2010 – £6.84). 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.

The range of exercise prices for options outstanding at the end of the year was £nil to £0.03 (2010 – £nil to £0.03).

The Group recognised total expenses of £1,541,000 and £1,184,000 related to equity-settled share-based payment transactions in the years ended 31 March 2011 and 2010 respectively.

Financial statements

Notes to the consolidated financial statements continued

28 Share-based payment plans continued

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.

2010/11 awards

In 2010/11, a total of 112,576 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions are based on average EPS growth over the 3 years from 2010/11 to 2012/13. If average diluted EPS growth is more than 12% above RPI for the same period then all of the shares under this option will vest. If average diluted EPS growth is less than 4% above RPI then none of the shares will vest. If average EPS growth is between 4% and 12% per annum then the number of shares that shall vest shall be determined by linear interpolation.

2009/10 awards

On 7 July 2009, a total of 137,839 share options were awarded to the Executive Directors and senior management under the LTIP. The performance conditions are based on average diluted earnings per share over the three years from 2009/10 to 2011/12. All shares under this option shall vest if average diluted earnings per share for the three years ending 31 March 2012 is equal to or above 52.14 pence. Should average diluted earnings per share for the period be below 52.14 pence, then no shares will vest and the option will lapse.

2008/09 awards

On 7 July 2008, a total of 50,032 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 earnings per share 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.

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 each 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 each of the LTIP awards:

| | 2010/11 awards | 2009/10 awards | 2008/09 awards | 2007/08 awards |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Dividend yield | 0.70% | 1.30% | 0.45% | 0.50% |
| Expected volatility | 51.0% | 52.0% | 41.0% | 31.9% |
| Risk-free interest rate | 1.51% | 2.28% | 4.97% | 5.75% |
| Expected life of the option | 3 years | 3 years | 3 years | 3 years |
| Weighted average share price | £13.55 | £7.20 | £14.92 | £9.55 |
| Weighted average exercise price | £0.03 | £0.03 | £0.03 | £0.03 |

b) Deferred annual bonus share plan

In 2008 the Company established the AVEVA Group Management Bonus Deferred Share Scheme 2008 (the Deferred Share Scheme). Directors and senior management participate in 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.

In June 2010, the AVEVA Group Employee Benefit Trust 2008 awarded 44,423 (2010 – 89,016) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2010 (2010 – bonus earned in year ended 31 March 2009).

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 3-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).

28 Share-based payment plans continued

b) 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 each of the Deferred Bonus Share plan awards:

| | 2010/11 awards | 2009/10 awards |
|---------------------------------|----------------|----------------|
| Dividend yield | 0.81% | 1.28% |
| Expected volatility | 51.0% | 52.0% |
| Risk-free interest rate | 1.51% | 2.20% |
| Expected life of the option | 3 years | 3 years |
| Weighted average share price | £11.69 | £7.04 |
| Weighted average exercise price | £0.00 | £0.00 |

c) 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.

29 Share capital and reserves

a) Share capital

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Allotted, called-up and fully paid | | |
| 67,973,420 (2010 – 67,928,208) ordinary shares of 3.33 pence (2010 – 3.33 pence) each | 2,266 | 2,264 |

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

| | 2011 Number | 2011 £000 | 2010 Number | 2010 £000 |
|---------------------------|-------------------|--------------|----------------|--------------|
| At 1 April | 67,928,208 | 2,264 | 67,818,868 | 2,260 |
| Exercise of share options | 45,212 | 2 | 109,340 | 4 |
| At 31 March | 67,973,420 | 2,266 | 67,928,208 | 2,264 |

Year ended 31 March 2011

| Date of issue | Number of shares 2011 | Nominal value 2011 £ | Share premium 2011 £ | Market price £ |
|-------------------|-----------------------|-------------------------|-------------------------|-------------------|
| 2 July 2010 | 37,099 | 1,236 | — | 11.45 |
| 20 July 2010 | 2,768 | 92 | — | 12.60 |
| 23 September 2010 | 2,628 | 88 | — | 14.21 |
| 28 January 2011 | 2,717 | 91 | — | 16.44 |
| | 45,212 | 1,507 | — | |

Year ended 31 March 2010

| Date of issue | Number of shares 2010 | Nominal value 2010 £ | Share premium 2010 £ | Market price £ |
|------------------|-----------------------|-------------------------|-------------------------|-------------------|
| 10 July 2009 | 10,335 | 345 | — | 6.77 |
| 18 December 2009 | 85,352 | 2,845 | 112,042 | 9.91 |
| 4 March 2010 | 13,653 | 455 | — | 10.73 |
| | 109,340 | 3,645 | 112,042 | |

b) Other reserves

Other reserves consist of the following:

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.

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.

Financial statements

Notes to the consolidated financial statements continued

29 Share capital and reserves continued

b) Other reserves continued

Own shares held

Own shares held reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 36,423 shares were purchased by the EBT at a price of £11.82 and 31,246 shares (2010 – 2,694) with an attributable cost of £318,920 were issued to employees in satisfying share options that were exercised.

| | £000 |
|-------------------------------------|--------------|
| At 1 April 2009 | 495 |
| Own shares purchased (28 May 2009) | 653 |
| Shares issued to employees | (36) |
| At 31 March 2010 | 1,112 |
| Own shares purchased (15 June 2010) | 430 |
| Shares issued to employees | (319) |
| At 31 March 2011 | 1,223 |

30 Related party transactions

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

Remuneration of key management personnel

The remuneration of the Directors and other members of the Executive Board, 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 and contribute to a defined benefit pension plan on their behalf. Members of the key management team also participate in the Group's share option schemes and deferred annual bonus share plan. In 2010, only the Executive Directors were considered key management personnel and as such the remuneration set out below for 2010 does not include the other members of the Executive Board.

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 46 and 47.

| | 2011 £000 | 2010 £000 |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 1,724 | 1,104 |
| Share-based payments | 432 | 384 |
| | 2,156 | 1,488 |

Financial statements

Statement of Directors' responsibilities

Statement of Directors' responsibilities in relation to the Company 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 2006. 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.

Financial statements

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 2011 which comprise the Balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 81, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- ▶ the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- ▶ the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of AVEVA Group plc for the year ended 31 March 2011.



Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
25 May 2011

Company number
2937296

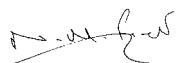
Financial statements

Company balance sheet

31 March 2011

| | Notes | 2011 £000 | 2010 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 5 | 27,482 | 27,482 |
| Current assets | | | |
| Debtors | 6 | 129,838 | 99,326 |
| Cash at bank and in hand | | 145 | 512 |
| | | 129,983 | 99,838 |
| Creditors: amounts falling due within one year | 7 | (33,051) | (20,824) |
| Net current assets | | 96,932 | 79,014 |
| Net assets | | 124,414 | 106,496 |
| Capital and reserves | | | |
| Called-up share capital | 8 | 2,266 | 2,264 |
| Share premium account | 9 | 27,288 | 27,288 |
| Merger reserve | 9 | 3,921 | 3,921 |
| Profit and loss account | 9 | 90,939 | 73,023 |
| Shareholders' funds | 10 | 124,414 | 106,496 |

The financial statements on pages 83 to 86 were approved by the Board of Directors on 25 May 2011 and signed on its behalf by:



Nick Prest
Chairman



Richard Longdon
Chief Executive

Company number
2937296

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

Financial statements

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 2006. 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.

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' and not disclosed related party transactions with wholly owned subsidiary undertakings.

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 408 (3) of the Companies Act 2006, 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 2011 of £29,619,000 (2010 – £29,670,000).

Audit fees of £7,000 (2010 – £7,000) are borne by another Group company.

The Company does not have any employees (2010 – nil). Directors' emoluments are disclosed in the Directors' remuneration report on pages 42 to 47 and are paid by a UK subsidiary company.

4 Dividends

| | 2011 £000 | 2010 £000 |
|--|---------------|--------------|
| Declared and paid during the year | | |
| Interim 2010/11 dividend paid of 3.36 pence (2009/10 – 3.0 pence) per ordinary share | 2,280 | 2,034 |
| Final 2009/10 dividend paid of 13.9 pence (2008/09 – 6.5 pence) per ordinary share | 9,423 | 4,402 |
| | 11,703 | 6,436 |

Proposed for approval by shareholders at the Annual General Meeting

| | | |
|--|--------|-------|
| Final 2010/11 proposed dividend of 14.89 pence (2009/10 – 13.9 pence) per ordinary share | 10,121 | 9,442 |
|--|--------|-------|

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2011 and has not been included as a liability in these financial statements.

5 Fixed asset investments

| | 2011 £000 | 2010 £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 19 in the Consolidated financial statements of the Group.

6 Debtors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed by Group undertakings | 129,838 | 99,326 |

7 Creditors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|-----------------------------------|--------------|--------------|
| Amounts owed to Group undertaking | 33,051 | 20,824 |

8 Called-up share capital

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Allotted, called-up and fully paid | | |
| 67,973,420 (2010 – 67,928,208) ordinary shares of 3.33 pence each | 2,266 | 2,264 |

| | 2011 Number | 2011 £000 | 2010 Number | 2010 £000 |
|---------------------------|-------------------|--------------|----------------|--------------|
| At 1 April | 67,928,208 | 2,264 | 67,818,868 | 2,260 |
| Exercise of share options | 45,212 | 2 | 109,340 | 4 |
| At 31 March | 67,973,420 | 2,266 | 67,928,208 | 2,264 |

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

Year ended 31 March 2011

| Date of issue | Number of shares 2011 | Nominal value 2011 £ | Share premium 2011 £ | Market price £ |
|-------------------|-----------------------------|-------------------------------|-------------------------------|----------------------|
| 2 July 2010 | 37,099 | 1,236 | — | 11.45 |
| 20 July 2010 | 2,768 | 92 | — | 12.60 |
| 23 September 2010 | 2,628 | 88 | — | 14.21 |
| 28 January 2011 | 2,717 | 91 | — | 16.44 |
| | 45,212 | 1,507 | — | |

Financial statements

Notes to the Company financial statements continued

8 Called-up share capital continued

Year ended 31 March 2010

| Date of issue | Number of shares 2010 | Nominal value 2010 £ | Share premium 2010 £ | Market price £ |
|------------------|-----------------------|----------------------|----------------------|----------------|
| 10 July 2009 | 10,335 | 345 | — | 6.77 |
| 18 December 2009 | 85,352 | 2,845 | 112,042 | 9.91 |
| 4 March 2010 | 13,653 | 455 | — | 10.73 |
| | 109,340 | 3,645 | 112,042 | |

During the year the Company issued 45,212 (2010 – 109,340) ordinary shares of 3.33 pence each with a nominal value of £1,507 (2010 – £3,645) pursuant to the exercise of share options. The total proceeds were £1,507 (2010 – £115,687), which included a premium of £nil (2010 – £112,042).

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 | Exercise price Pence |
|---------------|-----------------------|-------------------|----------------------|
| 28 June 2006 | LTIP | 12,072 | 3.33 |
| 2 July 2007 | LTIP | 10,293 | 3.33 |
| 7 July 2008 | LTIP | 50,032 | 3.33 |
| 15 July 2008 | Deferred Share Scheme | 19,393 | 0.00 |
| 27 May 2009 | Deferred Share Scheme | 72,131 | 0.00 |
| 7 July 2009 | LTIP | 137,839 | 3.33 |
| 15 June 2010 | Deferred Share Scheme | 44,423 | 0.00 |
| 26 July 2010 | LTIP | 112,576 | 3.33 |
| | | 458,759 | |

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.

9 Reserves

| | Merger reserve £000 | Share premium £000 | Profit and loss account £000 |
|-------------------------|---------------------|--------------------|------------------------------|
| At 1 April 2010 | 3,921 | 27,288 | 73,023 |
| Share issues | — | — | — |
| Dividends paid | — | — | (11,703) |
| Profit for the year | — | — | 29,619 |
| At 31 March 2011 | 3,921 | 27,288 | 90,939 |

10 Reconciliation of movements in shareholders' funds

| | Year ended 31 March 2011 £000 | Year ended 31 March 2010 £000 |
|-------------------------------------|-------------------------------|-------------------------------|
| Profit for the financial year | 29,619 | 29,670 |
| Dividends | (11,703) | (6,436) |
| Share issues | 2 | 116 |
| Net addition to shareholders' funds | 17,918 | 23,350 |
| Opening shareholders' funds | 106,496 | 83,146 |
| Closing shareholders' funds | 124,414 | 106,496 |

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.

Other information

Five year record

| | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|---|--------------|--------------|--------------|--------------|--------------|
| Summarised consolidated results | | | | | |
| Revenue | 173,988 | 148,334 | 164,041 | 127,561 | 94,906 |
| Recurring revenue | 117,199 | 102,701 | 94,196 | 66,104 | 52,651 |
| Gross profit | 134,820 | 117,954 | 126,429 | 97,768 | 67,637 |
| Research and development expense | 28,082 | 20,946 | 27,332 | 21,301 | 17,607 |
| Adjusted* profit before tax | 54,720 | 50,685 | 66,360 | 48,823 | 28,090 |
| Profit before tax | 49,795 | 49,574 | 59,201 | 44,967 | 24,650 |
| Income tax expense | (15,303) | (16,134) | (17,047) | (10,721) | (6,844) |
| Profit for the financial year | 34,492 | 33,440 | 42,154 | 34,246 | 17,806 |
| Basic earnings per share | 50.85p | 49.36p | 62.27p | 50.80p | 26.59p |
| Adjusted* basic earnings per share | 56.08p | 50.92p | 69.99p | 55.11p | 30.76p |
| Total dividend per share | 18.25p | 16.90p | 9.36p | 6.65p | 4.18p |
| Summarised consolidated balance sheet | | | | | |
| Non-current assets | 58,356 | 42,067 | 42,219 | 36,378 | 35,731 |
| Cash and cash equivalents and treasury deposits (net) | 153,187 | 149,724 | 126,164 | 82,849 | 41,287 |
| Net current assets | 149,844 | 141,663 | 111,265 | 73,025 | 37,757 |
| Shareholders' funds | 202,372 | 169,222 | 143,131 | 105,746 | 65,312 |

* Adjusted profit before tax is stated before amortisation of intangibles (excluding other software), share-based payments, adjustment to goodwill, the gain/loss on the fair value of forward foreign currency contracts and exceptional items. Adjusted basic earnings per share is also adjusted for the tax effect of these items.

Other information

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 Al Khobar, Saudi Arabia
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 Beijing, China
 Bogata, Columbia
 Bremen, Germany
 Budapest, Hungary
 Calgary, Canada
 Cambridge, UK
 Chesterfield, UK
 Dubai, UAE
 Frankfurt, Germany
 Genoa, Italy
 Guangzhou, China
 Hamburg, Germany
 Hong Kong
 Houston, USA
 Kuala Lumpur, Malaysia
 Madrid, Spain
 Malmö, Sweden
 Mexico City, Mexico
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