



**The world's leading
engineering software provider**

Innovation is our business

In 2012 AVEVA celebrates 45 years of providing engineering, design and information management solutions to the process plant, power and marine industries. This is an impressive milestone for any software company and firmly positions AVEVA as one of the most consistently successful businesses in the technology sector.

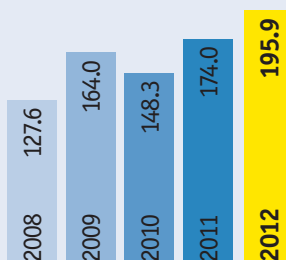
We attribute this success to AVEVA's business philosophy; to be more than just a vendor of technology, but an active and engaged partner in our customers' development and success. We have achieved this through four and a half decades of pioneering vision and determination to unlock the power of software technology and human ingenuity.

Highlights

Revenue (£m)

£195.9m

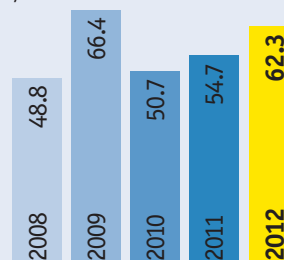
+13%



Adjusted* profit before tax (£m)

£62.3m

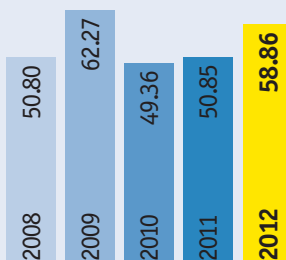
+14%



Basic earnings per share (p)

58.86p

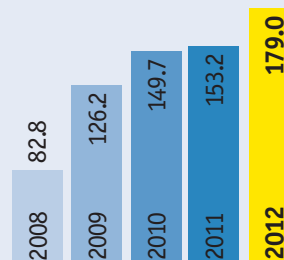
+16%



Net cash and deposits (£m)

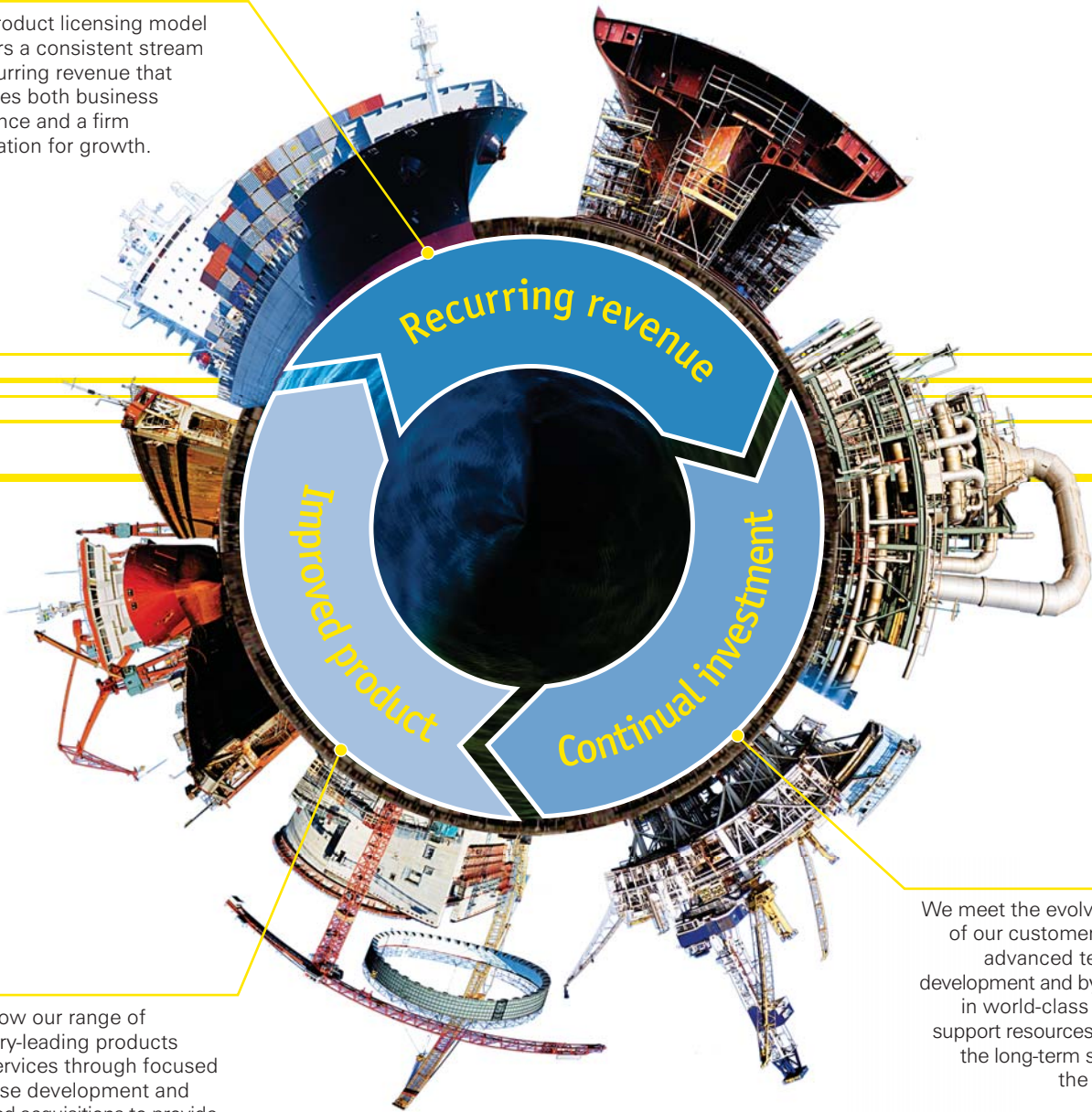
£179.0m

+17%



*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.

Our product licensing model delivers a consistent stream of recurring revenue that provides both business resilience and a firm foundation for growth.



We grow our range of industry-leading products and services through focused in-house development and targeted acquisitions to provide compelling business benefits to our customers.

We meet the evolving needs of our customers through advanced technology development and by investing in world-class sales and support resources to ensure the long-term success of the business.



To find out more about our business model turn to page 4-5

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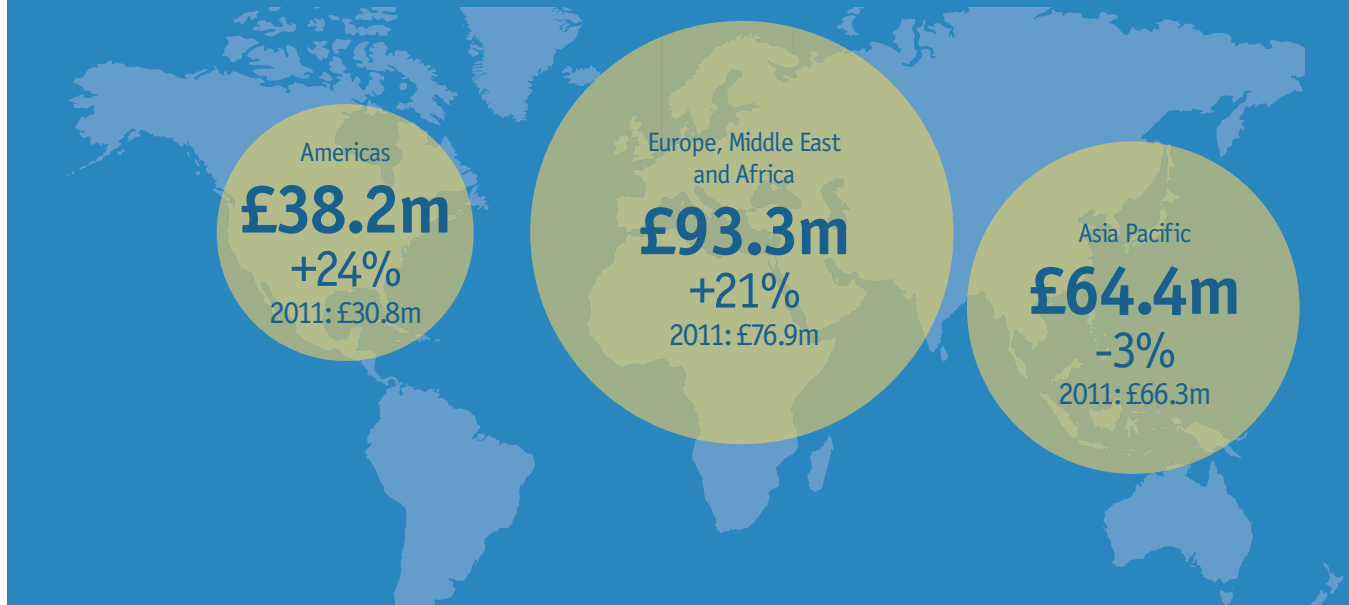
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A solid history of success

Throughout our 45 years of operation, AVEVA has had ambitious targets and sound strategies for sustaining successful growth and development. We continually invest in leading-edge technology innovation, world-class people and a growing global network of sales and support offices.

Highlights

- Revenue up 13% to £195.9 million (2011 – £174.0 million)
- Recurring revenue up 18% to £137.9 million (2011 – £117.2 million) representing 70% (2011 – 67%) of total revenue
- Strong performance in Engineering & Design systems with revenue increasing 11% to £172.5 million (2011 – £155.1 million)
- Significant growth in Americas (+24%) and EMEA (+21%)
- Increased investment in new technology and products with Research and Development expenditure up 14% to £32.1 million
- Adjusted* profit before tax up 14% to £62.3 million (2011 – £54.7 million)
- Profit before tax of £57.7 million (2011 – £49.8 million)
- Total dividend for the year increased by 15% to 21.00p



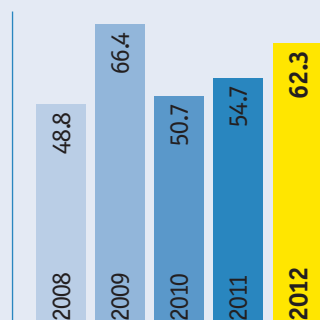


Adjusted* profit before tax (£m)

£62.3m

+14%

Adjusted* profit before tax increased by 14% to £62.3 million. We have continued to invest in the business as planned whilst achieving an adjusted* profit margin of 32% (2011 – 31%).

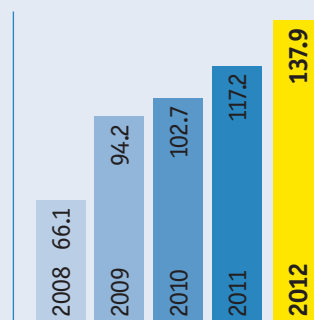


Recurring revenue (£m)

£137.9m

+18%

AVEVA continued to grow strongly with total revenue of £195.9 million, a record level for the Group and an increase of 13% over the previous financial year. Recurring revenue increased by 18% to £137.9 million and represented 70% of total revenue.

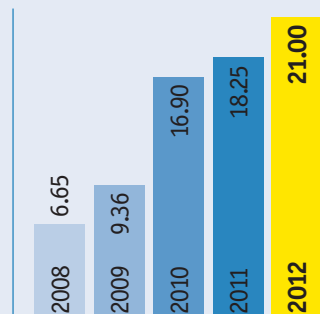


Dividend per share (p)

21.00p

+15%

The Board is recommending a final dividend of 17.0 pence (2011 – 14.89 pence), which is an increase of 14%. Combined with the interim dividend of 4.0 pence this gives a full year dividend of 21.0 pence (2011 – 18.25 pence), an increase of 15%.

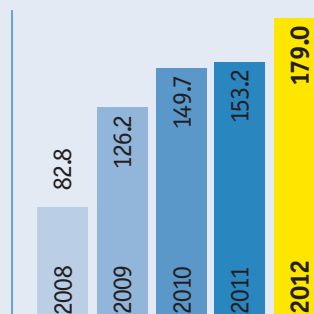


Net cash and deposits (£m)

£179.0m

+17%

Cash and treasury deposits increased by £25.8 million to £179.0 million. This increase is stated after the impact of the acquisition of LFM Software Limited (£5.7 million) and after total dividends paid during the year of £12.8 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.

Our business

AVEVA continually extends the boundaries of what technology can achieve for our customers, through a growing range of powerful software products, our unrivalled industry expertise and strong local delivery.

Our expertise

AVEVA's extraordinary success is a direct result of its carefully developed intellectual property. These assets include creativity and technical expertise, and a deep knowledge of our customers' industries and their business priorities.

Our technology

Originally rooted in 3D design, AVEVA's technology offering has expanded dramatically to serve a wide range of engineering, design and asset management disciplines. With our combination of unrivalled proprietary technologies, extensive support for open standards for information exchange, and unique capabilities in engineering and design integration, no other vendor can offer such powerful and comprehensive solutions.

Our 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.

Our licensing model

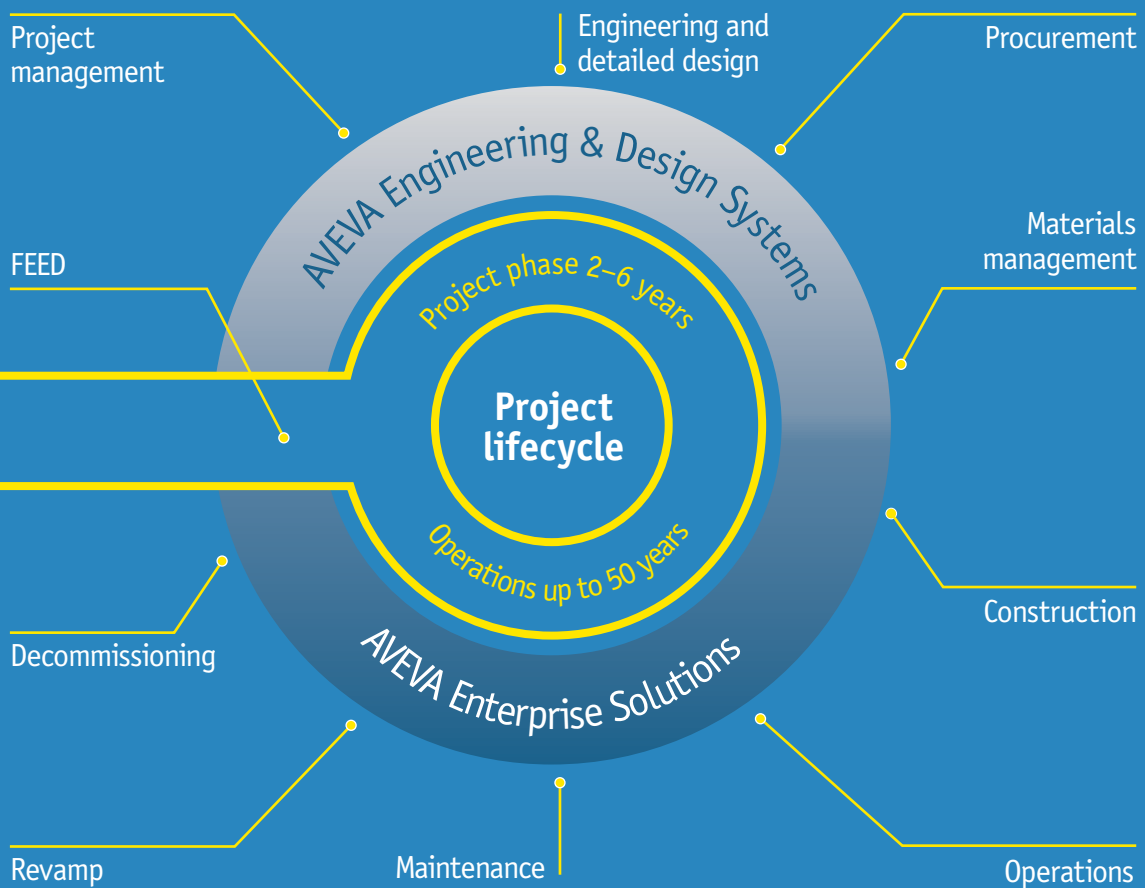
We operate a 'right to use' licensing model for both Enterprise Solutions and engineering and design software products. Customers license our software by paying an initial licence fee followed by an obligatory annual fee or rental fee over a fixed period of time. In both cases, the customer has to continue to pay a fee in order to use the software. This model provides a strong recurring revenue base for AVEVA which allows us to invest in the future development of our products.

Our business is structured around two lines of business, Engineering & Design Systems (EDS) and Enterprise Solutions (ES).

This enables us to focus our development of products and services to meet both the project-oriented requirements of EPCs and shipbuilders, and the operations management needs of Owner Operators throughout the lifecycles of their assets.



To learn more about AVEVA's target markets and software solutions, visit the video library on the AVEVA website www.aveva.com/videos



Enterprise Solutions

Some of today's biggest business benefits come through better exploitation of information assets. Our information-centric strategy for this is based on the concept of a Digital Information Hub. AVEVA NET creates a central repository for all project and asset information, delivering the right information to the right people at the right time. We are enabling businesses to compress schedules, reduce cost, improve productivity and minimise risk, while maximising safe operations.



Find out more www.aveva.com/enterprise

Our markets

A solid strategy for success

The fundamental growth drivers across our primary markets remain very strong despite the many economic and political changes experienced by the industries we serve. AVEVA's products and services are well positioned to exploit new opportunities created by the evolving business environment of our customers.

AVEVA's success has been built on strong, long-term relationships with our customers, often spanning several decades. These enable us to fully understand the industries we serve and ensure that our technology development strategy meets and anticipates our customers' changing needs.

The industries we serve:

- Oil & Gas
- Power
- Marine
- Chemical & Pharmaceutical
- Mining & Minerals Processing
- Pulp & Paper



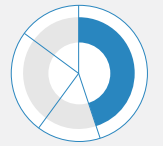
For more information on our markets
turn to pages 12-17

End user markets

Oil & Gas



Revenue contribution



Oil & Gas is a critical industry, meeting 60% of the world's energy needs and providing raw materials used to manufacture products that are essential to our modern lives.

AVEVA has had a long and close relationship with the industry. Our technology continues to enable many of its most advanced engineering developments, both onshore and, increasingly, in the move to more challenging offshore exploration where AVEVA dominates the market.

The economics of the Oil & Gas industry are complicated and subject to short-term fluctuations, but with the market expected to continue its steady growth trend, AVEVA is in a good position to benefit from the forecast high levels of investment in exploration and production (E&P).

Market drivers


- Strong demand from emerging nations
- Tight supply/demand balance
- Trend toward higher oil prices
- No more easy oil
- Enormous backlog of engineering projects
- Record levels of E&P spending (\$600 billion per Barclays Capital)


Global markets

With more than 45 offices around the world, AVEVA provides close support to our global customers across both mature and developing markets.




Power





Revenue contribution



In 2011 the world's population reached 7 billion. Over the next 20 years, as living standards rise, electrical consumption will increase 50%, demanding a sustained long-term investment in power projects worldwide.


While fossil fuels will continue to play a major role in electricity generation, rising fuel costs and tighter environmental legislation are attracting investment in both nuclear and alternative energy.


AVEVA is already a preferred supplier to the world's nuclear industry and is well established in a wide range of other power generation markets.

Market drivers


- World energy consumption will grow 53% between 2008 and 2035
- Fossil fuels will continue to drive energy production
- A range of power options is required to meet world demand
- Nuclear power will remain part of the energy mix in many countries

Marine





Revenue contribution



The marine industry creates the arteries of the world economy, providing the most efficient method of global transportation for commodities, fuel, raw materials and products.

Following a boom in shipbuilding in recent years, the industry today is relatively flat. However, sectors remain buoyant and the over-supply of some vessels creates a demand for refit projects. Strong opportunities are also emerging for complex specialist (FPSO, LNG, FLNG) and naval vessels, where AVEVA has a compelling proposition. AVEVA's marine solution provides the greatest productivity advantage of any product on the market, allowing our customers to diversify effectively and respond competitively as the new-build market picks up.

Market drivers

- The marine industry will remain flat for 2–3 years
- Shipping capacity surplus is stifling new orders
- Specialist sectors remain buoyant (FPSO, LNG, FLNG)
- Continued opportunity in the naval sector

Adjacent markets





Revenue contribution



The features which put AVEVA's technologies at the heart of these key industry sectors also deliver compelling value in other capital industries.

Notable among these are the Chemical, Pharmaceutical, Mining & Minerals Processing, Pulp & Paper and specialist manufacturing sectors. Many of these are concentrated in particular geographies around the world, such as Mining & Minerals in South America, South Africa and Australia and Chemicals in Central Europe.

AVEVA's global presence and local industry expertise provides us with the flexibility to respond to these attractive business opportunities and extend the reach of our products and services into other related industrial sectors.

Our strategy

We continue to meet our strategic business goals

AVEVA has continued to invest in the growth of its business while maintaining an adjusted profit margin of 31.8%. We have a clear strategic focus on exploiting the significant growth opportunities available over the medium and long-term.

To achieve these objectives, AVEVA's development activities are directed at four strategic business goals which influence everything, from business line operations to resource allocation and acquisitions.

Our strategic business goals:

1. Target high growth emerging markets
2. Develop strong relationships
3. Deliver technology innovation and expand our design footprint
4. Accelerate Enterprise Solutions

1

Emerging economies provides a very strong opportunity

High growth markets provide tremendous potential and significant challenges, since each market is unique. These regions have different languages, cultures, governments, industries and levels of business maturity. What works in China may not work in Brazil or India, so AVEVA must develop targeted strategies to meet local market conditions.

2

We constantly seek to improve our relationships with key global customers

AVEVA has a very successful history of working with project-focused EPC companies, and a large part of our revenue is derived from them. Through a more strategic, partnership focus we aim to build even stronger relationships that will encourage greater adoption of our products and services.

3

Continual investment in R&D maintains our technology leadership and provides real value to our customers

AVEVA has a strong reputation for innovation and technology leadership that we work hard to maintain. We continue to invest in software development that anticipates and exceeds the needs of our customers. This helps them to remain competitive and plan for the future in a rapidly changing global marketplace.

4

The Enterprise Solutions market represents a significant growth opportunity

The construction, commissioning and operation of process plant facilities involve many phases and stakeholders. AVEVA understands this complex environment and has strategies and solutions to enhance both project and asset performance. We are uniquely positioned to help EPCs and Owner Operators create management strategies that begin with front-end engineering and design and carry through decommissioning.

Focus on critical activities within plant operations

Major capital assets can be operational for many decades. Expanding AVEVA's products and services to support the operation of major capital assets will grow a stable recurring revenue stream that will span the entire life of the facility.

Working with Owner Operators is a new challenge, but AVEVA's technology and industry experience is well suited to develop this substantial market opportunity and build operational relationships that can span the entire asset lifecycle.



Meeting the unique needs of high growth markets

AVEVA has expanded its global presence in key growth markets, including Brazil, Russia, India and China, and will continue to invest in talented local employees who know our target industries and customers. Offices specialise in AVEVA applications and solutions that are most appropriate to meet local customer needs. This approach has delivered significant new business and provided valuable feedback for the development priorities of future products.



Building strategic partnerships with global customers

AVEVA has formed a new sales team to better service our key accounts. They work closely across all levels of these organisations to improve our support and presence and develop more effective market strategies with quantifiable business benefits for both parties. Customer input is gained through informal discussions as well as our more formal Executive Council events and Reference Group meetings.



Investing in technology for today and for the future

AVEVA sustains its investment in technology and innovation across several fronts. We continue to innovate by increasing the functionality and productivity of our existing software products and work to extend the footprint of our technology by developing complementary products and integrating strategic technology acquisitions. This strategy has been notably successful with the release of our new instrumentation, electrical, and laser scanning applications, which will expand our presence across the existing customer base. In addition, we are continually researching the implementation of game-changing technologies that will support new business models and deliver increasingly higher levels of productivity.



Building new partnerships through an expanded solution offering

AVEVA has established a world-class Enterprise Resource Management (ERM) offering for the Marine and Plant sectors. For Marine clients, our solutions optimise the materials management, planning, procurement and production processes. For the Plant market we have produced an ERM solution that improves project planning, materials and construction management. This is complemented by AVEVA's information engineering and change management capabilities that ensure information integrity to enhance project and asset performance. Our solutions provide compelling process optimisation benefits while becoming deeply imbedded within the working practices of key stakeholders.

Creating new business opportunities to enhance both project and asset performance

AVEVA has drawn together an experienced sales team dedicated to developing strong partnerships with global Owner Operators, allowing us to focus sales, support and product development activities on meeting these long-term customer needs. This market sector demands a consultative approach to the sale and delivery of comprehensive, enterprise-level solutions. Enterprise Solutions has been specifically structured to address the requirements of the Owner Operator market.

Chairman's statement



Nick Prest CBE, Chairman

Summary of review

AVEVA delivered record revenue during the year of £195.9 million, an increase of 13% against the prior year

Adjusted* profit before tax increased by 14% to £62.3 million (2011 – £54.7 million)

We have continued to invest in the business as planned whilst achieving an adjusted* profit margin of 32% (2011 – 31%)

The Board is recommending a final dividend of 17.0 pence (2011 – 14.89 pence), which is an increase of 14% on 2010/11

Overview

I am pleased to report another strong performance from AVEVA in 2011/12, during which we continued to benefit from our market-leading global position in engineering design and information management solutions for the Oil & Gas, Power and Marine industries.

In addition to delivering record results, we enhanced further our long-term potential through a Group reorganisation into two lines of business and a restructuring of our operations in China. These changes, which were key to optimising AVEVA's market position, are delivering the benefits we expected. In our core Engineering & Design Systems business we continued to deliver world-class solutions to our well established customer base through our global network of sales and support offices. We also made good progress in Enterprise Solutions, a market which offers significant growth prospects, laying the foundations for further financial progress in this business area over the course of the next financial year.

Key financials

AVEVA delivered record revenue during the year of £195.9 million, an increase of 13% against the prior year. This was driven by a good second half performance which produced organic growth of 15% over the same period in 2010/11 and 11% for the year.

As a result of the increased revenue, we have seen a similar growth in profits with adjusted* profit before tax increasing by 14% to £62.3 million (2011 – £54.7 million). We have continued to invest in the business as planned whilst achieving an adjusted* profit margin of 32% (2011 – 31%). Adjusted* basic earnings per share amounted to 63.81 pence, an increase of 14% (2011 – 56.08 pence). Reported profit before tax amounted to £57.7 million (2011 – £49.8 million) and basic earnings per share was 58.86 pence (2011 – 50.85 pence).

Operations and technology

At the start of the year we reorganised to focus on two lines of business, namely Engineering & Design Systems and Enterprise Solutions. This was necessary in order to focus better on developing their respective business streams. The reorganisation has gone well and delivered the benefits we expected with greater focus on the different product and service portfolios and a more opportunity-driven, agile Research and Development function.

In our core Engineering & Design Systems we saw a good second half performance resulting in revenue for the year of £172.5 million (2011 – £155.1 million), up 11% compared to the prior year (and 10% excluding the impact of acquisitions). This has been driven by increased renewals and new customer wins from plant customers, particularly in Oil & Gas, whilst Marine has remained subdued.



Find out more
www.aveva.com/investors

We continue to make good progress in Enterprise Solutions with revenue increasing 24% to £23.5 million (2011 – £18.9 million), despite us being unable to recognise a number of substantial and complex wins in the second half, with the result that our order backlog grew significantly to £12.7 million as at 31 March 2012 (2011 – £8.0 million). This momentum and a strong opportunity pipeline puts us in a good position as we enter 2012/13.

During the year we saw a strong performance in EMEA which grew revenue by 21% to £93.4 million (2011 – £76.9 million) driven by Central and Western Europe and Russia. In Asia Pacific, as anticipated, the restructuring in China had an impact on the first half, but this business recovered well in the second half, resulting in total Asia Pacific revenue of £64.4 million (2011 – £66.3 million), a fall of 3%. The outcome in the Americas was again driven by an excellent performance in Brazil and an improved second half performance from North America. The Americas revenue for the year was £38.2 million, up 24% on 2011/12.

Pleasingly, and testifying to the continued strength of our customer relationships and installed base, recurring revenue increased during the year to 70% of total revenue (2011 – 67%).

During the year we continued to develop our software product portfolio to extend our technology leadership position in both lines of business. As a result we invested £32.1 million in Research and Development, an increase of 14% over the prior year and representing 16% of total revenue (2011 – 16%). The main areas of activity were in developing new products in Engineering & Design Systems as well as continuing to extend the functionality of AVEVA NET and the other products in the Enterprise Solutions suite.

Cash and dividend

AVEVA continues to maintain a strong Balance sheet and remains highly cash generative. We achieved a strong second half performance in debtor collections resulting in net cash of £179.0 million at 31 March 2012 (2011 – £153.2 million).

The Board is recommending a final dividend of 17.0 pence (2011 – 14.89 pence), which is an increase of 14% on 2010/11. Combined with the interim dividend of 4.0 pence (2011 – 3.36 pence) this gives a full year dividend of 21.0 pence (2011 – 18.25 pence), an increase of 15%. Subject to approval at the Annual General Meeting, the final dividend will be paid on 27 July 2012 to shareholders on the register on 22 June 2012.

Acquisitions

In October 2011 we acquired LFM Software Limited for a total consideration of £7.3 million. The acquisition provides us with a versatile software portfolio for the management of laser scanned data and semi-automated production of intelligent 3D models, together with a talented team of people experienced in that domain. The acquisition has been successfully integrated with

AVEVA design, engineering and information management solutions to make a powerful offering for the brownfield market.

We are delighted with the recent acquisition of the Bocad group of companies for £14.0 million which significantly strengthens AVEVA's 3D structural detailing capabilities for plant, marine, fabrication and AEC markets. Bocad directly complements AVEVA's world-class 3D design software PDMS and AVEVA Marine. The acquisition will create the industry's only end-to-end offering for engineering design, as well as the addition of best-in-class structural detailing functionality to the AVEVA product portfolio.

The pipeline of acquisition opportunities remains healthy, and AVEVA's strong cash position gives us flexibility to complement our organic growth through further acquisitions that enhance our product offerings and/or our penetration of key geographies and end markets.

People

AVEVA has a team of highly skilled and dedicated employees who are the driving force behind the success of the Group and the excellent performance in 2011/12. On behalf of the Board I would like to thank all our colleagues for their excellent contribution and commitment.

It was recently announced that I would step down as Chairman after the forthcoming Annual General Meeting, to be succeeded by Philip Aiken. It has been a privilege to Chair the AVEVA Board over the past six years, during which time the revenues of the business have almost trebled and the profits more than quadrupled. Richard Longdon, the executive team and the entire AVEVA workforce have done an outstanding job in turning AVEVA's strong technology platform into a global commercial success.

Prospects

AVEVA has strong products, strong underlying market drivers, global presence, long-term customer relationships and a capable and dedicated team of people which together mean that I am confident that the Company will continue on a successful path.

Nick Prest
 Chairman
 28 May 2012

Chief Executive's review



Richard Longdon, Chief Executive Officer

Summary of review

Strong performance in Engineering & Design Systems

Significant growth in Americas (+24%) and EMEA (+21%)

Enterprise Solutions strong momentum

China successfully re-organised, growth back on track

Strong financials – cash conversion 115%, recurring revenue 70%

Increased investment in new technology and products

Focused M&A strategy

Overview

AVEVA enjoyed another excellent year, delivering continuing good growth in revenue, profit and cash. Our strategy of providing market-leading products globally with local customer support has enabled us to benefit from the positive growth trends in many of our industry verticals.

During the year AVEVA has continued to invest significantly in our long-term strategy through product innovation, new office openings in close proximity to our customers and a major investment in and restructuring of our business in China. Decisions made and implemented at the start of the year seemed like tough choices in the first half but persistence has shown these to be the right choices for the long-term health and growth strategy and they contributed positively in the second half.

Last year we reorganised the Group into two lines of business – Engineering & Design Systems and Enterprise Solutions – to place greater emphasis on the differing business models, sales cycles and skills needed to optimise the position of each business line in our target markets.

Our Engineering & Design Systems business performed very strongly. In addition to ongoing investment in Research and Development to extend our technology lead, we successfully acquired the market-leading technology in laser data capture and have integrated this into our Engineering & Design Systems portfolio which puts further distance between AVEVA and our competitors.

Customer case study: Petrofac, Middle East



Not only is Petrofac one of AVEVA's largest customers in the Middle East, it is also one of the region's most successful engineering companies in the Oil & Gas industry.

Petrofac is a long-standing AVEVA customer having initially implemented our PDMS 3D design software in 2000 and since adopted a number of products from the AVEVA Plant portfolio. AVEVA's products and services are helping Petrofac to improve the efficiency of its projects by providing high quality design and deliverables that ensure the correct materials are on site at the right time.





Find out more
www.aveva.com/investors

Enterprise Solutions has developed positively with a number of new customers added during the year as well as important extension business within the growing installed base. Especially important have been those customers where AVEVA NET is now mandated by the owner as a standard solution throughout the supply chain on new capital projects. We have enhanced our delivery capability throughout the year both through organic growth and by working with partners. We enter 2012/13 with a significant order backlog.

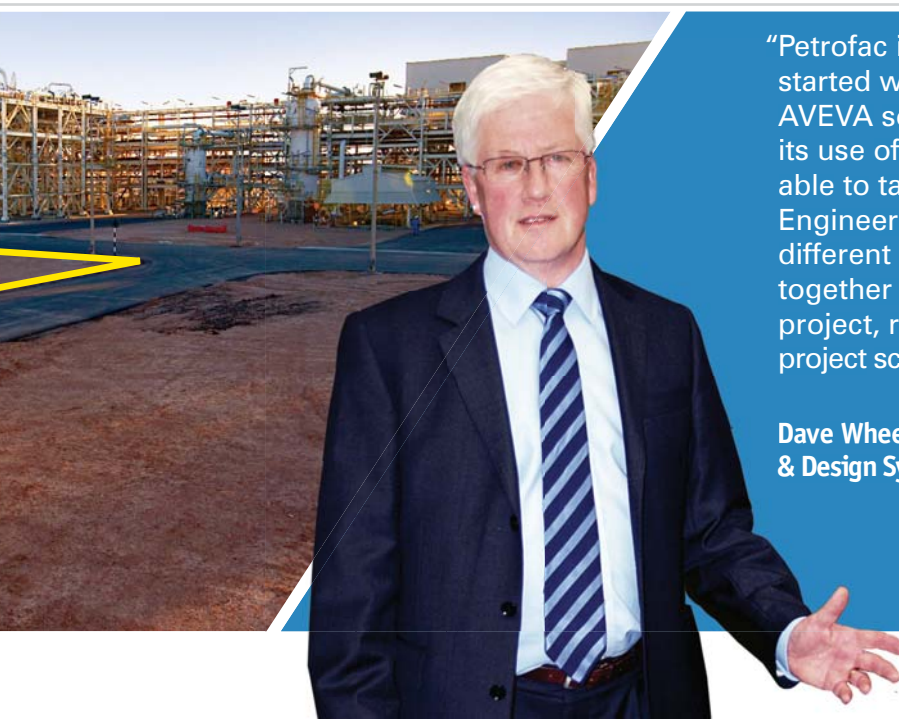
Customer driven solutions

Demand for AVEVA products in our end user markets of Oil & Gas and Power was strong during the year 2011/12, while in Marine, as anticipated, it remained subdued. We have seen an increase in project activity in all areas of Oil & Gas with a notable number of new 'mega projects' utilising both our design tools and AVEVA NET for data integration. We expect these trends to continue throughout the coming year.

Deep-water Oil & Gas has been a major driver for AVEVA revenue globally. This trend is set to continue over the longer term with energy demand forecast to increase by between 30% to 40% by 2030. Deep-water rig activity is at an all time high with an estimated 200 new deep-water fields expected to come on stream over the next four years and deep-water Oil & Gas is forecast to account for 12% of the world's oil production by 2025. With deep-water fields pushing the industry to go farther out and farther down than ever before comes added complexity

of design and engineering. This means an increasing amount of engineering hours is going into projects during the design and engineering phase in offshore Oil & Gas. We expect increasing demand for oil to drive further expansion of the Oil & Gas sector during the coming year. Global exploration and production spending rose 16% in 2011 and is forecast to rise a further 10% in 2012. EPCs also had a good year with their backlog exceeding the all time high in 2008, another trend we expect to continue. (Sources: EIA, Schlumberger, Datamonitor, Douglas Westwood, Barclays Capital).

Power is a long cycle industry in which AVEVA has a broad spread of customers across all regions. AVEVA is involved in all types of conventional power generation which has made up the bulk of our power business to date. With the hesitancy in Europe to commit to new-build nuclear programmes, the only viable alternative to meet short-term demand is for more gas-fired power stations. In China, a similar demand for short-term increases in power will be filled largely by coal burning facilities. AVEVA is well positioned globally across a broad spread of power station manufacturers to benefit from the growth in conventionally fuelled power stations. In the nuclear power industry we are also witnessing the same trend of increased complexity and a drive for safer designs and greater automation. This trend benefits AVEVA not only through increased numbers of design licences used by customers but also by highlighting the advantages available from the use of data management systems like AVEVA NET. The focus for AVEVA in nuclear



"Petrofac is a great example of a company that started with a relatively small deployment of AVEVA software and has dramatically expanded its use of our technology over time. Today it is able to take full advantage of our Integrated Engineering & Design approach that allows many different disciplines to work very efficiently together throughout a design and construction project, reducing costly rework and compressing project schedules."

Dave Wheeldon, CTO and Head of Engineering & Design Systems

Chief Executive's review continued

“AVEVA has continued to invest significantly in our long-term strategy through product innovation, new office openings in close proximity to our customers and a major investment and restructuring of our business in China.”

Customer driven solutions continued

new-build is firmly in China, India and Russia where 56% of the 552 proposed or planned new builds will be located by 2030. (Source: World Nuclear Association).

Sales of the Mars product, acquired in 2010/11, to Marine customers have been strong and our strategy of selling this product outside the Marine customer base is progressing well. Whilst we have made some large scale sales of design tools to Marine customers in Korea we expect the Marine market to remain depressed for at least another two years.

Mining was an important emerging sector for AVEVA during the year and a very solid pipeline is building for future years. In order to maximise the potential of the mining sector we have formed a Mining Centre of Excellence (CoE) in Chile. This is AVEVA's first office in Chile and is part of our expansion plans for the Latin American region. The concept of forming CoEs has worked well for us over recent years with our first being opened almost ten years ago in Guangzhou, China, to serve the Power industry. Following this we opened our Marine CoE in Busan, Korea, which has become a major development location for core product as well as customer-driven add on functionality.

Market summary

Global presence and being close to the customer is one of the core strengths of AVEVA. As noted above, during the year we opened the CoE in Chile as well as an office in North Carolina, USA to develop further our offering in the North American power market. In Europe we opened offices in Wroclaw, Poland, where we acquired the assets of a distributor, and in Helsinki, Finland, again to maximise opportunities in the power generation business.

EMEA and Americas were the standout performers achieving respectively 21% and 24% growth in the year. Within Americas, North America had a flat first half but strong growth in the second half whereas Latin America performed well throughout the year. Despite Korea performing very strongly, as anticipated Asia Pacific slowed in the first half due to the restructuring in China, which then recovered in the second half to generate a good performance for the year as a whole.

We continued to invest significantly in expansion across the BRIC countries with our primary focus to date being on China, Russia and Brazil. In 2012/13 our focus will also be on major expansion in India. AVEVA already has a large installed base in India but these are, for the most part, high value engineering centres of our European and American customers. Between our outsource partner and our operations, we have almost 300 development and engineering staff in our offices in Mumbai and Hyderabad. We intend to build on this to increase our penetration of Indian companies.

China has delivered strong revenue growth for AVEVA over recent years, initially with the major inroads we made into the Power business and more recently via a very dominant position in the Marine sector. Whilst the revenue stream has been strong the structure of our business in China did not fit the usual AVEVA model in that we had two separate organisations selling into the Marine and Power industries. We took the decision to merge the two teams into one, under new management, with the anticipation that we would experience some staff turnover as a result, and there was significant disruption to the sales force in China early in the year. We also decided to form a wholly owned Chinese subsidiary which was completed in the second half

“SETAL really understands that the heart of its business is the engineering information that flows through the projects, as much as the software applications used to create that information. By organising its information in the form of a Digital Information Hub its implementation of AVEVA NET demonstrates just how powerful an information-centric strategy can be. SETAL has integrated all of its information relevant to major engineering and design disciplines within AVEVA NET, allowing it to monitor the health of its engineering data online and measure the improvement in its project operations.”

Derek Middlemas, COO and Head of Enterprise Solutions



and is now operational. The new, reinvigorated organisation has started to perform strongly in the second half. We now have a well-structured, well managed and integrated business in China which we are confident will provide a solid platform for growth in the future.

Engineering & Design Systems

Our Engineering & Design Systems line of business performed well throughout the year. Our investment in new technology has continued with several new products launched during the year and more significant product releases in 2012/13.

In addition to issuing major revisions to almost all products in the AVEVA portfolio during the year we launched three new products, AVEVA Engineering, AVEVA Electrical and AVEVA Laser Modeller. Market feedback and sales figures show that these new products have propelled AVEVA into a technology lead and we now intend to translate this strong product lead into solid market share gains. AVEVA has an unrivalled set of products which can be sold as standalone solutions or bundled with integrated data transfer between applications.

AVEVA has always recognised the need of its customers to progress continually to new technology and has provided a platform which has enabled the migration of data from one generation of product to another. Over the coming year AVEVA will be rolling out a series of new and exciting innovations which it has been developing and trialling with customers. We expect this new technology to herald a new era of innovation across the design process.

Asia Pacific

£64.4m

-3%

2011: £66.3m

Europe, Middle East and Africa

£93.3m

+21%

2011: £76.9m

The Americas

£38.2m

+24%

2011: £30.8m



Customer case study: SETAL, Latin America



AVEVA NET and AVEVA Plant are integrated at SETAL to improve the overall efficiency of its projects through improved information access and sharing.

The Brazilian market demands innovation to sustain its rapid growth and SETAL has taken on this challenge with the help of AVEVA NET. Historically, its project workflow required the transfer of information in large batches, a time-consuming process that frequently resulted in delivery of out-of-date information. The deployment of AVEVA NET together with other AVEVA Plant products now allows the project teams to work in real time, dynamically linking engineering and construction data to make accurate and timely decisions.

Chief Executive's review continued

"Our heritage of providing world-class technology supported by the best people close to the customer is one of our core values."

Enterprise Solutions

Separating out Enterprise Solutions at the start of the year has given more focus to the development of this business. We made good progress marketing the entire solutions portfolio to both existing customers and into the major Owner Operators. During the year we signed a number of new customers and expanded further into many of our installed bases. The strategy of using a dedicated business development team to get close to the customer before deploying the sales team is working well and has enabled AVEVA to improve penetration into new customers. As we enter the new business year we have taken the further step of dedicating sales resources solely to sell into the major Owner Operators. We now have projects running with several of the oil majors and have won engagements with customers in many industry segments including Chemical, Mining and Shipbuilding.

The service delivery model has been enhanced with additional resources within AVEVA and by working with partners. We plan to continue both enhancing our internal service delivery and expanding our partner base in line with the global engagements we are winning. We enter the year with a backlog 59% higher than last year, which can be delivered from our existing resources and partners.

Organisation and people

Innovation is the lifeblood of AVEVA and with this in mind the quality of its people is a major part of the Group's success, both in the continual progression of its world-class products and its ability to innovate, create and introduce new technology in tune with the demands of customers. During recent years AVEVA has invested heavily in human resources, introduced programmes to develop existing staff and provided leadership development for future senior staff.

During the last year permanent staff numbers increased by 13% but turnover remained low. In addition we increased the number of contract staff we use, particularly in India, Russia and Poland. We entered the year having announced that we would form two lines of business as part of our longer-term growth strategy; this meant a significant number of staff having a new line manager, working in a new team or a new role. We have been very pleased with the way everyone adapted and embraced this change and allowed the business to continue to grow even during such a major change. My thanks go to the AVEVA team for the efforts they have put in during the year to both achieve near term targets and help position the Group for another phase of growth. We also welcome LFM Software Limited's employees based in Manchester, UK, who have already integrated well into the AVEVA team.

Acquisition case study: LFM Software

In October of 2011 AVEVA announced its acquisition of the LFM Software business from Z+F GmbH. The acquisition allows AVEVA to extend its product portfolio to include the market-leading product suite for managing laser data in the process and marine industries.

AVEVA and LFM Software provide a powerful laser scanning software suite that allows users to import accurate and detailed 3D survey data from all the leading scanner hardware vendors. This enables users to visualise and manage existing as built assets within AVEVA NET or to create intelligent 3D models inside AVEVA PDMS. The AVEVA laser scanning solutions are delivering a step-change in the efficiency of capturing as-built, brownfield assets for both revamp and long-term operational management.



During the year we introduced the AVEVA Leadership Programme (ALP). Selection was rigorous and each ALP member has a mentor, individual goals and development programmes. ALP members have regular performance reviews in order to discuss their progress. Some have the opportunity of broadening their experience by relocating and taking on roles outside of their normal domain.

The AVEVA graduate programme has been broadened further globally and our challenge has been to attract the very best talent into the Group. We have been very pleased with the quality of our graduate intake over the last two years, which reflects the investment we have made in this area.

Outlook

The AVEVA strategy is to leverage the core strengths of our business in order to maximise sustainable growth. Our heritage of providing world-class technology supported by the best people close to the customer is one of our core values. Keeping our focus on the industries we understand combined with our solid management team and financial strength have been key to growing the business even during a period of severe global economic uncertainty and slowing demand in one of our key industries.

During 2011/12 we continued to invest in products and services to satisfy the more immediate needs of customers as well as investing in innovative new products to enhance the portfolio. As a result, we are well placed to build upon our market leadership position by providing unrivalled engineering design and information management solutions to our global blue chip customer base.

The strong close to last year has put AVEVA in a very good position to deliver against our strategy and to continue our focused investment to expand the business in all areas. We expect growth in the Oil & Gas industry to continue apace along with our expanding presence in Mining. Power is set to provide a solid base of customers continuing to prepare for the growth in Nuclear whilst Marine is expected to remain slow. Geographically, we expect a continued strong performance in Latin America, a return to strong growth in China following the reorganisation and we are continuing to invest in developing a much larger organisation in India. Against this backdrop, we are confident about the prospects for 2012/13.



Richard Longdon
Chief Executive Officer
28 May 2012

*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.



“The acquisition of LFM software was a logical step in our long-standing Z+F relationship. We have been engaged in joint development projects for a number of years and are now able to realise even greater levels of integration between our solutions. The new AVEVA and LFM Software laser scanning solutions are very complementary to our existing products and offer tremendous incremental value to our customers. We will continue to explore other such acquisitions to enable game-changing business benefits for our customers and support our strategic growth plans.”

**Mat Truche-Gordon, Executive Vice President
Business Strategy and Marketing**

Finance review



James Kidd, Finance Director

Summary of review

In 2011/12, AVEVA continued to grow strongly with total revenue of £195.9 million, a record level for the Group and an increase of 13% over the previous financial year

Revenue from Engineering & Design Systems grew by 11% to £172.5 million (2011 – £155.1 million). Revenue from Enterprise Solutions grew by 24% to £23.5 million compared to £18.9 million in 2010/11

Adjusted* basic earnings per share increased 14% to 63.81 pence (2011 – 56.08 pence)

Cash and treasury deposits increased by £25.8 million to £179.0 million

Revenue

In 2011/12, AVEVA continued to grow strongly with total revenue of £195.9 million, a record level for the Group and an increase of 13% over the previous financial year. Recurring revenue increased by 18% to £137.9 million and represented 70% of total revenue. Overall foreign currency rates had a negligible impact on Group revenue but did have an impact on Americas and EMEA as noted below.

The acquired LFM Software business contributed revenue of £1.3 million since becoming part of the AVEVA Group in October 2011.

Revenue by segment

From the start of the 2011/12 financial year, the Group now operates under two lines of business, Engineering & Design Systems and Enterprise Solutions, and the segmental disclosures now reflect the new structure.

Revenue from Engineering & Design Systems grew by 11% to £172.5 million (2011 – £155.1 million) driven predominantly by high customer activity in the Oil & Gas industry.

The recurring revenue base for Engineering & Design Systems continues to grow strongly up £21.3 million (20%) to £129.9 million. We continued to see the strongest demand for rental licences and revenue from these increased by 30% to £86.9 million, which reflects the engineering customers' continuing general preference for the flexibility offered by the rental model. Revenue from initial licence fees in particular was adversely impacted by the reorganisation of our business in China in the first half. Overall, Engineering & Design Systems' initial licence fee revenue was down 12% on the prior year.

Revenue from Enterprise Solutions grew by 24% to £23.5 million compared to £18.9 million in 2010/11. The 2011/12 year included the benefit from having a full year's worth of revenue from the ADB and Logimatic businesses acquired in 2010. After adjustment for the impact of these acquisitions, revenue grew by approximately 14%. The growth in Enterprise Solutions was driven by initial licence fees and services for new contracts won during the year for AVEVA NET and MARS, together with a growing profile of ongoing services work and annual fees for existing projects. Most of the growth came from Oil & Gas customers. Revenue from rental licences declined from the prior year level by £1.4 million as a result of the timing of rental licence renewals.

For Enterprise Solutions we also monitor Revenue backlog, which we define to include all contracted Enterprise Solutions revenue (including software licences and services) that has not yet been recognised but which is expected to be recognised in the next twelve months. Revenue backlog also includes twelve months of annual fees. In the second half of 2011/12, we won a number of new Enterprise Solutions customers and achieved further expansion within existing accounts. A number of substantial and complex wins have not been recognised in the year, which has meant that the revenue backlog has grown by 59% to £12.7 million compared to £8.0 million at 31 March 2011.



Find out more
www.aveva.com/investors

Key Performance Indicators

The Group's key financial and non-financial performance indicators are total revenue, recurring revenue, Enterprise Solutions revenue backlog, segment profit contribution, adjusted* profit before tax, headcount, adjusted* earnings per share and cash conversion ratio. The financial results for the year ended 31 March 2012 are summarised below. These are discussed as part of the review below:

	2012 £000	2011 £000	% change
Revenue			
Recurring revenue	137,890	117,199	18%
Initial licence fees	37,290	40,960	(9%)
Services	20,755	15,829	31%
Total revenue	195,935	173,988	13%
Cost of sales	(16,066)	(18,765)	(14%)
Gross profit	179,869	155,223	16%
Total operating expenses	(123,370)	(106,063)	16%
Profit from operations	56,499	49,160	15%
Adjusted* operating margin	32%	31%	
Net bank interest	1,449	1,151	26%
Net interest on pension scheme	(211)	(516)	(59%)
Adjusted* profit before tax	62,276	54,720	14%
Profit before tax	57,737	49,795	16%
Income tax expense	(17,769)	(15,303)	16%
Profit after tax	39,968	34,492	16%
Earnings per share (pence)			
– basic	58.86p	50.85p	16%
– diluted	58.73p	50.56p	16%
– adjusted* basic	63.81p	56.08p	14%
– adjusted* diluted	63.66p	55.76p	14%

*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 addition, adjusted earnings per share also include the tax effects of these adjustments.

Revenue by geography and end user markets

The EMEA region performed strongly during 2011/12 with revenue up 21% to £93.4 million although this included a £0.6 million benefit from the stronger Euro. On a constant currency basis and after adjusting for the Enterprise Solutions acquisitions made in 2010/11, revenue for the EMEA region increased by 18%. Performance was particularly strong in Russia and Central Europe with most of the growth coming through rental licences. EMEA also benefited from the increased Enterprise Solutions revenue, particularly from services on existing projects.

Revenue from Asia Pacific was down 3% compared to the previous year, primarily due to disruption as a result of the reorganisation in China. The performance of our restructured China business continued to strengthen in the second half of the year and generated some notable customer wins. We are

optimistic that our strong organisational foundations and promising opportunity pipeline will drive a much improved performance from China in 2012/13. Elsewhere in Asia we saw a strong performance in South Korea with a notable customer win SungDong Shipbuilding & Marine Engineering Co. Limited licensing AVEVA Marine for use in offshore projects. The other smaller sub-regions were relatively flat compared to 2010/11 with the marine business remaining stable.

In Americas, revenue grew by 24% to £38.2 million (2011 – £30.8 million) but grew by 27% on a constant currency basis, as Americas benefited from a weaker US Dollar during the period by approximately £1.0 million. Latin America continued to perform very strongly, with Brazil the main driver behind the performance. In North America competitive conditions remained tough but we did see a stronger demand for our design tools in the second half of the year with a number of EPC customers placing additional orders.

Finance review continued

“Recurring revenue increased by 18% to £137.9 million and represented 70% of total revenue.”

Revenue continued

Revenue by geography and end user markets continued

Total revenue from our end user markets was in line with previous periods with Oil & Gas accounting for approximately 45%, Marine 25%, Power 15% and Other (consisting of Mining, Petrochemical, Chemical, Pharmaceutical and Paper and Pulp), 15%. Oil & Gas continued to be the main driver behind the growth during the year with many of our engineering contractor customers continuing to experience strong demand. Marine remained stable with annual and rental fees being renewed but with limited growth of new design seats. Some of the larger yards in Asia have purchased plant licences for the design of offshore Oil & Gas projects. Overall, revenue from Power also remained relatively stable with customers continuing to renew their licences and a reasonable level of initial licence sales.

The revenue of the Group is predominantly in foreign currency, with approximately 35% in US Dollar and 25% in Euro. However, for 2011/12, total revenue was only minimally impacted by exchange rate movements in these and other foreign currencies.

Cost of sales and operating expenses

Included within operating costs for Engineering & Design Systems and Enterprise Solutions are all directly attributable costs such as Research and Development, product strategy, line management, service delivery and implementation costs, technical staff and business development. The Group has a direct sales force that sells the product and service portfolios for both lines of business and therefore these costs are not allocated to either line of business. In addition, shared support functions such as finance, human resources, information technology and facilities and certain common Research and Development costs are also not allocated.

Engineering & Design System's operating costs remained in line with the prior year. Enterprise Solutions' operating costs increased £3.1 million (12%) to £27.9 million. Most of the increase was due to the annualised impact of the investments made in AVEVA NET in 2010/11 and having a full twelve months' worth of costs from the acquisitions in 2010/11. In addition we made some further investments in the first half of the year in business development staff and service delivery staff.

Shared selling and distribution expenses increased by 14% to £46.7 million (2011 – £41.0 million) partly due to salary increases, increase in sales headcount and further geographic expansion such as the opening of new offices in Colombia, Poland and China.

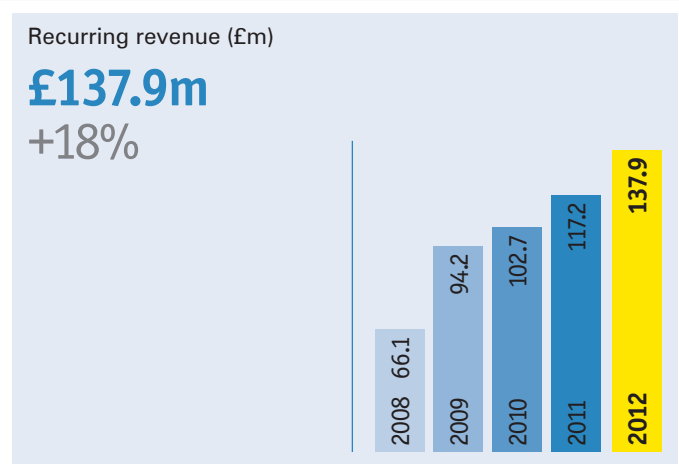
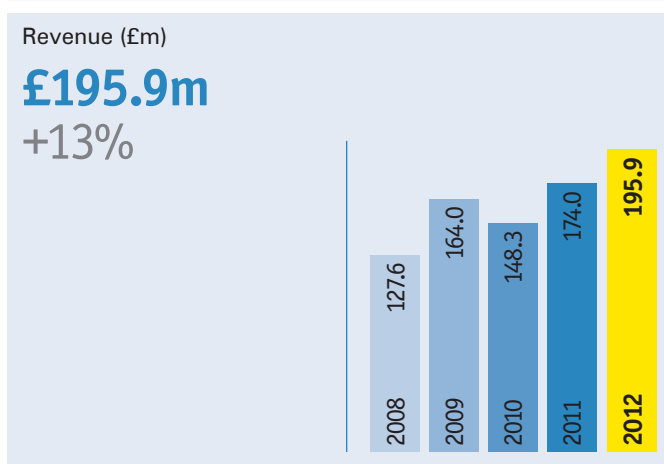
Other shared operating expenses increased by £5.8 million or 37% to £21.3 million (2011 – £15.5 million) because of increased bonus payments, increased shared Research & Development costs and foreign exchange losses.

Engineering & Design Systems had a segment contribution of £133.4 million for the year, up 15% on the prior year. Enterprise Solutions had a segment loss of £4.4 million, an improvement of £1.5 million on 2010/11.

The adjusted* operating margin remained broadly similar to the prior year at 31.8% (2010/11 – 31.4%) or 29.5% (2010/11 – 28.6%) on a statutory basis.

Headcount

Total headcount at 31 March 2012 amounted to 1,055 (2011 – 972), a net increase of 83 staff (including 16 employees from the acquisition of LFM Software Limited). The average headcount during the year was 1,053 (2011 – 902) of which 347 were in research, development and product support (2011 – 248), 515 in sales, marketing and customer support (2011 – 475) and 191 in administration (2011 – 179).



The increase in the average headcount in research, development and product support was due to continuing investment and development of new products together with the impact of the acquisition of LFM Software Limited.

Total staff costs for the year were £81.8 million compared with £72.5 million in 2010/11, an increase of 12.8% due to the increased headcount and inflation related salary increases.

Finance revenue and finance costs

Finance revenue represents bank interest receivable on cash and cash equivalents of £1.5 million (2011 – £1.2 million) and the expected return on the UK defined benefit pension plan of £2.5 million (2011 – £2.4 million). Finance costs principally relate to the interest charge on the pension scheme liabilities of £2.7 million (2011 – £2.9 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 £62.3 million (2011 – £54.7 million). Reported profit before tax for the year was £57.7 million compared to £49.8 million in 2010/11.

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

Taxation

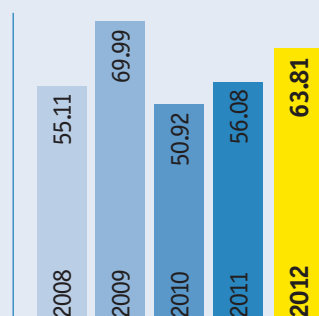
The Group's effective tax rate for the year was 30.8% compared to 30.7% in 2010/11. The main reasons for the effective rate being higher than the UK standard rate of tax applicable during the 2011/12 year were irrecoverable withholding tax suffered in Asia and expenses not deductible for tax purposes.

The Group has tax losses of £0.8 million (2011 – £2.2 million) which relate to overseas subsidiaries for which a deferred tax asset of £0.2 million (2011 – £nil) 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 26% to 24% effective from 1 April 2012 and has further proposed reducing the UK rate by a further 1% per annum to 22% by 1 April 2014. These changes had no material impact on the tax charge of 2011/12 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.

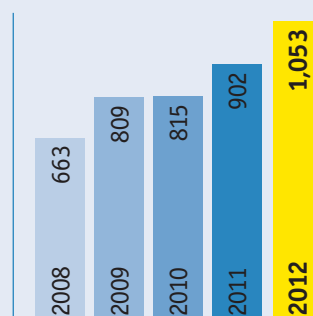
Adjusted* basic earnings per share (p)

63.81p
+14%



Average monthly number of employees

1,053
+17%



Finance review continued

“Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 115% compared to 91% in 2010/11.”

Earnings per share and dividends

Basic earnings per share were 58.86 pence (2011 – 50.85 pence) and diluted earnings per share were 58.73 pence (2011 – 50.56 pence).

Adjusted* basic earnings per share increased 13% to 63.81 pence (2011 – 56.08 pence). Diluted adjusted* earnings per share on the same basis increased 14% to 63.66 pence (2011 – 55.76 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 17.0 pence (2011 – 14.89 pence) which, together with the interim dividend of 4.0 pence (2010 – 3.36 pence), gives a total dividend for 2011/12 of 21.0 pence (2011 – 18.25 pence), a 15% increase over 2010/11. Subject to approval at the Annual General Meeting, the final dividend will be paid on 27 July 2012 to shareholders on the register on 22 June 2012.

Balance sheet and cash flows

AVEVA's Balance sheet continued to strengthen during the year and at 31 March 2012 net assets were £221.5 million compared to net assets of £202.4 million at 31 March 2011.

Cash generated from operating activities before tax in the period amounted to a record £64.7 million (2011 – £44.7 million). Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 115% compared to 91% in 2010/11 which continues to reflect the robust quality of earnings but also a real improvement in working capital management and cash collection. Following a strong trading performance in the final quarter of the financial

year, trade receivables were £63.7 million at the year end (£68.4 million at 31 March 2011) and consequently there remains a strong opportunity for strong cash generation in the first half of the new financial year.

In total, cash and cash equivalents and treasury deposits increased by £25.8 million to £179.0 million. This increase is stated after the impact of the acquisition of LFM Software Limited (£5.7 million) and after total dividends paid during the year of £12.8 million.

The Group 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 2012 represented 79% of the total cash and deposits balance (2011 – 86%). The Group has no debt.

The acquisition of LFM Software Limited created additional intangible assets of £7.6 million, comprising goodwill of £4.3 million, developed technology of £2.4 million and customer relationships of £0.9 million.

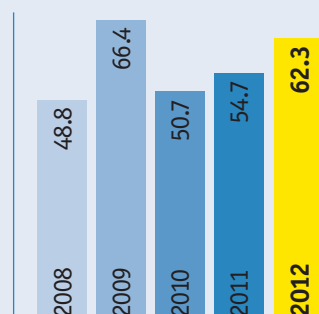
Current assets increased to £247.8 million from £227.4 million principally due to the increase in cash, cash equivalents and treasury deposits. Current liabilities totalled £76.9 million at 31 March 2012 and remained in line with the previous year end (2011 – £77.6 million). Included in current liabilities is a deferred revenue balance of £33.5 million (2011 – £36.4 million) and trade payables and accruals of £26.1 million (2011 – £27.9 million).

Non-current liabilities include retirement benefit obligations of £9.9 million (2011 – £3.0 million). This mainly relates to the UK defined benefit pension scheme which had a deficit under IAS 19

Adjusted* profit before tax (£m)

£62.3m

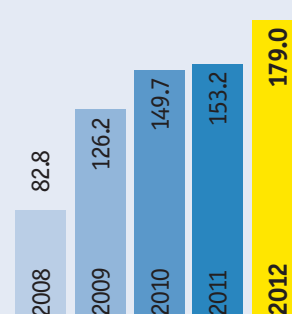
+14%



Net cash and deposits (£m)

£179.0m

+17%



of £7.8 million at 31 March 2012 (2011 – £1.4 million). The increase in the total obligation was caused primarily by actuarial losses of £6.8 million as a consequence of the application of a lower discount rate to scheme liabilities.

Capital structure

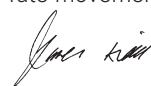
The issued share capital at 31 March 2012 was 68.0 million (2011 – 67.9 million) ordinary shares of 3.33 pence each. During the year the AVEVA Group Employee Benefit Trust 2008 purchased 33,484 ordinary shares in the Company in the open market at an average price of £16.83 per share for total consideration of £563,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2012, the Trust owned 93,763 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 counter-party 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 monies 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.

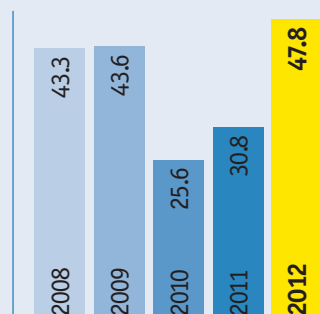
Any cash flows which cannot be offset against each other result in a net currency exposure and where possible these exposures are hedged. These hedges aim to mitigate the risk of exchange rate movements causing earnings volatility.



James Kidd
Chief Financial Officer
28 May 2012

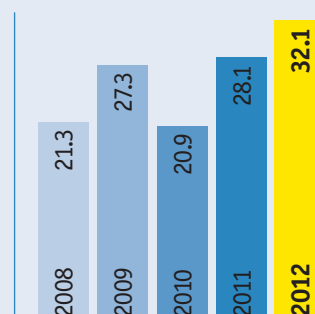
Cash generated from operating activities (£m)

£47.8m
+55%



Research and Development expenditure (£m)

£32.1m
+14%



Risk management

AVEVA has continued to be successful during the year, but as with any organisation there are a number of potential risks and uncertainties that 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. The Group seeks to ensure that its intellectual property rights are appropriately protected by law and seeks to assert its proprietary rights wherever possible.</p>
<p>Dependency on key markets</p>	<p>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. Downturns could cause delays and reductions in investment expenditure and reduced demand for our products and services.</p>

Risk	Explanation and mitigation
Enterprise Solutions	The continued investment in and development of the Group's Enterprise Solutions offerings is seen as significant 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 as quickly as 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. In Engineering & Design Systems, 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. In Enterprise Solutions, we often compete against larger capitalised companies which could pose a greater competitive threat because of their financial capability and scale.
Identification and successful integration of acquisitions	During the year, the Group successfully completed the acquisition of Z+F UK Limited (now renamed LFM Software Limited) 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.
International operations	<p>The Group operates in Continental Europe, the Middle East, North America, 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 growth 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>
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.
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.

Corporate responsibility

Introduction

The AVEVA Group operates both ethically and responsibly in all areas of the business. Our five AVEVA values of Trustworthy, Accessible, Inspiring, Innovative and Flexible are core to the relationships we have with our employees and underpin how we treat our customers, suppliers and partners.

AVEVA strives to maintain a healthy, safe and productive work environment. This dedication is evident through an array of policies focused on social and ethical behaviour, including the AVEVA dignity at work policy which maintains zero tolerance for bullying, discrimination and harassment by or to anyone that is engaged with work at AVEVA.

We take pride in being socially responsible and operating in an ethical manner. These objectives are realised through the positive working relationships we build with partners across all areas of our business operations, including:

- external stakeholders;
- internal stakeholders;
- the environment; and
- the community.

External stakeholders

We seek to be honest and fair in our relationships with both customers and suppliers. Our suppliers are selected by an evaluation based on vendor policies, reputation and contractual terms and conditions.

We have a policy not to offer, pay or accept bribes and, as such, are committed to conducting our business with honesty and integrity. We expect all staff, suppliers and customers to share these high standards of ethical behaviour and foster a culture of openness and accountability.

We ensure transparency in our products, services and costs to show fairness and honesty within our working practices. To enhance our product offering, the training and product support teams provide a high level of customer support to ensure they are using their AVEVA products as effectively as possible, improving project and asset performance and minimising operational risk.

The anti-piracy and compliance team are actively working across the globe to address the issue of organisations illegally using AVEVA software. This is a problem that faces the entire software industry and AVEVA is working hard to protect our software by detecting and pursuing misuse where ever it occurs.

Those organisations that are found to be using AVEVA software illegally will always be given the opportunity to comply with our licensing policies, but ultimately we may need to take legal action.

Internal stakeholders

AVEVA now has over 1,000 employees globally, of which over 600 are based outside the UK. We recognise that our employees are our most valuable asset and we ensure our corporate values are embedded in how we treat our staff and how they treat each other. Our processes to recruit, retain and motivate staff are continually developed which is reflected in an employee retention rate well above the industry norm at 92.5%.

Our Organising for Growth project commenced in 2011/12 and has enabled AVEVA to improve its internal practices and project teams by utilising the benefits of a matrix structure. Our philosophy of continual progression commits AVEVA to a constant review of our working practices and structure in order to meet both business and employee needs.

Communication

Strong communication with employees is key to our growth and to creating an effective working environment. In 2011/12 AVEVA created an internal communications team dedicated to the mission of open and responsive communication to our employees across the globe. The internal communications team, together with 40 regional champions for internal communications, achieves this by providing channels and strategies for both bottom up and top down communication.

In the UK our employee forum, AVEVAvoice, provides employees with the opportunity to discuss business related topics and receive direct feedback from the executive team and globally we have an 'Ask the Exec' portal channel that allow all employees to engage directly with senior management.

Our first global engagement survey was conducted in 2011/12 to gain employee feedback. We had an excellent response rate to the survey of 93% and results showed an engagement index of 80, which gave AVEVA many reasons to celebrate and reinforced our belief that AVEVA is an employer of choice.

Training and development

Our extensive training and development programmes offer opportunities for both professional and personal development. Our key programmes include:

- Our graduate scheme offers a two-year developmental programme in a technical or commercial setting, with four six-monthly work rotations around the AVEVA business.

Charitable giving

In the past year AVEVA has donated over £50,000 to a range of local and global charities. AVEVA continues to donate their foreign currency small coinage to Oxfam and make considerable donations to the Outward Bound Trust and Macmillan Cancer Support. We also encourage employees to get involved with charity fundraising by matching their funds raised.

Some of our charity events over the last year include Race for Life for Cancer Research UK, the Dragon Boat Festival in aid of East Anglia Children's Hospice and Chariots of Fire for the Rosie Maternity Hospital in Cambridge.

Many individuals have taken part in charity runs for The Turbo Trust, St Nicholas Hospice Care, Parkinson's Disease Society and the American Cancer Society and AVEVA has also supported employee activities such as a head shaving day for Cancer Research, Winter Tough Guy 2012 for the NSPCC and Childline and many employees took part in Movember to raise money for Prostate Cancer.

- The 'Grads & Stars' Programme opened up the graduate scheme personal development workshops, which are accredited by the Institute of Leadership & Management, to all employees.
- The Management Development Programme has been designed for managers at all levels and demonstrates AVEVA's belief in the importance and value of people management.
- The Advanced Leadership Programme identifies, trains and champions the leaders of the future.

Through AVEVA's robust performance management process, individual and business needs are assessed regularly and feed into our evolving portfolio of training courses, which include appraisal training, stress management, recruitment training and a wide range of personal development workshops. To complement our training and development programmes, and to help inspire personal growth and encourage internal opportunities, we have introduced a job level structure in 2011 for visibility of career paths.

Benefits

AVEVA continually reviews its reward and compensation schemes and offers a comprehensive and valuable benefits package to all employees which covers financial and non-financial rewards. Financial rewards are competitive with salaries benchmarked locally and globally, and bonus and incentives are assessed through a mix of organisational and personal performance targets, all of which are aligned with the Company's strategic development and the creation of shareholder value.

Non-financial rewards range from flexible working opportunities to subsidised staff canteens. The Group's employment policies are also under continual review and are aimed at either meeting or exceeding the local legislative requirements.

Health and well-being is a key focus for AVEVA. We have introduced wellness programmes in some of our offices and this year we have joined the Global Corporate Challenge to promote healthy living and encourage teamwork.

Environment

As a developer of software and having no manufacturing facilities, AVEVA is classed as a 'low impact' environmental organisation. The majority of software sales are delivered electronically to our customers further reducing package and transport miles.

Particularly within the Oil & Gas industries, AVEVA products provide our customers with the infrastructure capabilities to reduce the risk of environmental damage, thus enabling AVEVA to share our dedication of safety and concern for the environment with our customers.

As employees we make a concerted effort to reduce travel in order to minimise our carbon footprint by continually improving our video and web conferencing facilities for meetings and training. Our ELearning system in particular enables us to deliver training efficiently and effectively, on a global scale at a time that is convenient for colleagues.

We also take an active interest in recycling by using a third party to assist in the disposal of computer hardware in an environmentally friendly manner and ensure daily recycling at offices for paper, cardboard and plastic.

Community

AVEVA is dedicated to the development and well-being of its global and local communities through educational partnerships that improve the sustainability of the engineering industry and through charitable giving.

Educational partnerships

To combat the skills shortages within the engineering industry, AVEVA actively supports the work of educational establishments and government bodies around the world to narrow the skill gap and to raise interest in engineering disciplines. The AVEVA Academic Initiative is a group-wide programme with several key objectives:

- work with universities to promote the use of AVEVA products during under and post graduate projects by providing both software and training support;
- work with government agencies to re-skill engineers for employment in other disciplines by providing free training courses; and
- work with engineering bodies to encourage graduates to pursue careers in engineering.

AVEVA sees its Academic Initiative as a vital strategic investment that will bring long-term benefits to the broader engineering industry around the world. In 2011/12 we provided support to just under 100 universities worldwide and have donated engineering software to initiatives aimed at re-skilling and upgrading the skills of designers and engineers.



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. Nick Prest will be retiring from the Board following the next AGM in July 2012.



Philip Aiken

(appointed 1 May 2012)

Non-Executive Director and Deputy Chairman

Philip Aiken has 40 years' experience in industry and commerce having been, from 1997 to 2006, Group President Energy of BHP Billiton. Prior to that he held senior positions with BTR plc (1995 to 1997) and BOC Group (1970 to 1995). Other roles have included Senior Adviser for Macquarie Capital Europe, Chairman of the 2004 World Energy Congress and serving on the Boards of the Governor of Guangdong International Council, World Energy Council and Monash Mt Eliza Business School. He is Chairman of Robert Walters plc, Senior Independent Director of Kazakhjmys plc and a Director of National Grid plc, Essar Energy plc and Miclyn Express Offshore.



Richard Longdon

(appointed 16 August 1994)

Chief Executive

Richard Longdon received 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 and has a broad range of financial, commercial and international experience. He currently holds a number of directorships with technology based companies. He is Chairman of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub-systems and network technology, and is a Non-Executive Director and Chair of the Audit Committee of IP Group PLC, which commercialises intellectual property from leading UK universities. Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc where he was a key member of the team that developed ARM Holdings to be a leader in its sector.



Philip Dayer

(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 UK listed companies. He was first appointed an Advisory Director in 1983 of Barclays Merchant Bank Limited and since then has held the position of Corporate Finance Director with a number of banks. He retired from Hoare Govett Limited in 2004. Philip was a financial consultant to OJSC Rosneft Oil Company, the Russian state-owned oil and gas company, on their flotation in 2006. Philip is a Non-Executive Director of Kazmunaigas Exploration Production JSC, The Parkmead Group plc, Hurricane Exploration plc, Navigators Underwriting Agency Limited and Chairman of IP PLUS plc.



Hervé Couturier

(appointed 1 April 2010)

Non-Executive Director

Hervé Couturier joined the AVEVA Board in April 2010. He is Executive Vice President, Product Group, at Amadeus, the leader in airline reservation systems. Since 2008, he was 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 until 1997.

Corporate governance statement



Nick Prest CBE, Chairman

Introduction

I am pleased to introduce the 2012 Corporate Governance statement. The Company is committed to the principles of Corporate Governance contained in the UK Corporate Governance Code provided by the Financial Reporting Council and for which the Board is accountable to shareholders. The Company has complied with the provisions of the UK Corporate Governance Code throughout the year and to the date of this report.

Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Remuneration Committee report on pages 36 to 43.

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).

As announced on 26 April 2012, Nick Prest indicated that he wished to step down from the Board at the next AGM in July 2012. With effect from 1 May 2012 Philip Aiken has been appointed as Deputy Chairman and, subject to election by shareholders, will succeed Nick Prest as Chairman after the Annual General Meeting. Further details of the process for the appointment of Mr Aiken are contained in the Nominations Committee report below.

Brief biographical details of all Board members are set out on pages 28 and 29. The membership of all Board Committees is set out on pages 34 and 35.

Operation of the Board

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

- 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 CTO and Head of Engineering & Design and the COO and Head of Enterprise Solutions 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 met eleven times during the year. These meetings, together with any Committee meetings, are generally held at the Group's Head Office in Cambridge or in London and are approximately one day in duration.
- The Board aims that once per year a Board meeting will be held outside the UK at one of the Group's overseas offices. During 2011/12, the September Board meeting was held in Paris, France.
- In addition, the Board holds a full day strategy meeting every year which is generally held at an off-site location at which Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- The Board delegates the day to day responsibility for managing the Group to the Executive Directors.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each Executive are distributed to the Board on a monthly basis.
- Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.
- The Chairman ensures that the Directors take independent professional advice where they judge it necessary to discharge their responsibilities as Directors at the Group's expense 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.

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



Find out more
www.aveva.com/investors

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 28 and 29 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.

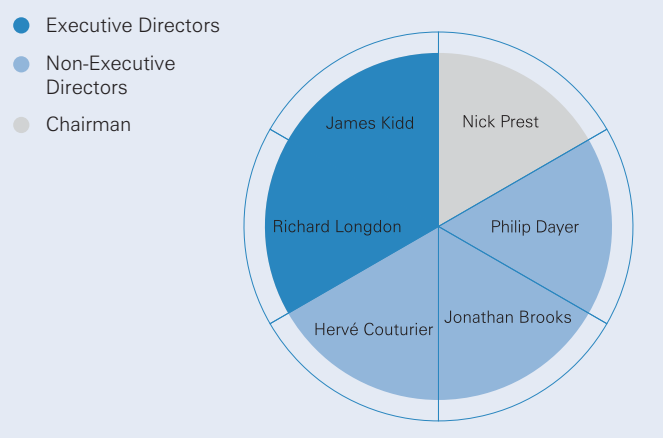
The roles of the Chairman and the Chief Executive are distinct and the division of responsibility between these roles has been clearly established, set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board and ensuring that it meets its obligations and 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.

Matters reserved for the Board

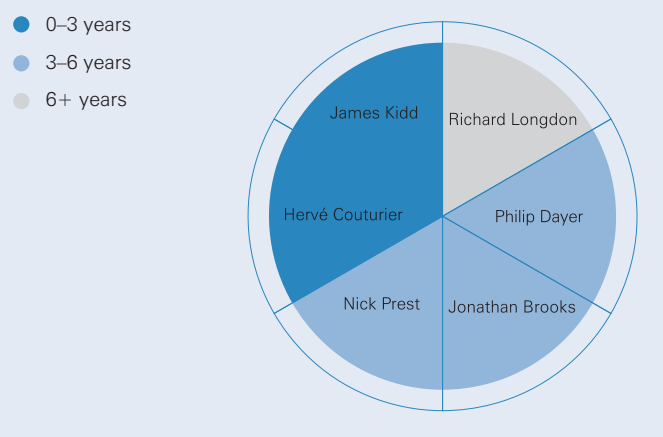
The Board is responsible to shareholders for the proper management of the Group. There is a formal schedule of matters specifically reserved for the Board's decision that covers key areas of the Group's affairs, which include:

- 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.

Balance of Executive and Non-Executive Directors



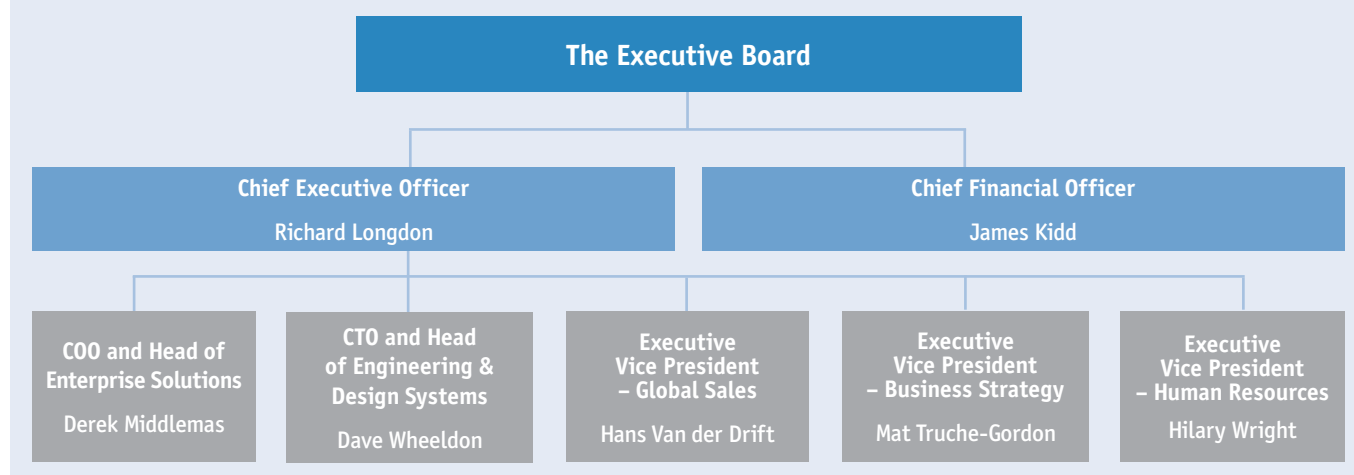
Length of tenure



	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings	Treasury Risk Management Committee meetings
Meetings held	11	4	5	2	2
Meetings attended					
Nick Prest	11	—	5	2	—
Jonathan Brooks	11	4	5	2	2
Philip Dayer	11	4	5	—	2
Hervé Couturier	8	3	—	—	—
Richard Longdon	11	—	—	—	—
James Kidd	11	—	—	—	2

Corporate governance statement continued

Group structure



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:

- each member of the Executive Board 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 Board 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 area 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 2012 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.

Performance evaluation

The UK Corporate Governance Code requires that the Board undertakes a formal annual evaluation of its own performance and that of its Committees and individual Directors and that at least every three years this evaluation should be externally facilitated.

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. Following Nick Prest's decision to step down as Chairman at the next AGM, the Board conducted a high level review of its effectiveness as part of its deliberations on the ideal candidate specification for the new Chairman. It was agreed that it would conduct a more formal and detailed review of board effectiveness in the 2013 financial year once the new Chairman has been appointed.

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.

Indemnities to Directors

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

Policy on appointment and reappointment

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation and also following their appointment. In addition, as in the prior year and in accordance with 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.

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. 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 advisers. The Board is apprised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views. In addition, during 2011, the Group consulted with shareholders in respect of proposals for the remuneration of Executive Directors. 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, Nominations 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 44 and 45.

Corporate governance statement continued

Committees of the Board

The Board has four Committees: Audit, Remuneration, Nominations and Treasury Risk Management. In accordance with the UK Corporate Governance 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.

Audit Committee

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

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. It tests and challenges these areas in conjunction with management and the auditor as appropriate. The Audit Committee met four times during the year.

- 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.
 - The Committee invites the Chief Financial Officer and senior representatives from the auditor to attend meetings as appropriate to the business being considered.
 - The Committee also meets with the auditor without any members of the executive management team being present.
 - The Audit Committee monitors the integrity of the financial statements of the Group and the Committee members (as part of the full Board) review all proposed announcements to be made by the Group to the extent that they contain financial information and consideration is given to any significant financial reporting judgements contained in them.
 - The 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 auditor regarding improvements to internal controls and the adequacy of resources within the Group's finance function.
 - Subsequent to the year end, an Audit Committee meeting was held to review the results of the audit, which was attended by all members.
 - The Audit Committee advises the Board on the appointment of the external auditor and on its remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the external auditor.
 - The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor.
- 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 auditor to supply non-audit services, and a review of the scope of the audit and fee and performance of the external auditor.
- The Audit Committee monitors fees paid to the auditor 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 the auditor did perform non-audit work which mainly consisted of tax compliance work for subsidiaries of the Group, financial and tax due diligence on a number of small acquisition targets 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 auditor is not compromised.
 - Audit partners are rotated every five years and a formal statement of independence is received from the auditor each year. The Board and the Audit Committee are satisfied that the independence of the auditor has been maintained. 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. During the year the Audit Committee received reports from management on various aspects of the Group's operations and internal controls together with recommendations for improvements.

Nominations Committee

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

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 background, 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. The Chief Executive is invited to attend meetings as appropriate to the business being considered.

In late 2011 Nick Prest communicated his decision to retire from the Board in 2012, subject to a suitable succession being arranged. The Nominations Committee met under Nick Prest's Chairmanship and with the participation of the CEO to consider an appropriate process for choosing a successor. A committee was formed to manage the process, chaired by Jonathan Brooks. An external executive search firm with a strong board practice was appointed to assist with the identification of appropriate candidates having considered the requisite skills, knowledge and experience for the position. The short-listed individuals, who included both external and internal candidates, were interviewed by the Committee and met separately with the CEO. As a result the Nominations Committee recommended the appointment of Philip Aiken to the Board, initially as Deputy Chairman then becoming Chairman, subject to shareholder approval, after the AGM in July 2012. Upon his appointment, Philip Aiken was considered to be independent.

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 prior 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.

Treasury Risk Management Committee (TRMC)

Committee Chairman:	Philip Dayer
Committee members:	Jonathan Brooks James Kidd

The TRMC was formed 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 Finance 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 26 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.

Remuneration Committee report



Philip Dayer, Chairman of the Remuneration Committee

Introduction

I am pleased to introduce the Directors' remuneration report for 2012 which has been prepared by the Remuneration Committee and approved by the Board. The format of the report has changed from the 2011 report and we have made these changes to improve the clarity of the report and to focus on the key areas of remuneration policy and changes proposed for the 2012/13 year.

Since the last Remuneration report a number of changes have been proposed that will be effective for the 2012/13 financial year:

Basic salary for the Chief Financial Officer

James Kidd was promoted to the role of Chief Financial Officer in January 2011. On appointment, his remuneration arrangements were positioned significantly below the lower end of the market competitive range given that he was new to a CFO role. Following his strong performance since appointment, and the support he has provided to the CEO in delivering business performance, the Committee decided it appropriate to review his base salary and to increase this to £260,000. The Committee is planning to phase this increase over time and therefore, the CFO's salary will be increased from his 2011 base salary of £175,100 to £230,000 with effect from 1 April 2012 and then, subject to continued strong performance, to £260,000 to be effective from 1 April 2013. The Committee acknowledges that such increases are unusual in the current climate. However, given the strong performance of the CFO over the last year and the overall positioning of his salary and total package, the Committee believes the increase to be appropriate and in the best interests of the business.

Introduction of clawback for annual bonuses

Over the past year, the Remuneration Committee has been mindful of recent developments in good governance on executive remuneration and in particular the emerging prevalence of 'clawback' mechanisms in annual bonus plans. In light of this, the Committee has decided to introduce a 'clawback' mechanism for deferred awards made under the annual bonus plan in respect of awards granted in 2012 onwards if it is subsequently discovered that there has been a material misstatement of results in achieving the original bonus or for gross misconduct.

Changes to the structure of long-term incentive arrangements

During the year, the Committee reviewed the structure of the Long-Term Incentive Plan to ensure that it remained aligned with the business strategy and to ensure that the level of reward delivered at differing levels of performance remained appropriate.

The Committee continues to consider that earnings per share remains the most appropriate measure to incentivise the delivery of the Group's business strategy going forwards. However, given the international nature and scope of our business, the Committee has decided to de-link the LTIP performance condition from RPI for awards made in 2012 onwards. EPS targets have been re-calibrated to ensure a similar level of stretch to the EPS targets for 2011 awards. Further details of the targets are provided below.

In addition, to align arrangements more closely with typical market practice, and to ensure that participants are more fairly rewarded for delivering good performance, the Committee has decided to increase the level of vesting for delivering threshold performance from 0% to 25% of the LTIP award.

Maximum LTIP award levels

Following feedback received from ISS last year, the Committee has also decided to introduce a maximum limit on the LTIP, which was previously uncapped. Going forward the maximum award under the LTIP will be 250% of salary, which will only be awarded in exceptional circumstances, e.g. on recruitment.

The Committee is not proposing to change the current incentive levels for Executive Directors, which will remain at 120% of salary for the CEO and 100% of salary for other Executive Directors. Were the Committee to consider it appropriate to increase these levels, it is committed to consulting with our major shareholders beforehand.

Shareholding guidelines

Finally, in order to ensure that our Executives continue to be strongly aligned with the objectives of our shareholders, we are increasing the shareholding requirement for the CEO to 200% of base salary. The shareholding guideline for the CFO will remain at 100% of base salary.

This report has been prepared in accordance with Schedules 5 and 8 to 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 UK Corporate Governance Code (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 auditor 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 Company's strategy and circumstances, 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 oversees and approves 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 five 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.

The Chief Executive (Richard Longdon) is invited to submit recommendations to the Remuneration Committee and both he and the members of the Committee take into consideration relevant external market data as well as the reviews of remuneration for employees of the Group generally. 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 align them with the Company's strategy and the future creation of shareholder value, 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 and excluding the value of any LTIP awards, 50% of the CEO's and 50% of the CFO's total remuneration is performance related. Including the value of LTIPs, performance-related elements are 67% and 69% respectively.

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 targets that the Committee considers to be demanding. These targets are set taking account of the markets in which the Group operates, our growth ambitions 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.

Any significant changes to remuneration policy are only made following detailed consideration by the committee, consultation with our largest shareholders and often following external advice. The Remuneration Committee has access to detailed external research from independent consultants. During 2010/11, the Committee, supported by Deloitte LLP, undertook a comprehensive review of executive remuneration arrangements. This review considered whether the Group's current remuneration arrangements were 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.

Remuneration Committee report continued

The individual components of the remuneration packages offered are described in more detail below:

	2012/13 policy	Change from 2011/12
Base salary	CEO – £390,000 CFO – £230,000	CEO – 6.8% increase CFO – 31% increase
Bonus and Deferred Shares Scheme	Maximum bonus 100% of base salary, 60% paid in cash, 40% deferred into shares 90% based on financial performance and 10% on individual performance 10% of the financial element of the bonus is based on performance over the first six months of the year with the remaining 80% of the financial is based on performance for the full year	No change
LTIP	CEO maximum LTIP award 120% of base salary CFO maximum LTIP award 100% of base salary Subject to Group EPS performance over three years	Overall maximum award limit introduced at 250% of base salary for exceptional circumstances e.g. on recruitment. No change to award policy. Given the international scope of the business the measurement of EPS has been delinked from RPI. The overall stretch of the targets, however, remains comparable.

Remuneration policy continued

The Committee concluded that the overall structure of remuneration arrangements remains appropriate and effectively incentivises executives to deliver ongoing earnings growth as well as incentivising them to build a strong foundation for the Enterprise Solutions business. The successful delivery of the Enterprise Solutions 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. The Committee will, however, continue to keep remuneration arrangements under review to ensure that they are aligned with our business strategy and the delivery of shareholder value.

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. Richard Longdon was appointed as an advisor to Detica, a division of BAE Systems in July 2011. Prior to his appointment, the Board considered the impact on his role as CEO and concluded that he could still devote sufficient time to his role and therefore approved his appointment. Mr Longdon does not receive a salary for this role but is paid a daily fee for attendance. As Mr Longdon performs these services independently of his duties to the Company, he is thus entitled to receive such compensation.

Remuneration elements

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.

As set out last year, 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 felt that it was reasonable and appropriate to bring his pay more in line with the market. The Committee, therefore, decided to increase his basic salary to £390,000. The Committee concluded that it was appropriate to achieve this increase in two phases to avoid a significant one-off increase. His salary, therefore, was increased from £335,000 to £365,000 with effect from 1 April 2011 (an 8.9% increase) and then to £390,000 (a 6.8% increase) effective from 1 April 2012. Details of the salary increase for the CFO are set out above.

	£
Richard Longdon	390,000
James Kidd	230,000

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. The maximum bonus opportunity for Executive Directors is 100% of base salary. 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. At 100% achievement of bonus performance conditions, 60% of the 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. If the bonus amount is less than or equal to 70% of the potential maximum bonus, then 75% of the bonus is paid in cash and 25% paid in deferred shares. If the bonus amount is between 70% and 100% of the potential maximum then the proportion paid in deferred shares is determined by linear interpolation between 25% and 40%.

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 but the participant must remain 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 or for other compassionate reasons as determined by the Committee. Following cessation of employment by a bonus participant in such circumstances, 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 may be accelerated.

As described above, the Committee has introduced 'clawback' for deferred awards granted in 2012 onwards.

2011/12 bonus

For the annual performance bonus arrangements for 2011/12, 65% of bonus was based on achieving stretching Group adjusted profit before tax (PBT) targets. In addition, 25% of the bonus was based on performance against growth objectives for Enterprise Solutions. The agreed targets were considered to be appropriate and stretching against the budgeted profit for 2011/12 and market conditions prevailing at that time. 10% of the potential bonus was contingent upon achievement of key individual performance objectives which had been agreed by the Remuneration Committee at the start of the financial year. These metrics are specific and measurable and are linked to the strategy and operation of the business. Of the 90% of the bonus based on

financial performance, 10% is based on achievement for the six months to 30 September and the remaining 80% is based on the full year results. For 2011/12, the maximum bonus amount which an Executive Director could earn was 100% of basic salary. Performance targets were partially achieved, with the Group delivering 14% adjusted PBT growth. However, performance targets in respect of the half year to 30 September 2011 and growth objectives for the Enterprise Solutions business were not met. This resulted in a total bonus of 68% of base salary which comprised a cash bonus equal to 51% (2011 – 60%) of basic salary and 17% (2011 – 40%) of basic salary 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 continue to be challenging economic conditions.

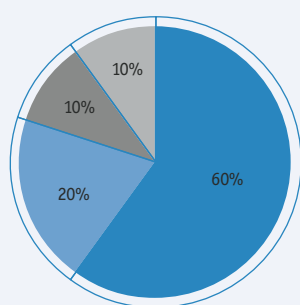
2012/13 bonus

It was agreed that the basis of the 2012/13 annual bonus will be the same as used for 2011/12. It will be based on a combination of the delivery of stretching Group adjusted profit before tax growth performance and the growth in Enterprise Solutions revenues. In addition, 10% of bonus payments to Executive Directors will be contingent on the achievement of key individual performance 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.

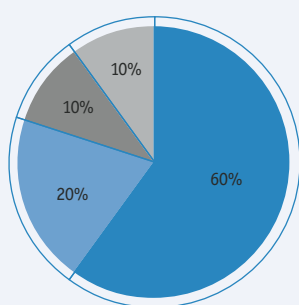
Pensions

Since 2010 when he had accrued the maximum benefits that he is entitled to under the scheme rules, Richard Longdon has been a deferred member of AVEVA Solutions Limited's defined benefit pension scheme. He is no longer accruing any further benefit. 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 he is entitled to a pension on normal retirement, or on retirement due to ill health, equivalent to two-thirds of his pensionable salary provided he has completed (or would have completed in the case of ill health) 25 years' service. 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.

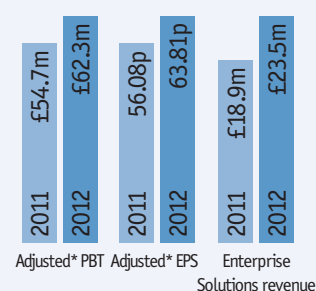
Proportion of total potential bonus 2011/12



Proportion of total potential bonus 2012/13



Performance measures



Remuneration Committee report continued

Remuneration policy continued

2012/13 bonus continued

Pensions continued

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 (2011 – 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 consults with major shareholders and their representative bodies as appropriate regarding the operation of these schemes. 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 (as described above), 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. The performance conditions that would apply under this scheme would be determined prior to the grant of any awards.

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 a minimum share ownership. For the CEO the Committee decided to increase this required shareholding from 100% to 200% of base salary in order to further align his interests with those of our shareholders. The shareholding requirement for the CFO remains at 100% of 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. For 2011/12 and 2012/13 the market value of awards under the LTIP awarded to Richard Longdon and James Kidd amounted to 120% and 100% of basic salary respectively (2010/11 – 100%). The increase in the level of LTIP awards compared to 2010/11 was the result of a review conducted at that time into the remuneration arrangements for Executive Directors and comparison with remuneration packages for Directors of other similar sized companies.

Currently, there are no rules under the LTIP scheme which govern the maximum awards that can be made to participants. However, as set out above, following feedback received from ISS last year, the Committee has decided to introduce a maximum limit on the LTIP. Going forward the maximum award under the LTIP will be 250% of salary, which will only be awarded in exceptional circumstances, e.g. on recruitment.

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:

2008/9 awards

In 2008/9, a total of 17,929 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 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. The performance conditions attached to this award were not met and therefore these awards all lapsed.

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. Although the vesting date has not yet been reached, it is anticipated that the performance conditions attached to this award will be met following finalisation of the 2011/12 financial results and 100% of the award will vest. However, this is subject to the approval of the Remuneration Committee at the time of announcement of the results.

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.

2011/12 awards

In 2011/12 a total of 35,155 share options were awarded to the Executive Directors under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2011/12 to 2013/14. If average diluted EPS growth is more than 12% above RPI for the same period then all the shares under this option will vest. If average diluted EPS growth is less than 5% above RPI then none of the shares will vest. If average EPS growth is between 5% and 12% per annum above RPI then the number of shares that shall vest shall be determined by linear interpolation.

2012/13 awards

It is intended that share options be awarded to Executive Directors at 120% of salary for Richard Longdon and 100% for James Kidd and that performance conditions should be based on EPS growth over a three year period from 2012/13 to 2014/15. As set out above, given the international nature and scope of our business, the Committee has decided to de-link the LTIP performance condition from RPI for awards made in 2012 onwards. EPS targets have been re-calibrated to ensure a similar level of stretch to the EPS targets for 2011 awards. It is proposed that if average annual diluted adjusted EPS growth is more than 15% then all shares under this option will vest. If average annual diluted adjusted EPS growth is less than 8% then no shares will vest. At 8% average annual adjusted diluted EPS growth, 25% of shares will vest and between 8% and 15%, the number of shares that vest will be determined by linear interpolation between 25% and 100%.

Summary of LTIP targets

Award	Performance targets
2008/09 – 2010/11	EPS growth 10% p.a. to 14% p.a. These targets were not met and therefore these awards lapsed in full
2009/10 – 2011/12	Average diluted EPS of 52.14 pence This target was met and the award will vest in full
2010/11 – 2012/13	EPS growth of RPI plus 4% p.a. – RPI plus 12% p.a.
2011/12 – 2013/14	EPS growth of RPI plus 5% p.a. – RPI plus 12% p.a.
2012/13 – 2014/15	EPS growth of 8% p.a. – 15% p.a.

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 2007–2012



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

Remuneration Committee report continued

Remuneration policy 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 the EBT using shares purchased in the market.

On 4 July 2011 the EBT awarded 8,536 and 1,464 deferred shares to Richard Longdon and James Kidd respectively in respect of the bonus arrangements for the year ended 31 March 2011.

Following the achievement of the objectives for 2011/12, it is anticipated that 4,190 and 2,010 deferred shares will be awarded to Richard Longdon and James Kidd respectively in respect of the bonus arrangements for the year ended 31 March 2012.

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
Philip Aiken	1 May 2012	1 May 2012	30 April 2015	3
Nick Prest	10 January 2006	11 January 2006	12 July 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.

As announced on 26 April 2012, Nick Prest has indicated that he will step down from the Board at the next AGM in July 2012.

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. Total fees for Non-Executive Directors are summarised below:

	£
Nick Prest (Chairman)	120,000
Philip Aiken (Deputy Chairman)	115,000
Jonathan Brooks (Chair of the Audit Committee)	48,000
Philip Dayer (Chair of the Remuneration Committee)	48,000
Hervé Couturier	39,000

Upon becoming Chairman, subject to shareholder approval and after the AGM in July 2012, Philip Aiken's fees will be increased to £145,000.

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	2012 Total £000	2011 Total £000
Nick Prest	—	120	—	—	120	110
David Mann	—	—	—	—	—	13
Jonathan Brooks	—	48	—	—	48	44
Philip Dayer	—	48	—	—	48	44
Hervé Couturier	—	39	—	—	39	39
Richard Longdon	365	—	186	25	576	561
Paul Taylor	—	—	—	—	—	337
James Kidd	175	—	89	17	281	72
Aggregate emoluments	540	255	275	42	1,112	1,220

1 In addition to the cash bonus award noted above, it is anticipated that Richard Longdon and James Kidd will be awarded 4,190 and 2,010 deferred shares respectively (2011 – 8,536 deferred shares were awarded to Richard Longdon and 1,464 were awarded to James Kidd) under the Deferred Share Scheme. The estimated monetary value of these awards was £61,594 (2011 – £134,106) for Richard Longdon and £29,548 (2011 – £23,002) for James Kidd.

Share options

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

Scheme	As at 1 April 2011 Number	Granted Number	Exercised Number	Forfeited Number	As at 31 March 2012 Number	Gain on exercise £	Exercise price Pence	Earliest date of exercise	Date of expiry
Richard Longdon									
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
LTIP	—	25,115	—	—	25,115	—	3.33	06.07.14	06.07.18
Deferred Share Scheme (2008)	4,094	—	4,094	—	—	68,247	0.00	26.05.09	Note 1
Deferred Share Scheme (2009)	14,991	—	7,496	—	7,495	124,958	0.00	26.05.10	Note 1
Deferred Share Scheme (2010)	12,471	—	4,157	—	8,314	69,297	0.00	26.05.11	Note 1
Deferred Share Scheme (2011)	—	8,536	—	—	8,536	—	0.00	26.05.12	Note 1
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
LTIP	—	10,040	—	—	10,040	—	3.33	06.07.14	06.07.18
Deferred Share Scheme (2009)	886	—	443	—	443	7,385	0.00	26.05.10	Note 1
Deferred Share Scheme (2010)	737	—	245	—	492	4,084	0.00	26.05.11	Note 1
Deferred Share Scheme (2011)	—	1,464	—	—	1,464	—	0.00	26.05.12	Note 1

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

The market price as at 31 March 2012 was £16.57 (31 March 2011 – £16.15) with a high-low spread for the year of £12.98 to £17.99.

During the year Richard Longdon and James Kidd exercised options over 15,747 and 688 ordinary shares under the Deferred Share Scheme respectively at an exercise price of £nil. The market price on the date of exercise was £16.67 which resulted in an aggregate gain on exercise of £262,502 for Richard Longdon and £11,469 for James Kidd. Richard Longdon retained 7,541 and James Kidd 329 of the shares over which options were exercised.

At 31 March 2012, Richard Longdon owned 385,565 ordinary shares (2011 – 378,024 ordinary shares) and options over 96,762 ordinary shares (2011 – 89,749 options). James Kidd owned 3,555 ordinary shares (2011 – 3,226 ordinary shares) and options over 19,163 ordinary shares (2011 – 10,448 options).

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 39 and 40.

Pensions

Richard Longdon is a member of the AVEVA Solutions Limited defined benefit pension scheme and has accrued the maximum benefit he is entitled to. The Directors had accrued entitlements under the pension scheme as follows:

	Accumulated accrued pension at 31 March 2012 £	Accumulated accrued pension at 31 March 2011 £	Increase in accrued pension during year £	Increase in accrued pension during the year, after removing the effects of inflation £	Transfer value of increase, after removing the effects of inflation, less Directors' contributions £
Richard Longdon	156,644	148,912	7,733	—	—

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 2012 £	31 March 2011 £	Movement, less Directors' contributions £
Richard Longdon	2,709,559	2,164,521	545,038

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.

James Kidd is a member of the AVEVA Group Personal Pension Plan and during 2011/12 received employer contributions of £17,510.

By order of the Board



Helen Barrett-Hague
Company Secretary
28 May 2012

High Cross
Madingley Road
Cambridge CB3 0HB

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 £40.0 million (2011 – £34.5 million). Revenue was £195.9 million (2011 – £174.0 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 17.00 pence per ordinary share (2011 – 14.89 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 27 July 2012 to shareholders on the register at close of business on 22 June 2012.

Business review and future developments

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

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, recurring revenue, segment profit contribution, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2012 are set out in the Finance 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 (2011 – nil). At 31 March 2012, the Group had an average of 32 days' purchases owed to trade creditors (2011 – 18 days').

Research and development

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

Intellectual property

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

Financial instruments

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

Going concern

The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2012 the Group had cash and treasury deposit balances of £179.0 million (2011 – £153.2 million) and no debt. 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)
Richard Longdon (Chief Executive)
James Kidd (Chief Financial Officer)

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2012 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 2012 ordinary shares	At 31 March 2011 ordinary shares
Nick Prest	16,690	16,690
Philip Dayer	7,000	7,000
Jonathan Brooks	—	—
Hervé Couturier	—	—
Richard Longdon	385,565	378,024
James Kidd	3,555	3,226

No changes took place in the interests of Directors in the shares of the Company between 31 March 2012 and 28 May 2012.

Directors' share options are disclosed in the Remuneration Committee report on pages 36 to 43.

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

Resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors, except Nick Prest who has indicated that he wishes to step down from the Board following the AGM. Brief biographical details of all Directors appear on pages 28 and 29.

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 30 to the Consolidated financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

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

There are no restrictions on 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 and pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares there are no special control rights in relation to the Company's shares.

Voting rights

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

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

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

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

Dividends, distributions and liquidation

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

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	As at 31 March 2012		As at 28 May 2012	
	Number	Percentage held	Number	Percentage held
BlackRock	8,261,427	12.15	8,391,677	12.34
Standard Life Investments	2,830,382	4.16	2,867,283	4.22
Legal & General Investment Management	2,704,794	3.98	2,646,130	3.89
Allianz Global Investors	2,519,245	3.71	2,591,229	3.81
Old Mutual Asset Managers	2,274,450	3.35	2,282,300	3.36
Threadneedle Investments	2,115,853	3.11	2,109,314	3.10

Articles of Association

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

Powers of the Directors

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

Appointment of Directors

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

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at the preceding two annual general meetings and who was not appointed

Other statutory information continued

Appointment of Directors continued

or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2012 to stand for re-election.

Charitable and political donations

During the year the Group made charitable donations totalling £49,557 (2011 – £49,618) of which £10,000 was paid to Macmillan Cancer Support and £15,000 to The Outward Bound Trust. The remainder was donated to local and national charities.

No political donations were made in the year (2011 – £nil).

Annual General Meeting

The Annual General Meeting will be held on 12 July 2012 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 93,763 ordinary shares in AVEVA Group plc representing 0.14% (2011 – 127,947 shares 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 are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

Disabled employees

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

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

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, employee newsletters, the Group intranet and presentations from senior management. 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. This year the Group also launched an employee engagement survey. 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.

Auditor

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

Disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 41. Having made enquiries of fellow Directors and of the Company's auditor, 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 auditor is 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 auditor is 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 pages 28 and 29) 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 result 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
28 May 2012



Richard Longdon
Chief Executive

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.

Independent auditor's report

We have audited the Group financial statements of AVEVA Group plc for the year ended 31 March 2012 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 32. 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 auditor

As explained more fully in the Directors' responsibilities statement set out on page 47, 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 2012 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 44, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 30 to 35 relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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 2012 and on the information in the Directors' remuneration report that is described as having been audited.

Ernst & Young LLP

Bob Forsyth (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Cambridge

28 May 2012

Consolidated income statement

for the year ended 31 March 2012

	Notes	2012 £000	2011 restated £000
Revenue	5, 6	195,935	173,988
Cost of sales		(16,066)	(18,765)
Gross profit		179,869	155,223
Operating expenses			
Research and development costs		(32,121)	(28,082)
Selling and distribution expenses		(75,008)	(62,672)
Administrative expenses		(16,241)	(15,309)
Total operating expenses		(123,370)	(106,063)
Profit from operations	7	56,499	49,160
Finance revenue	9	3,962	3,584
Finance expense	10	(2,724)	(2,949)
Analysed as:			
Adjusted profit before tax		62,276	54,720
Amortisation of intangibles (excluding other software)		(3,368)	(2,797)
Share-based payments		(666)	(1,541)
Gain on fair value of forward foreign exchange contracts		308	948
Exceptional items	8	(813)	(1,535)
Profit before tax		57,737	49,795
Income tax expense	12	(17,769)	(15,303)
Profit for the year attributable to equity holders of the parent		39,968	34,492
Earnings per share (pence)			
– basic	14	58.86	50.85
– diluted	14	58.73	50.56

All activities relate to continuing activities.

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

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Profit for the year		39,968	34,492
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(2,777)	3,287
Actuarial (loss)/gain on retirement benefit obligations	28	(7,083)	8,218
Tax on items relating to components of other comprehensive income	12(a)	1,701	(2,509)
Total comprehensive income for the year attributable to equity holders of the parent		31,809	43,488

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

Consolidated balance sheet

31 March 2012

	Notes	2012 £000	2011 £000
Non-current assets			
Goodwill	16	30,839	27,534
Other intangible assets	17	18,605	18,696
Property, plant and equipment	18	8,042	7,721
Deferred tax assets	27	4,009	3,638
Other receivables	20	811	767
		62,306	58,356
Current assets			
Trade and other receivables	20	68,054	73,089
Financial assets	21	223	—
Treasury deposits	22	130,282	123,002
Cash and cash equivalents	22	48,669	30,185
Current tax assets		589	1,125
		247,817	227,401
Total assets		310,123	285,757
Equity			
Issued share capital	30(a)	2,266	2,266
Share premium		27,288	27,288
Other reserves		14,971	17,631
Retained earnings		176,937	155,187
Total equity		221,462	202,372
Current liabilities			
Trade and other payables	23	67,995	69,467
Financial liabilities	24	—	85
Current tax liabilities		8,936	8,005
		76,931	77,557
Non-current liabilities			
Deferred tax liabilities	27	1,855	2,801
Retirement benefit obligations	28	9,875	3,027
		11,730	5,828
Total equity and liabilities		310,123	285,757

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 28 May 2012. They were signed on its behalf by:



Nick Prest
Chairman

Richard Longdon
Chief Executive

Company number
2937296

Consolidated statement of changes in shareholders' equity

31 March 2012

	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	Total £000		
At 1 April 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	30(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
Profit for the year		—	—	—	—	—	—	39,968	39,968
Other comprehensive income		—	—	—	(2,777)	—	(2,777)	(5,382)	(8,159)
Total comprehensive income		—	—	—	(2,777)	—	(2,777)	34,586	31,809
Share-based payments		—	—	—	—	—	—	666	666
Tax on share-based payments		—	—	—	—	—	—	10	10
Investment in own shares		—	—	—	—	(563)	(563)	—	(563)
Cost of employee benefit trust shares issued to employees		—	—	—	—	680	680	(680)	—
Equity dividends	13	—	—	—	—	—	—	(12,832)	(12,832)
At 31 March 2012		2,266	27,288	3,921	12,156	(1,106)	14,971	176,937	221,462

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

Consolidated cash flow statement

for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Profit for the year		39,968	34,492
Income tax	12(a)	17,769	15,303
Net finance revenue	9, 10	(1,238)	(636)
Amortisation of intangible assets	17	3,451	2,890
Depreciation of property, plant and equipment	18	2,161	1,893
Loss/(gain) on disposal of property, plant and equipment	7	35	(49)
Share-based payments	28	666	1,541
Difference between pension contributions paid and amounts recognised in the Consolidated income statement		(413)	(2,321)
Changes in working capital:			
Trade and other receivables		5,462	(27,357)
Trade and other payables		(2,848)	19,872
Changes to fair value of forward foreign exchange contracts		(308)	(948)
Cash generated from operating activities before tax		64,705	44,680
Income taxes paid		(16,927)	(13,876)
Net cash generated from operating activities		47,778	30,804
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(2,601)	(2,087)
Purchase of intangible assets	17	(583)	(527)
Acquisition of subsidiaries and business undertakings, net of cash acquired	15	(5,749)	(13,390)
Proceeds from disposal of property, plant and equipment		110	98
Interest received	9	1,471	1,165
Purchase of treasury deposits (net)	22	(7,280)	(16,447)
Net cash used in investing activities		(14,632)	(31,188)
Cash flows from financing activities			
Interest paid	10	(22)	(13)
Purchase of own shares	30(b)	(563)	(430)
Proceeds from the issue of shares	30(a)	—	2
Dividends paid to equity holders of the parent	13	(12,832)	(11,703)
Net cash flows used in financing activities		(13,417)	(12,144)
Net increase/(decrease) in cash and cash equivalents		19,729	(12,528)
Net foreign exchange difference		(1,245)	(456)
Opening cash and cash equivalents	22	30,185	43,169
Closing cash and cash equivalents	22	48,669	30,185

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

Notes to the consolidated financial statements

1 Corporate information

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

2 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 2012. 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 2012. 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 84 to 87.

b) Restatement of segment disclosure and comparative information

From 1 April 2011, the Group was reorganised so as to place greater emphasis on Enterprise Solutions, which includes AVEVA NET and associated products. The Group is now organised into two lines of business being Engineering & Design Systems and Enterprise Solutions. These two lines of business are now considered to be the two reportable segments for the Group and the segment information in note 6 has been presented accordingly and information for the prior periods has been restated.

Similarly, in line with the Group's development and expanding business, the Directors have reconsidered the categorisation of expenses within the Income statement and have decided to make four discrete amendments. The Directors believe that the revised Income statement presentation more appropriately reflects the nature of the Group's business and reflects what has become industry practice. The comparative Income statement for the year ended 31 March 2011 has been restated to provide a consistent comparison. Research and Development costs of £28,082,000 for the year ended 31 March 2011 which were previously included within Cost of sales are now presented separately on the face of the Income statement. Corporate IT costs of £3,099,000 for the year ended 31 March 2011 that were previously reported within Cost of sales are now included with Administrative expenses and Corporate marketing costs of £1,743,000 that were previously included in Administrative expenses are now included within Selling and distribution expenses. Solution consulting labour costs for Enterprise Solutions that were previously disclosed as part of Selling and distribution expenses are now part of Cost of sales. These costs amounted to £10,778,000 for the year ended 31 March 2011.

c) 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.

d) 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 which have not had a material effect on the Consolidated financial statements in the period of initial application. The other pronouncements which came into force during the year were not relevant to the Group.

Standards:

IAS 24 Related Party Disclosure (revised): The revised standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.

Improvements to the International Financial Reporting Standards (issued 2010)

Interpretations:

IFRIC 14 Prepayments of a Minimum Funding Requirement: The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The interpretation provides guidance on the accounting for 'debt for equity swaps' from the perspective of the borrower.

2 Basis of preparation continued

d) Adoption of new and revised standards continued

New standards and interpretations not yet effective

During the year, the IASB and IFRIC have issued the following standards (although in some cases not yet adopted by the EU) which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

		Effective for periods commencing after
IFRS 7	Amendment – Disclosures – Transfers of Financial Assets	1 July 2011
IAS 12	Amendment – Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 9	Financial Instruments (issued in 2010)	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 27	Revised – Separate Financial Statements	1 January 2013
IAS 28	Revised – Investments in Associates and Joint Ventures	1 January 2013
IAS 19	Revised – Employee Benefits	1 January 2013

The Group intends to adopt these standards in the first accounting period after the effective date. The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Consolidated financial statements in the period of initial application.

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 28 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2012 was £9,875,000 (2011 – £3,027,000).

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 2012 was £3,527,000 (2011 – £3,643,000).

c) Revenue recognition

Revenue from sales of software licences when these are combined with the delivery of significant implementation or customisation services is recognised in line with the delivery of the services to the customer. This policy involves the assessment of which customer projects include significant customisation or implementation and also an assessment of the stage of completion of such projects. We generally only enter into this type of contract in our Enterprise Solutions segment but the assessments and estimates used by the Group could have a significant impact on the amount and timing of revenue recognised on a project.

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 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.

Notes to the consolidated financial statements continued

4 Summary of significant accounting policies continued

a) Revenue continued

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 continuing 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 twelve 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 three 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, which is typically one year, 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 implied initial fee 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, all 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.

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.

4 Summary of significant accounting policies continued

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.

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 three months or less. The carrying amount of these approximates their fair value. For the purpose of the Consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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.

Notes to the consolidated financial statements continued

4 Summary of significant accounting policies continued

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.

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 three deferred members following an acquisition in 1992 by Tribon. No current employees participate in the scheme. Full provision has been made for the liability on the Consolidated balance sheet. The Group also operates a defined benefit pension scheme for one German employee.

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

For the defined benefit schemes, the defined benefit obligation is calculated annually for each plan by 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 expense 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.

4 Summary of significant accounting policies continued

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.

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:

	2012 £000	2011 £000
Annual fees	47,779	45,713
Rental licence fees	90,111	71,263
Recurring services	—	223
Total recurring revenue	137,890	117,199
Initial licence fees	37,289	40,960
Training and services	20,756	15,829
Total revenue	195,935	173,988
Finance revenue	3,962	3,584
	199,897	177,572

Services consist of consultancy, implementation services and training fees.

6 Segment information

From 1 April 2011, the Group was reorganised so as to place greater emphasis on Enterprise Solutions which includes AVEVA NET and associated products. The Group is now organised into two lines of business being Engineering & Design Systems and Enterprise Solutions. These two lines of business are now considered to be the two reportable segments for the Group.

Each line of business is managed separately due to the differing requirements of each market. The products of each of the lines of business are taken to market by a shared sales force that is itself organised into three geographical sales divisions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). Each sales division comprises a number of subsidiary entities and each subsidiary is granted distribution rights to license the Group's software to customers in their respective territories.

The Executive Board, comprising the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, Executive Vice President Sales, Executive Vice President Business Strategy and Marketing, and Executive Vice President Human Resources and Business Services, monitors the operating results of the lines of business for the purposes of making decisions about performance assessment and resource allocation. Performance is evaluated based on adjusted profit contribution 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 Head Office departments are controlled and monitored centrally.

Information concerning the Group's segments is set out below. Disclosure for the year ended 31 March 2011 has been restated to reflect the new organisational structure and lines of business reporting.

Notes to the consolidated financial statements continued

6 Segment information continued

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

Year ended 31 March 2012	Engineering & Design £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	43,063	4,716	47,779
Rental licence fees	86,864	3,247	90,111
Initial licence fees	33,197	4,092	37,289
Training and services	9,350	11,406	20,756
Segment revenue	172,474	23,461	195,935
Operating costs	(39,032)	(27,878)	(66,910)
Segment profit/(loss) contribution	133,442	(4,417)	129,025
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(46,713)
Other shared operating expenses			(21,274)
Net finance revenue			1,238
Adjusted profit before tax			62,276
Exceptional items and other normalised adjustments*			(4,539)
Profit before tax			57,737

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

Engineering & Design revenue includes £1,305,000, relating to the acquired business of LFM Software Limited.

Year ended 31 March 2011 (restated)	Engineering & Design £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	42,031	3,682	45,713
Rental licence fees	66,585	4,678	71,263
Initial licence fees	37,879	3,081	40,960
Training and services	8,562	7,490	16,052
Segment revenue	155,057	18,931	173,988
Operating costs	(38,599)	(24,817)	(63,416)
Segment profit/(loss) contribution	116,458	(5,886)	110,572
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(41,005)
Other shared operating expenses			(15,482)
Net finance revenue			635
Adjusted profit before tax			54,720
Exceptional items and other normalised adjustments*			(4,925)
Profit before tax			49,795

Analysis of revenue by geographical location

	Year ended 31 March 2012			Total £000
	Asia Pacific £000	EMEA £000	Americas £000	
Revenue				
Annual fees	20,497	23,141	4,141	47,779
Rental licence fees	21,230	41,362	27,519	90,111
Initial licence fees	20,301	14,684	2,304	37,289
Training and services	2,378	14,169	4,209	20,756
Total revenue	64,406	93,356	38,173	195,935

6 Segment information continued

Analysis of revenue by geographical location continued

	Year ended 31 March 2011			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
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
Training and services	2,576	9,316	3,937	15,829
Total revenue	66,324	76,857	30,807	173,988

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £16,609,000 and £179,326,000 (2011 – £14,661,000 and £159,327,000) respectively. No individual country accounted for more than 10% 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 £11,647,000 and £46,650,000 (2011 – £13,622,000 and £41,096,000) 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 (2011 – 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:

	2012 £000	2011 £000
Depreciation of owned property, plant and equipment	2,161	1,893
Amortisation of intangible assets:		
– included in Research and Development costs	2,641	2,206
– included in administrative expenses	83	94
– included in selling and distribution expenses	727	590
Staff costs	81,811	72,532
Operating lease rentals – minimum lease payments	4,534	4,442
Loss/(gain) on disposal of property, plant and equipment	35	(49)
Net foreign exchange losses	1,020	2,114

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

	2012 £000	2011 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	250	290
Fees payable to the Company auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	188	172
– tax assurance services	65	62
– other tax services	154	67
– corporate finance services (transaction support)	144	—
– other services pursuant to legislation	5	7
	806	598

8 Exceptional items

Exceptional items comprise acquisition and integration costs.

In 2011/12 costs totalling £813,000 were incurred on acquisition and integration activities. These costs principally relate to fees paid and payable to professional advisers for legal, due diligence and taxation advice and assistance. The costs related to the LFM Software Limited acquisition and the integration of Logimatic Software A/S.

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.

Notes to the consolidated financial statements continued

9 Finance revenue

	2012 £000	2011 £000
Expected return on pension scheme assets	2,491	2,419
Bank interest receivable	1,471	1,165
	3,962	3,584

10 Finance expense

	2012 £000	2011 £000
Interest on pension scheme liabilities	2,702	2,935
Bank interest payable and similar charges	22	14
	2,724	2,949

11 Staff costs

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

	2012 £000	2011 £000
Wages and salaries	67,165	59,425
Social security costs	8,474	7,445
Pension costs	5,506	4,121
Expense of share-based payments	666	1,541
	81,811	72,532

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

	2012 Number	2011 Number
Research, development and product support	347	248
Sales, marketing and customer support	515	475
Administration	191	179
	1,053	902

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 is shown in the audited section of the Remuneration Committee report on pages 42 and 43 and forms 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 2012 and 2011 are as follows:

	2012 £000	2011 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	7,195	7,910
Adjustments in respect of prior periods	(161)	(258)
	7,034	7,652
Foreign tax	10,000	10,311
Adjustments in respect of prior periods	1,393	(1,280)
	11,393	9,031
Total current tax	18,427	16,683
Deferred tax		
Origination and reversal of temporary differences	(184)	(1,171)
Adjustment in respect of prior periods	(474)	(209)
Total deferred tax (note 27)	(658)	(1,380)
Total income tax expense reported in Consolidated income statement	17,769	15,303

12 Income tax expense continued

a) Tax on profit continued

	2012 £000	2011 £000
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	(62)	200
Deferred tax on actuarial (loss)/gain on defined benefit pension scheme	(1,639)	2,309
Tax (credit)/charge reported in Consolidated statement of comprehensive income	(1,701)	2,509

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:

	2012 £000	2011 £000
Tax on Group profit before tax at standard UK corporation tax rate of 26% (2011 – 28%)	15,012	13,943
Effects of:		
– expenses not deductible for tax purposes	189	744
– irrecoverable withholding tax	1,620	2,514
– movement on unprovided deferred tax balances	(291)	(120)
– change in UK tax rate for deferred tax balances	91	(15)
– differing tax rates on overseas earnings	390	(16)
– adjustments in respect of prior years	758	(1,747)
Income tax expense reported in Consolidated income statement	17,769	15,303

At the Balance sheet date the UK government had substantively enacted a 2% reduction in the main rate of UK corporation tax from 26% to 24% effective from 1 April 2012. The government has also proposed reducing the UK corporation tax rate by a further 1% per annum to 22% 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

	2012 £000	2011 £000
Declared and paid during the year		
Interim 2011/12 dividend paid of 4.00 pence (2010/11 – 3.36 pence) per ordinary share	2,715	2,280
Final 2010/11 dividend paid of 14.89 pence (2009/10 – 13.9 pence) per ordinary share	10,117	9,423
	12,832	11,703
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2011/12 of 17.00 pence (2010/11 – 14.89 pence) per ordinary share	11,558	10,121

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 July 2012 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 27 July 2012 to shareholders on the register at the close of business on 22 June 2012.

14 Earnings per share

	2012 Pence	2011 Pence
Earnings per share for the year:		
– basic	58.86	50.85
– diluted	58.73	50.56
Adjusted earnings per share for the year:		
– basic	63.81	56.08
– diluted	63.66	55.76

	2012 Number	2011 Number
Weighted average number of ordinary shares for basic earnings per share	67,901,203	67,831,192
Effect of dilution: employee share options	154,890	384,643
Weighted average number of ordinary shares adjusted for the effect of dilution	68,056,093	68,215,835

Notes to the consolidated financial statements continued

14 Earnings per share continued

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 £39,968,000 (2011 – £34,492,000). 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 29.

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

	2012 £000	2011 £000
Profit after tax for the year	39,968	34,492
Intangible amortisation (excluding software)	3,368	2,797
Share-based payments	666	1,541
Gain on fair value of forward foreign exchange contracts	(308)	(948)
Exceptional items	813	1,535
Tax effect	(1,180)	(1,379)
Adjusted profit after tax	43,327	38,038

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

LFM Software Limited

On 7 October 2011, the Group acquired 100% of the issued share capital of Z+F UK Limited, a UK software company which develops and markets laser scanning software for the capture and management of laser scan data. The company's name has since been changed to LFM Software Limited. The acquisition was satisfied for net consideration of £6.3 million on a debt free/cash free basis. As part of this acquisition, Z+F GmbH, the former parent company of Z+F UK Limited, has also been granted a licence to continue to distribute the Z+F UK software together with Z+F GmbH's laser scanning hardware products. This initial licence has been granted free of royalty up to the value of the first £1 million of royalties over the next five years.

Acquisition costs (including due diligence and professional fees) and integration costs have been included in the Consolidated income statement.

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. Fair values also reflect an adjustment of £422,000 to deferred revenue to align with the Group's accounting policy for revenue.

	Book value £000	Fair value £000
Intangible assets	—	3,288
Property, plant and equipment	109	109
Trade and other receivables	397	397
Cash and cash equivalents	2,188	2,188
Trade and other payables	(866)	(444)
Current tax liabilities	(82)	(82)
Deferred tax liabilities	(4)	(859)
Net assets acquired	1,742	4,597
Goodwill		4,340
Total consideration		8,937
Satisfied by:		
Cash		7,937
Royalty free software		1,000
		8,937
Net cash outflow arising on acquisition:		
Cash consideration		7,937
Less: cash and cash equivalents acquired		(2,188)
		5,749

From the date of acquisition to 31 March 2012, the business contributed £1,305,000 to revenue and £239,000 to profit before tax.

Goodwill represents the value of the assembled workforce and the future synergy benefits of integrating the business in the AVEVA Group. The assembled workforce brings product development skills and expertise, service delivery skills and domain knowledge of the end user markets to the Group.

15 Business combinations continued

Logimatic Software A/S

In the prior year 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.

The fair value of the assets acquired consisted mainly of developed technology of £4,934,000, customer relationships of £2,568,000 and goodwill of £5,561,000.

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

In the prior year 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.

16 Goodwill

	£000
At 1 April 2010	18,177
Additions	7,571
Exchange adjustment	1,786
At 31 March 2011	27,534
Additions	4,340
Exchange adjustment	(1,035)
At 31 March 2012	30,839

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. During 2011/12 and following the change in the definition of the Group's operating segments, the cash-generating units to which balances of goodwill are allocated have also been re-assessed. The carrying amount of goodwill has been allocated to CGUs as follows:

	Engineering & Design £000	Enterprise Solutions £000	Total £000
Year ended 31 March 2012			
On the acquisition of:			
Tribon Solutions AB	16,322	—	16,322
Realitywave Inc.	—	981	981
AEA Technology	1,084	—	1,084
Kyokuto Boeki Kaisha	229	—	229
Logimatic Software A/S	—	5,731	5,731
ADB Systemer AB	—	2,152	2,152
LFM Software Limited	4,340	—	4,340
	21,975	8,864	30,839

	Engineering & Design £000	Enterprise Solutions £000	Total £000
Year ended 31 March 2011			
On the acquisition of:			
Tribon Solutions AB	17,027	—	17,027
Realitywave Inc.	—	978	978
AEA Technology	1,084	—	1,084
Kyokuto Boeki Kaisha	229	—	229
Logimatic Software A/S	—	6,024	6,024
ADB Systemer AB	—	2,192	2,192
	18,340	9,194	27,534

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

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 geographical and industry sector 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 2013 together with the most recent three year business plan and extrapolates cash flows for future years based on an average estimated growth rate of 4% for each CGU (2011 – 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 12% pre-tax (2011 – 10%).

Notes to the consolidated financial statements continued

16 Goodwill continued

Considering the sensitivity levels for the two cash-generating units:

Engineering & Design Systems

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.

Enterprise Solutions

Headroom for goodwill based on current forecast is £36.5 million. Sensitivity levels on these calculations indicate that impairment would need to be considered if:

- discount rate of 18.5% or higher had been used; or
- a long-term growth rate of 0.5% or lower had been used.

17 Intangible assets

	Developed technology £000	Customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost					
At 1 April 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
Additions	—	—	38	545	583
Acquisitions	2,433	855	—	—	3,288
Disposals	—	—	(8)	—	(8)
Exchange adjustment	(568)	(482)	(9)	(2)	(1,061)
At 31 March 2012	22,163	11,505	1,422	6,751	41,841
Amortisation					
At 1 April 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
Charge for the year	2,249	722	83	397	3,451
Disposals	—	—	(8)	—	(8)
Exchange adjustment	(387)	(144)	(14)	(5)	(550)
At 31 March 2012	13,113	3,654	1,343	5,126	23,236
Net book value					
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
At 31 March 2012	9,050	7,851	79	1,625	18,605

For the purposes of the adjusted earnings per share calculation (note 14), intangible asset amortisation excludes the charge relating to other software of £83,000 (2011 – £93,000).

Developed technology

Developed technology includes the MARS technology which was acquired as part of the acquisition of Logimatic Software A/S in 2010/11, the ADB technology that was also acquired in 2010/11 and the LFM software acquired in 2011/12. All amortisation is calculated using the straight-line method over periods of five, five and ten years respectively.

Customer relationships

The customer relationships intangible asset includes those relationships acquired as part of the acquisition of Logimatic Software A/S during 2010/11 and those acquired in 2011/12 as part of the acquisition of LFM Software Limited. The value of these relationships is being amortised using the straight-line method over lives of ten years.

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 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
Additions	96	1,395	796	314	2,601
Acquisition	—	20	89	—	109
Disposals	—	(539)	(235)	(383)	(1,157)
Reclassification	—	166	(166)	—	—
Exchange adjustment	(19)	(123)	(84)	(8)	(234)
At 31 March 2012	3,855	11,663	7,984	1,146	24,648
Depreciation					
At 1 April 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
Charge for the year	169	956	769	267	2,161
Disposals	—	(523)	(157)	(332)	(1,012)
Reclassification	52	133	(185)	—	—
Exchange adjustment	(10)	(82)	(57)	(2)	(151)
At 31 March 2012	1,241	9,767	4,985	613	16,606
Net book value					
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
At 31 March 2012	2,614	1,896	2,999	533	8,042

Notes to the consolidated financial statements continued

19 Investments

At 31 March 2012 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
LFM Software Limited	Great Britain	Software development and marketing	100% ordinary shares of £1 each
AVEVA Chile Spa	Chile	Software marketing	100% of ordinary shares of CLP 1,000 each
AVEVA Solutions (Shanghai) Co. Ltd	China	Software marketing	100% of ordinary shares

* 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

	2012 £000	2011 £000
Current		
Amounts falling due within one year:		
Trade receivables	63,700	68,379
Prepayments and other receivables	3,613	3,714
Accrued income	741	996
	68,054	73,089

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.

20 Trade and other receivables continued

	2012 £000	2011 £000
Non-current		
Prepayments and other receivables	811	767

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

As at 31 March 2012 the provision for impairment of receivables was £3,431,000 (2011 – £3,643,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2010	6,629
Amounts reversed, net of charge for the year	(938)
Utilised	(1,918)
Exchange adjustment	(130)
At 31 March 2011	3,643
Charge for the year, net of amounts reversed	1,081
Utilised	(1,199)
Exchange adjustment	(94)
As at 31 March 2012	3,431

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

	Total £000	Neither past due nor impaired £000	Past due not impaired			
			Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2012	63,700	40,418	17,818	3,291	1,829	344
2011	68,379	42,092	22,103	2,878	1,293	13

21 Financial assets

	2012 £000	2011 £000
Current		
Fair value of forward foreign exchange contracts	223	—

22 Cash and cash equivalents and treasury deposits

	2012 £000	2011 £000
Cash at bank and in hand	48,426	30,094
Short-term deposits	243	91
Net cash and cash equivalents per cash flow	48,669	30,185
Treasury deposits	130,282	123,002
	178,951	153,187

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 £178,951,000 (2011 – £153,187,000).

Notes to the consolidated financial statements continued

23 Trade and other payables

	2012 £000	2011 £000
Current		
Trade payables	4,799	3,399
Social security, employee taxes and sales taxes	7,390	5,180
Accruals and other payables	21,290	24,522
Deferred revenue	33,540	36,366
Deferred consideration	976	—
	67,995	69,467

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.

Deferred consideration represents the remaining balance of the £1,000,000 of royalty-free software that formed part of the consideration of the acquisition of LFM Software Limited.

24 Financial liabilities

	2012 £000	2011 £000
Current		
Fair value of forward foreign exchange contracts	—	85

Borrowing facilities

At 31 March 2012 the Group had no committed bank overdraft or loan facilities.

25 Obligations under leases

At 31 March 2012 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2012		2011	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	3,392	214	3,768	243
After one but not more than five years	4,079	303	5,220	319
	7,471	517	8,988	562

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.

26 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 security of funds, accessibility 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% point decrease in the Sterling and US Dollar interest rates would have reduced interest income by approximately £1,302,000 (2011 – £925,000) and profit after tax by £963,000 (2011 – £666,000).

26 Financial risk management continued

a) Market risk continued

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 and Euro as appropriate. The Group enters into specific forward foreign exchange contracts for individually significant revenue contracts when the timing of forecast cash flows is reasonably certain. In addition, the Group enters into forward foreign exchange contracts to sell US Dollars and Euro to match forecast cash flows arising from its recurring revenue base. These are renewed on a revolving basis as required. At 31 March 2012, the Group had outstanding currency exchange contracts to sell \$13.0 million (2011 – \$17.75 million) and €6.65 million (2011 – €9.5 million).

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

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

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 2010/11.

	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
31 March 2012			
US Dollar	10%	1,670	1,670
	(10%)	(1,838)	(1,838)
Euro	10%	262	262
	(10%)	(289)	(289)
Swedish Krona	10%	203	203
	(10%)	(223)	(223)
<hr/>			
	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)

b) Credit risk

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

Counter-parties 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 each counter-party is subject to a specific limit, up to a maximum of £70 million as set out in the Group's treasury policy.

Notes to the consolidated financial statements continued

26 Financial risk management continued

b) Credit risk continued

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 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 2012				
Trade and other payables	33,479	—	—	—
As at 31 March 2011				
Trade and other payables	33,101	—	—	—

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 2012			
Forward foreign exchange contracts (Euro)			
Outflow	€1,650	€2,000	€3,000
Inflow	£1,463	£1,734	£2,540
Forward foreign exchange contracts (US Dollar)			
Outflow	\$3,250	\$3,750	\$6,000
Inflow	£2,006	£2,348	£3,850
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

26 Financial risk management continued

d) Interest rate profile of financial assets and liabilities

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

Year ended 31 March 2012

	Within one year £000	One to two years £000	Two to three years £000	Total £000
Fixed rate				
Cash and short-term deposits	1,688	—	—	1,688
Treasury deposits	130,220	—	—	130,220
Floating rate				
Cash and short-term deposits	46,981	—	—	46,981
Treasury deposits	62	—	—	62

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

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £48,669,000 (2011 – £30,185,000) and treasury deposits of £130,282,000 (2011 – £123,002,000). 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 assets 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 three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); 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).

At 31 March 2012 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts was £223,000 at 31 March 2012 (2011 – liability of £85,000).

The resulting gain of £308,000 (2011 – gain of £948,000) 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 2011 or 2012.

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.

Notes to the consolidated financial statements continued

27 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 2011	(401)	(200)	366	(2,012)	1,007	2,077	837
Acquisition	—	—	—	(855)	—	(25)	(880)
Credit/(charge) to Income statement	308	6	(131)	(59)	(80)	614	658
Credit/(charge) to other comprehensive income	—	—	1,639	62	—	—	1,701
Charge to equity	—	—	—	—	(142)	—	(142)
Exchange adjustment	(1)	—	—	—	—	(19)	(20)
At 31 March 2012	(94)	(194)	1,874	(2,864)	785	2,647	2,154

* 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:

	2012 £000	2011 £000
Deferred tax liabilities	(1,855)	(2,801)
Deferred tax assets	4,009	3,638
	2,154	837

At the Balance sheet date, the Group has unused tax losses of £795,000 (2011 – £2,241,000) available for offset against future profits. Of the total deferred tax asset of £238,000 (2011 – £760,433), £238,000 (2011 – £nil) has been recognised and is included in 'other' above. 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 £32,172,000 (2011 – £34,100,000). 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.

28 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 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 loss/(gain)	(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
Current service cost	1,388	38	359	1,785
Interest on pension scheme liabilities	2,715	40	—	2,755
Expected return on pension scheme assets	(2,491)	—	—	(2,491)
Actuarial loss/(gain)	6,828	86	169	7,083
Employer contributions	(2,040)	(82)	(94)	(2,216)
Exchange adjustment	—	(39)	(29)	(68)
At 31 March 2012	7,808	759	1,308	9,875

28 Retirement benefit obligations continued

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, Broadstone 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:

	2012 %	2011 %
Main assumptions:		
Rate of salary increases	5.20	5.50
Rate of increase of pensions in payment	2.90	3.30
Rate of increase of pensions in deferment	2.20	2.80
Discount rate	4.60	5.50
Inflation assumption	3.20	3.50
Expected rate of return on scheme assets:		
Equities	6.40	6.30
Bonds	2.90	3.90
Other	0.50	0.50

For the years ended 31 March 2012 and 2011, the following weighted average life expectancy at age 65 for mortality has been used:

	2012 Years	2011 Years
Male pensioners	24.4	24.3
Female pensioners	25.4	25.3
Non-retired males	26.6	26.5
Non-retired females	27.7	27.6

Member contributions were 7.5% (2011 – 7.5%) of pensionable salary. From 1 September 2011 most members' contributions were made by the Company through a salary sacrifice arrangement. Company contributions were £2,040,000 (2011 – £3,647,000 including a one-off contribution of £2,500,000). The total contributions in 2013 are expected to be approximately £2,267,000.

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

	Impact on deficit increase/(decrease)	
	2012 £000	2011 £000
0.25 percentage point increase to:		
– discount rate	(2,829)	(2,353)
– inflation (including pension increases linked to inflation)	1,639	1,392
Additional one year increase to life expectancy	1,103	791

The assets and liabilities of the scheme at 31 March 2012 and 2011 were as follows:

	2012 £000	2011 £000
Equities	31,939	33,841
Bonds	12,869	9,023
Other	5,637	5,034
Total fair value of assets	50,445	47,898
Present value of scheme liabilities	(58,253)	(49,306)
Net pension liability	(7,808)	(1,408)

Notes to the consolidated financial statements continued

28 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

	2012 £000	2011 £000
Recognised in the Consolidated income statement		
Current service cost		
Research and development costs	926	707
Selling and distribution expenses	320	301
Administrative expenses	142	122
Total operating charge	1,388	1,130
Finance revenue		
Expected return on pension scheme assets	(2,491)	(2,419)
Finance costs		
Interest on pension scheme liabilities	2,715	2,897
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	1,794	4,148
Less: expected return on pension scheme assets	(2,491)	(2,419)
	(697)	1,729
Changes in assumptions and experience adjustments on liabilities	(6,131)	6,516
Actuarial (loss)/gain recognised in Consolidated statement of comprehensive income	(6,828)	8,245

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 was 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:

	2012 £000	2011 £000
At 1 April	49,306	52,428
Current service costs	1,388	1,130
Contributions by employees	167	391
Interest on pension scheme liabilities	2,715	2,897
Benefits paid	(1,416)	(980)
Premiums paid	(38)	(44)
Actuarial loss/(gain)	6,131	(6,516)
At 31 March	58,253	49,306

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

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

	2012 £000	2011 £000
At 1 April	47,898	40,736
Expected return	2,491	2,419
Contributions by employer	2,040	3,647
Contributions by employees	167	391
Benefits paid	(1,416)	(980)
Premiums paid	(38)	(44)
Actuarial (loss)/gain	(697)	1,729
At 31 March	50,445	47,898

28 Retirement benefit obligations continued

a) UK defined benefit scheme continued

The history of experience adjustments is as follows:

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	50,445	47,898	40,736	28,691	32,931
Present value of defined benefit obligations	(58,253)	(49,306)	(52,428)	(36,313)	(33,600)
Deficit in the scheme	(7,808)	(1,408)	(11,692)	(7,622)	(669)
Experience adjustments on scheme liabilities	(107)	3,353	1,452	492	56
Experience adjustments on scheme assets	(697)	1,729	8,506	(8,043)	(2,793)

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised directly within other comprehensive income was a loss of £8,007,000 (2011 – loss of £1,179,000). 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 three deferred members following an acquisition in 1992. No current employees participate in the scheme and it is closed to new applicants. Benefit payments are made as they fall due. The scheme was transferred to AVEVA GmbH when Tribon Solutions GmbH and AVEVA GmbH merged in 2005.

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

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

	2012	2011
Rate of increase of pension in payment	2.0%–2.5%	1.75%–2.50%
Discount rate	4.8%–5.3%	5.25%–5.30%
Mortality	15.5 years	16 years
Rate of salary increases	0%–2.5%	0%–2.50%

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2011 – 60 and 63 years of age).

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

	2012 £000	2011 £000
At 1 April	716	703
Current service cost (included in selling and distribution expenses)	38	36
Interest on pension scheme liabilities (included in finance expense)	40	38
Employer contributions	(82)	(79)
Actuarial loss (included in Consolidated statement of comprehensive income)	86	27
Exchange adjustment	(39)	(9)
At 31 March	759	716

The contributions in 2013 are expected to be approximately £43,000.

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:

	2012 %	2011 %
Rate of salary increases	6.00	6.10
Discount rate	4.67	3.78
Inflation assumption	3.00	3.90

The retirement age for AVEVA Korea Limited employees is 60 years of age (2011 – 60 years of age).

Notes to the consolidated financial statements continued

28 Retirement benefit obligations continued

c) South Korean severance pay continued

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

	2012 £000	2011 £000
At 1 April	903	687
Current service cost (included in selling and distribution costs)	359	271
Payment of benefits	(94)	(32)
Actuarial loss	169	—
Exchange adjustment	(29)	(23)
At 31 March	1,308	903

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 2012, Alecta's surplus in the form of collective funding level was 124% (2011 – 144%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to income was £666,000 (2011 – £537,000).

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 £3,055,000 (2011 – £2,147,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

29 Share-based payment plans

The Group has 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:

	2012 Number	2012 WAEP Pence	2011 Number	2011 WAEP Pence
Outstanding at start of year	458,759	2.34	378,220	2.25
Granted during year	174,304	2.69	156,999	2.39
Forfeited during year	(88,414)	2.91	—	—
Exercised during year*	(84,620)	0.67	(76,460)	1.97
Outstanding at end of year	460,029	2.67	458,759	2.34
Exercisable at end of year	15,151	1.19	42,398	1.76

* The weighted average share price at the date of exercise for the options exercised is £16.77 (2011 – £11.98).

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 2012 Number	Number of options 2011 Number	Exercise price Pence
28 June 2006	LTIP	—	12,072	3.33
2 July 2007	LTIP	5,413	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	32,145	72,131	0.00
7 July 2009	LTIP	123,475	137,839	3.33
15 June 2010	Deferred Share Scheme	25,039	44,423	0.00
26 July 2010	LTIP	99,653	112,576	3.33
4 July 2011	Deferred Share Scheme	33,484	—	0.00
6 July 2011	LTIP	140,820	—	3.33
		460,029	458,759	

The weighted average remaining contractual life for the options outstanding at 31 March 2012 is 5.25 years (2011 – 5.32 years).

29 Share-based payment plans continued

The average fair value of options granted during the year was £17.13 (2011 – £12.32). 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 (2011 – £nil to £0.03).

The Group recognised total expenses of £666,000 and £1,541,000 related to equity-settled share-based payment transactions in the years ended 31 March 2012 and 2011 respectively.

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

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

2011/12 awards

In 2011/12 a total of 140,820 share options were awarded to the Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2011/12 to 2013/14. If average diluted EPS growth is more than 12% above RPI for the same period then all the shares under this option will vest. If average diluted EPS growth is less than 5% above RPI then none of the shares will vest. If average EPS growth is between 5% and 12% per annum above RPI then the number of shares that shall vest shall be determined by linear interpolation.

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 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.

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. During 2010/11, the vesting conditions were tested and had not been met. Therefore all of these options have now lapsed.

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 for each of the LTIP awards:

	2011/12 awards	2010/11 awards	2009/10 awards	2008/09 awards
Dividend yield	1.03%	0.70%	1.30%	0.45%
Expected volatility	48.0%	51.0%	52.0%	41.0%
Risk-free interest rate	1.51%	1.51%	2.28%	4.97%
Expected life of the option	3 years	3 years	3 years	3 years
Weighted average share price	£17.73	£13.55	£7.20	£14.92
Weighted average exercise price	£0.03	£0.03	£0.03	£0.03

Notes to the consolidated financial statements continued

29 Share-based payment plans continued

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 July 2011, the AVEVA Group Employee Benefit Trust 2008 awarded 33,484 (2010 – 44,423) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2011 (2010 – bonus earned in year ended 31 March 2010).

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

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:

	2011/12 awards	2010/11 awards
Dividend yield	1.10%	0.81%
Expected volatility	48.0%	51.0%
Risk-free interest rate	1.51%	1.51%
Expected life of the option	3 years	3 years
Weighted average share price	£17.56	£11.69
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.

30 Share capital and reserves

a) Share capital

	2012 £000	2011 £000
Allotted, called-up and fully paid		
67,990,372 (2011 – 67,973,420) ordinary shares of 3.33 pence (2011 – 3.33 pence) each	2,266	2,266

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

	2012 Number	2012 £000	2011 Number	2011 £000
At 1 April	67,973,420	2,266	67,928,208	2,264
Exercise of share options	16,952	—	45,212	2
At 31 March	67,990,372	2,266	67,973,420	2,266

Year ended 31 March 2012

	Number of shares 2012	Nominal value 2012 £	Share premium 2012 £	Market price £
Date of issue				
23 February 2012	16,952	565	—	17.22

30 Share capital and reserves continued

a) Share capital continued

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	—	

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.

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, 33,484 shares were purchased by the EBT at a price of £16.83 and 67,668 shares (2011 – 31,246) with an attributable cost of £680,000 were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2010	1,112
Own shares purchased (15 June 2010)	430
Shares issued to employees	(319)
At 31 March 2011	1,223
Own shares purchased (27 June 2011)	563
Shares issued to employees	(680)
At 31 March 2012	1,106

31 Related party transactions

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

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 contributes to defined benefit or defined contribution pension schemes on their behalf. Members of the key management team also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 42 and 43.

	2012 £000	2011 £000
Short-term employee benefits	2,066	1,724
Share-based payments	921	432
	2,987	2,156

32 Post balance sheet event

On 22 May 2012, the Group acquired 100% of the issued share capital of the Bocad group of companies based in Belgium and Germany. The acquisition consideration was cash of €17.5 million (£14.0 million) on a debt free/cash free basis which has been settled from existing cash resources. In view of the timing of the acquisition it has not been practical to complete the fair valuation of the acquired assets and liabilities.

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.

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 2012 which comprise the Balance sheet and the related notes 1 to 10. 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 auditor

As explained more fully in the Directors' responsibilities statement set out on page 82, 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 2012;
- 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.

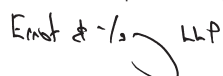
Matters on which we are required to report by exception

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 2012.

 Ernst & Young LLP

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
28 May 2012

Company number
2937296

Company balance sheet

31 March 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	5	28,732	27,482
Current assets			
Debtors	6	129,838	129,838
Cash at bank and in hand		145	145
		129,983	129,983
Creditors: amounts falling due within one year	7	(46,196)	(33,051)
Net current assets		83,787	96,932
Net assets		112,519	124,414
Capital and reserves			
Called-up share capital	8	2,266	2,266
Share premium account	9	27,288	27,288
Merger reserve	9	3,921	3,921
Profit and loss account	9	79,044	90,939
Shareholders' funds	9	112,519	124,414

The financial statements on pages 84 to 87 were approved by the Board of Directors on 28 May 2012 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.

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 FRS 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) Share-based payments

The expense for share-based payments is recognised in accordance with the accounting policy for the Consolidated financial statements of the Group and is recognised in the subsidiary companies employing the relevant employees. The Company recognises the expense relating to the Executive Directors. The Company also records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the FRS 20 cost in the subsidiary undertakings.

e) Investments

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

3 Result 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 loss for the financial year ended 31 March 2012 of £723,000 (2011 – profit £29,619,000).

Audit fees of £7,000 (2011 – £7,000) are borne by another Group company.

The Company does not have any employees (2011 – nil). Directors' emoluments are disclosed in the Remuneration Committee report on pages 36 to 43 and are paid by a UK subsidiary company.

Notes to the Company financial statements continued

4 Dividends

	2012 £000	2011 £000
Declared and paid during the year		
Interim 2011/12 dividend paid of 4.00 pence (2010/11 – 3.36 pence) per ordinary share	2,715	2,280
Final 2010/11 dividend paid of 14.89 pence (2009/10 – 13.9 pence) per ordinary share	10,117	9,423
	12,832	11,703

Proposed for approval by shareholders at the Annual General Meeting

Final 2011/12 proposed dividend of 17.00 pence (2010/11 – 14.89 pence) per ordinary share	11,558	10,121
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The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 July 2012 and has not been included as a liability in these financial statements.

5 Fixed asset investments

	£000
Cost and net book value	
At 1 April 2011	27,482
Share-based payments	1,250
At 31 March 2012	28,732

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

	2012 £000	2011 £000
Amounts owed by Group undertakings	129,838	129,838

7 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Accruals	62	—
Amounts owed to Group undertaking	46,134	33,051
	46,196	33,051

8 Called-up share capital

	2012 £000	2011 £000
Allotted, called-up and fully paid		
67,990,372 (2011 – 67,973,420) ordinary shares of 3.33 pence each	2,266	2,266

	2012 Number	2012 £000	2011 Number	2011 £000
At 1 April	67,973,420	2,266	67,928,208	2,264
Exercise of share options	16,952	—	45,212	2
At 31 March	67,990,372	2,266	67,973,420	2,266

8 Called-up share capital continued

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

Year ended 31 March 2012

Date of issue	Number of shares 2012	Nominal value 2012 £	Share premium 2012 £	Market price £
23 February 2012	16,952	565	—	17.22

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	—	

During the year the Company issued 16,952 (2011 – 45,212) ordinary shares of 3.33 pence each with a nominal value of £565 (2011 – £1,507) pursuant to the exercise of share options. The total proceeds were £565 (2011 – £1,507), which included a premium of £nil (2011 – £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' remuneration report. Note 29 of the Consolidated financial statements for the Group includes details of share option awards made during the year.

9 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2011	2,264	27,288	3,921	73,023	106,496
Profit for the year	—	—	—	29,619	29,619
Share issues	2	—	—	—	2
Dividends paid	—	—	—	(11,703)	(11,703)
At 31 March 2011	2,266	27,288	3,921	90,939	124,414
Loss for the year	—	—	—	(723)	(723)
Share-based payments	—	—	—	410	410
Share options granted to employees of subsidiary companies	—	—	—	1,250	1,250
Dividends paid	—	—	—	(12,832)	(12,832)
At 31 March 2012	2,266	27,288	3,921	79,044	112,519

10 Related party transactions

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

Five year record

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Summarised consolidated results					
Revenue	195,935	173,988	148,334	164,041	127,561
Recurring revenue	137,890	117,199	102,701	94,196	66,104
Research and development expense	32,121	28,082	20,946	27,332	21,301
Adjusted* profit before tax	62,276	54,720	50,685	66,360	48,823
Profit before tax	57,737	49,795	49,574	59,201	44,967
Income tax expense	(17,769)	(15,303)	(16,134)	(17,047)	(10,721)
Profit for the financial year	39,968	34,492	33,440	42,154	34,246
Basic earnings per share	58.86p	50.85p	49.36p	62.27p	50.80p
Adjusted* basic earnings per share	63.81p	56.08p	50.92p	69.99p	55.11p
Total dividend per share	21.00p	18.25p	16.90p	9.36p	6.65p
Summarised consolidated balance sheet					
Non-current assets	62,306	58,356	42,067	42,219	36,378
Cash and cash equivalents and treasury deposits (net)	178,951	153,187	149,724	126,164	82,849
Net current assets	170,886	149,844	141,663	111,265	73,025
Shareholders' funds	221,462	202,372	169,222	143,131	105,746

* 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.

Company information, advisers and Group directory

Directors

Nick Prest CBE

Chairman

Philip Aiken

Non-Executive Director, Deputy 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

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Madingley Road
Cambridge CB3 0HB

Registered number

2937296

Auditor

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One Cambridge Business Park
Cambridge CB4 0WZ

Bankers

Barclays Bank plc

15 Bene't Street
Cambridge CB2 3PZ

Solicitors

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Broadwalk House
5 Appold Street
London EC2A 2HA

Mills & Reeve LLP

Francis House
112 Hills Road
Cambridge CB2 1PH

Joint stockbrokers

Goldman Sachs International

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133 Fleet Street
London EC4A 2BB

Numis Securities Limited

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

Registrars

Capita Registrars Limited

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Financial PR

Hudson Sandler

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London EC1A 7NN

Aalborg, Denmark
Al Khobar, Saudi Arabia

Beijing, China

Bogata, Columbia

Bremen, Germany

Brisbane, Australia

Budapest, Hungary

Busan, South Korea

Calgary, Canada

Cambridge, UK

Charlotte, USA

Chesterfield, UK

Dubai, UAE

Frankfurt, Germany

Genoa, Italy

Guangzhou, China

Hamburg, Germany

Helsinki, Finland

Hong Kong, China

Houston, USA

Hyderabad, India

Karlstad, Sweden

Kuala Lumpur, Malaysia

Lyon, France

Madrid, Spain

Malmö, Sweden

Manchester, UK

Mexico City, Mexico

Melbourne, Australia

Moscow, Russia

Mumbai, India

Oslo, Norway

Paris, France

Perg, Austria

Perth, Australia

Rio de Janeiro, Brazil

Santiago, Chile

Seoul, South Korea

Shanghai, China

Singapore

St Petersburg, Russia

Stavanger, Norway

Stockholm, Sweden

Wilmington, USA

Wroclaw, Poland

Yokohama, Japan

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