AVEVA Group plc Annual report 2008
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AVEVA Worldwide

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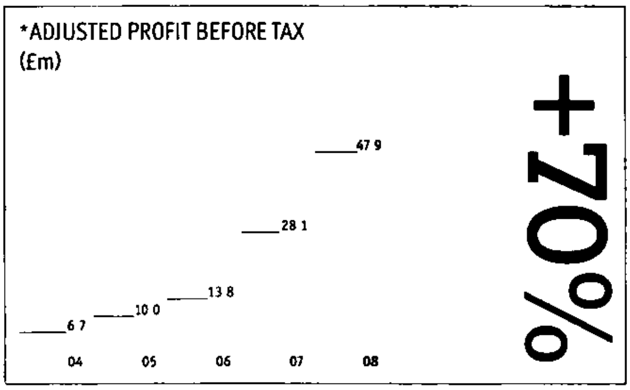
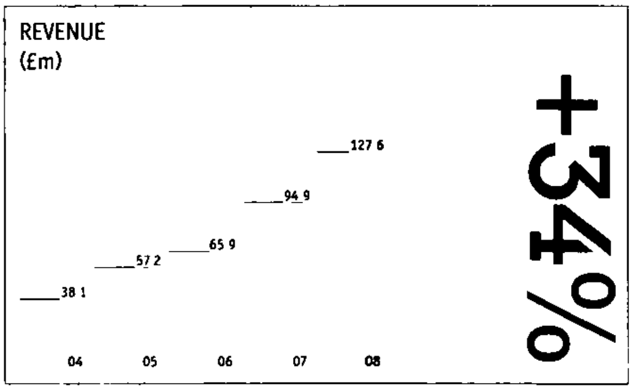
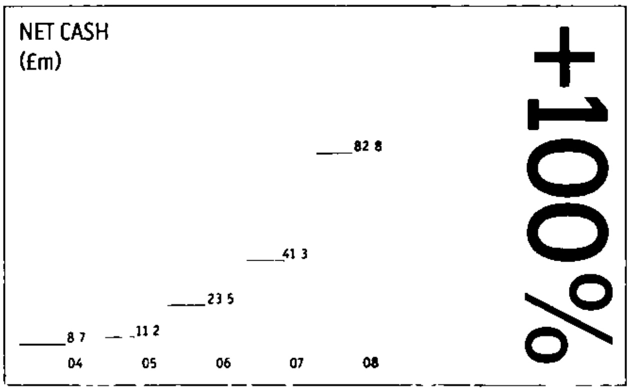
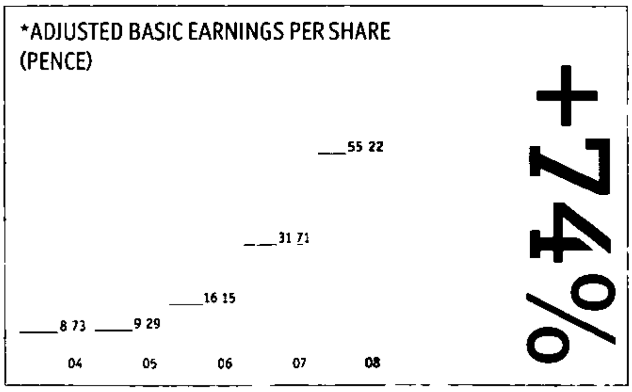
AVEVA is the world's leading engineering IT software provider to the Plant, Power and Marine industries.









* Adjusted profit before tax and adjusted basic earnings per share are calculated before amortisation of intangible assets share-based payments goodwill adjustments restructuring costs and past service credit on the defined benefit pension scheme in the relevant year

Highlights 2008

- Another year of record levels of revenue and profit
- Revenue up by 34% to £127 6 million (2007 – £94 9 million)
- Recurring revenue up 25% to £66 1 million (2007 – £52 7 million)
- Adjusted profit before tax, amortisation, share-based payments and goodwill adjustment up 70% to £47 9 million (2007 – £28 1 million)
- Adjusted earnings per share up 74% to 55 22p (2007 – 31 71p)
- Profit before tax up 83% to £45 0 million (2007 – £24 6 million)
- Basic earnings per share up 91% to 50 80p (2007 – 26 59p)
- Investment in Research and Development up 21% to £21 3 million (2007 – £17 6 million)
- Net cash at the year end of £82 8 million (2007 – £41 3 million)
- Increased final dividend of 5 0p (2007 – 2 94p) bringing the full year dividend to 6 65p (2007 – 4 18p) – an increase of 59%

Contents

Group overview

AVEVA – the world's leading engineering software provider, whose vision and commitment have completely re-defined the Plant, Power and Marine Industries.

These industries require specialised solutions The projects are invariably unique, timescales for equipment and material selection are short, construction usually starts before design is complete, execution is often globally dispersed, and a wide variety of software is used, its selection often mandated by the client

AMERICAS REVENUE

£17.8m

WEMEA REVENUE

£26.3m

Our timeline

24.04.07

AVEVA celebrates its 40 year anniversary

13.06.07

AVEVA opens a Sales and Support office in Mexico This will allow us to better serve our long standing customers such as Pemex and IMP

11.07.07

CHEVRON select AVEVA NET Portal solutions to manage critical information for operators of Agbami which when completed will be the largest FPSO in the world

04.09.07

AVEVA launches PDMS 12 the latest generation of the leading plant design tool PDMS 12 takes the technology platform to new heights of productivity not just for end users and designers but the whole project.

Marine

85% of the world's top 20 shipbuilders use AVEVA technology

Power

80% (21 out of 26) of Class A Certified Chinese Power Design Institutes use AVEVA technology

Oil and Gas

In the last ten years, over 80% of the largest production facilities in the North Sea and the Gulf of Mexico were designed using AVEVA technology

CES REVENUE

£32.7m

ASIA PACIFIC REVENUE

£50.8m

17.12.07

AVEVA is pleased to announce the winners of its 2007 "Engineering Excellence to the Extreme" award AMEC Paragon for delivering significant project savings as a result of using AVEVA's integrated suite of applications, and DuPont, for its rapid design of a new world-class DTT (DuPont Titanium Technologies) plant in Dongying Shandong Province China

22.01.08

AVEVA announces that one of South Korea's leading shipbuilders, Hanjin Heavy Industries & Construction-Tech Inc has signed a multi million USD agreement with AVEVA to equip their new shipyard in the Philippines with AVEVA Marine solutions and AVEVA NET

04.02.08

AVEVA announces that Hyundai Heavy Industries (HHI) will be using AVEVA PDMS in the construction of the Umm Shaif gas injection facilities (USGIF) project, which lies approximately 150km north-west of Abu Dhabi United Arab Emirates

17.03.08

Babcock Marine has selected AVEVA Marine for use on the UK Carrier project because of the proven track record of AVEVA technology on global projects both Naval and Commercial Babcock Marine will execute their portion of the carrier project as part of a distributed engineering workforce across three locations

Operational overview

Power:

CES
REVENUE GROWTH

43%

CES
TOTAL REVENUE (2007 – £22 8 MILLION)

£32.7m

GMT 12:00 +1.00

Case study – AVEVA Power

AVEVA has a long history in the power industry and plays a major role in supporting the global investment in generating capacity AVEVA software is currently being used at over 200 customer sites in more than 30 countries, on power projects ranging from life extensions of conventional plant to the world's first third generation nuclear plant

Mirroring China's rapid industrialisation, AVEVA has become the dominant engineering software supplier to its rapidly growing power industry, serving 21 of the 26 Class A Electric Power Design Institutes, all three national boiler suppliers and much of the Chinese nuclear industry

One of AVEVA's longest-standing power industry customers, EDF is the world's largest operator of nuclear plant Today they are using AVEVA solutions on a new nuclear installation at Flamanville, Northern France, scheduled to begin supplying the grid in 2012 Meanwhile, they continue to use AVEVA PDMS to operate and maintain older generation plant, using data laid down as long as 25 years ago

AVEVA solutions protect our customers' valuable engineering data for the entire life of a project – a vital consideration in the nuclear power industry

LOCATION:
France

CLIENT:
EDF

Operational overview continued

Oil and Gas:

ASIA PACIFIC
REVENUE GROWTH

38%

ASIA PACIFIC
TOTAL REVENUE (2007 – £36 9 MILLION)

£50.8m

GMT 12:00 +7.00

Case study – AVEVA Oil and Gas

Oil and Gas projects are continually increasing in size and complexity This demands not only the most powerful engineering IT and efficient working methods but also, increasingly, the development of collaborative, multi-site projects

WorleyParsons is a global provider of professional services to the energy, resource and process industries They make extensive use of AVEVA PDMS and AVEVA Global, the only proven solutions for collaborative working

Grant McPherson, Piping Design Department Head, at WorleyParsons explained, 'It is now common practice for us to perform engineering and design in multiple centres with fabrication and construction completed somewhere entirely different ' WorleyParsons use a standard PDMS project template to achieve rapid start-up, maximum standardisation and the ability to run projects across multiple locations McPherson continued, 'As a result, we can deploy extremely quickly, move people between projects more effectively and reduce levels of administration A new project can be set up in less than two days at any of our offices This has resulted in considerable financial savings '

AVEVA solutions provide the most productive platform for oil and gas projects of all sizes, from the biggest new installations to the smallest upgrades

LOCATION:

Malaysia

CLIENT:

WorleyParsons

Marine:

South Korea: supporting the future by working closely with 12 educational institutions

GMT 12:00 +8.00

Case study – AVEVA Marine

With the launch of AVEVA Marine 12 series products, AVEVA provides the world's most powerful engineering IT environment for creating vessels and floating structures of any type, size or complexity

To meet booming world demand, shipbuilders in the Asia Pacific region are vigorously ramping up their capacities They increasingly invest in AVEVA Marine solutions to maximise their productivity Hyundai Heavy Industries (HHI) in South Korea is the most productive shipbuilder in this dynamic industry, with around 15% market share In May 2007 they launched the 7,650 tonne AEGIS destroyer Sejongdaewang-Ham (Sejong the Great), designed and built using AVEVA Marine solutions

Thanks to the efficiencies provided by AVEVA Marine's single design database system and datacentric environment, HHI completed this state-of-the-art warship in 30 months All Korean naval shipbuilders now subscribe to AVEVA Marine solutions, HHI itself has worked closely with AVEVA in the final development and user testing of the AVEVA Marine software suite

LOCATION:

South Korea

CLIENT:

Hyundai Heavy Industries

INVESTMENT IN RESEARCH AND DEVELOPMENT INCREASED BY

21%

PROFIT BEFORE TAX INCREASED BY

83%

DIVIDEND INCREASED BY

59%

INCREASE IN CASH BY

100%

AVEVA's success for many years has been built upon our world leading technologies developed specifically for the design of complex engineering projects, our excellent customer relationships and the quality of staff we employ.

NICK PREST, CHAIRMAN

a highly focused

SUMMARY OF CHAIRMAN'S STATEMENT

- AVEVA has delivered another year of record levels of revenue and profit
- continued to grow our sales network
- full year dividend of 6 65p (2007 – 4 18p), an increase of 59%
- welcome as Non-Executive Directors Jonathan Brooks and Philip Dayer

I am very pleased to announce that AVEVA has delivered another year of record levels of revenue and profit whilst increasing investment in our product suite, which provides our customers with world leading engineering IT solutions in the Oil and Gas, Power and Marine markets

Key financials

Revenue grew by 34% to £127 6 million (2007 – £94 9 million) reflecting growth across all our major geographic regions where we continue to see high levels of demand from all our key industries The mix of licence revenue between initial fees and recurring revenue remained broadly in line with prior years, with recurring revenue of £66 1 million (2007 – £52 7 million) and initial fees of £52 9 million (2007 – £34 2 million)

Adjusted profit before tax, amortisation share-based payments and goodwill adjustment increased by 70% to £47 9 million (2007 – £28 1 million) and adjusted earnings per share increased by 74% to 55 22p (2007 – 31 71p) Profit before tax amounted to £45 0 million (2007 – £24 6 million)

Investment over many years in both our direct sales channel and our product suite has been key to our current success This year has been no exception as we continued to grow our sales network, resulting in substantial increases in headcount and office expansions

Investment in Research and Development increased by 21% to £21 3 million (2007 – £17 6 million) This year has seen major new releases of existing products addressing many of the issues our customers encounter in increasingly large and complex global projects We also continued to invest in new products aimed at our existing vertical markets which address how our customers can manage their high value assets through the full life cycle of ownership from the planning and specification stages through to construction, operations and maintenance

Cash continued to grow in line with trading and now amounts to £82 8 million (2007 – £41 3 million), reflecting the underlying strength of cash conversion in the business

Dividend

The continued strength in trading has led the Board to recommend an increased final dividend of 5 0p (2007 – 2 94p) Together with the interim dividend of 1 65p (2007 – 1 24p) this gives a full year dividend of 6 65p (2007 – 4 18p), an increase of 59%

Subject to approval at the Annual General Meeting the final dividend will be paid on 1 August 2008 to shareholders on the register on 27 June 2008

People

Our success for many years has been built upon the quality of the staff we employ and the development and maintenance of our relationships with our customers The efforts from all our staff worldwide have been exceptional and this has allowed us to capitalise on the strength of the markets in which we operate and maintain our market leading position Our customers, who are currently experiencing exceptionally high levels of demand, have continued to entrust us with developing solutions that will help keep their organisations at the forefront of this expansion by improving efficiency and productivity

On behalf of the Board I would like to thank all those that have contributed to our success

Board changes

There were some changes to the Board in the course of the year We are pleased to welcome as Non-Executive Directors Jonathan Brooks and Philip Dayer Jonathan has extensive experience of finance and operations in quoted international technology companies and Philip has a background in international capital markets and corporate development. We look forward to their contribution going forward At the end of the financial year Colin Garrett retired from the Board having served for many years as Non-Executive Director and Chairman of the Audit Committee We are very grateful to him for his contribution to the development of AVEVA

Outlook

Looking ahead the Board believes the outlook for the current year remains very positive for the business The industries we serve remain buoyant, driven by high commodity prices and strong underlying end-user demand The strength of our technology and market position combined with our focus on serving the needs of the Oil and Gas, Power and Marine industries today and in the future augur well for the continued success of our business

Nick Prest
Chairman

and truly global organisation...

Richard Longdon
Chief Executive

Paul Taylor
Finance Director

GROWTH IN ASIA PACIFIC REVENUE

38%

GROWTH IN AMERICAS REVENUE

32%

GROWTH IN WEMEA REVENUE

21%

GROWTH IN CES REVENUE

43%

With our financial strength, well developed direct sales and support organisation as well as a clear product roadmap, AVEVA is very well positioned for continued growth in this exciting market.

RICHARD LONGDON, CHIEF EXECUTIVE

global provider

Our business

AVEVA is a global provider of engineering software headquartered in Cambridge It has over 30 offices around the world giving direct representation in over 24 countries

AVEVA delivers world leading technologies which support the efficient design and operation of complex engineering projects in the Oil and Gas, Power, Marine, Paper and Pulp, Chemical and Mining industries These demanding industries, that once used drawing boards and plastic models, now depend on AVEVA's integrated engineering software to drive every phase of a project's engineering workflow From initial design and specification, through 3D engineering layout to procurement, materials management and project control, AVEVA's software combines technical excellence with unrivalled data integrity – all within a framework of applications flexible enough to meet the diverse requirements of all its users The Group s continual progression has spanned five decades, during which time AVEVA has unveiled a number of leading-edge innovations in its industry, formed partnerships with major technology suppliers in specialist fields, and acquired a number of companies that have complemented its core solutions

Our customer relationships, which have evolved over many years, remain a key component to AVEVA's success and are as strong as ever We will continue to work closely with all of our customers as this important interaction helps AVEVA to shape its product roadmap for the future

Our strategy is to remain a world class provider of technologies in our core markets, attract new customers and maintain and grow our existing customer base through new enhanced technologies

Our current markets remain very buoyant driven by high commodity prices, increased end-user demand and capacity constraints Such trends are forcing order books to extend beyond those traditionally seen whilst customers look to increase efficiency and capacity Details of segmental drivers, performance and future outlook are covered below

Global performance

Geographic performance

AVEVA is addressing a progressively more diverse and global customer base as customers increasingly want to use engineering IT tools throughout their globally dispersed organisation and network of partners We expect this to be a sustainable driver of growth going forward as our unique tools allow engineers to work effectively together without geographic boundaries

ASIA PACIFIC – Revenue £50 8 million (2007 – £36 9 million)

2007/08 proved to be another excellent year for AVEVA in the Asia Pacific region As President of the region, Peter Finch has continued to build a strong team capable of driving forward the AVEVA business both into the rapidly expanding Marine market and the booming Power and Oil and Gas markets Last year was another highly successful year for the entire region, with a 38% increase in revenue and a 63% increase in contribution To manage and support this increase in business and to prepare the Company for further expected growth in the coming years across the region, we added 55 new staff in the year spread across 11 offices

Korea was one of our top performing regions with a number of high value orders taken during the year One of the most important orders was from Hanjin Heavy Industries and Construction Hanjin will use AVEVA Marine products, including AVEVA NET, as part of their $720 million investment in a new shipyard in Subic Bay, Philippines AVEVA Marine is now the system of choice in most Korean shipyards AVEVA is also working closely with twelve educational institutions, including the prestigious Seoul University to promote and support the future use of AVEVA products

In Korea we have also been promoting the new AVEVA Product Lifecycle Management (PLM) products to the Marine customers and there is a very high level of interest in this new technology from many of the industry leaders

In Japan the business recovered from a flat period with orders from the resurgent Japanese shipbuilders and the buoyant chemical engineering business

In China AVEVA has gained recognition as one of the strongest players in the engineering software market, both in the Marine and in Process plant industries Our Plant business did outstandingly well, with further penetration into the Nuclear Power sector, as well as signing strategic alliances with National oil operators China Offshore Oil Engineering Company (COOEC)

In the ASEAN countries AVEVA has continued to make progress in newer territories such as Vietnam, Indonesia and Thailand with a new team based in Kuala Lumpur

AMERICAS – Revenue £17 8 million (2007 – £13 5 million)

The Americas market was a mixture of steady trading in the USA very good progress in South America and some good wins in Canada During the year we have made considerable changes to the management team, with a very successful Head of Sales from AVEVA's South East Asian region now heading the North American sales force Customer service is a critically important part of the AVEVA offering in the Americas and is now managed by a very experienced product and industry specialist based in the Wilmington office

# of engineering IT solutions...

Global performance continued
Geographic performance continued
AMERICAS – Revenue £17 8 million
(2007 – £13 5 million) continued
Our customer service capability has been enhanced during the year, although hiring trained staff has proven difficult in the very buoyant global labour market for engineers

The new AVEVA office in Mexico is running smoothly and we will continue our expansion into the rapidly growing South American market during 2008 In Brazil we were very pleased to win a long-term contract as the chosen design systems provider to the Brazilian National Oil company, Petrobras

Strengthening the sales and support teams, along with further support for our AVEVA products in the Americas, has resulted in some important strategic customer wins including Chevron, where AVEVA NET will be used to manage information from multiple locations and project partners on the Nigerian Agbami project

In the USA, AVEVA has been working closely in collaboration with universities, colleges and industry to address the shortfall of trained engineers

CES – Revenue £32 7 million
(2007 – £22 8 million)
AVEVA's CES region spans both Central and Southern Europe and also includes North Africa, Eastern Europe and Russia The whole region performed very well throughout the year, with the number of new customer wins doubling that of the previous year

The subsidiary company formed in Russia had a very good year and increased its presence in this important market During the year we have strengthened the sales and support teams in both Moscow and St Petersburg In September we celebrated the opening of a new office in Moscow, which will allow for further enlargement of the team and will provide high quality training facilities which have been in high demand throughout the year

In Italy we hosted some very successful customer meetings and the team in Genoa have done an excellent job in building the AVEVA profile in a hitherto under-exploited market with many new customer successes

In the rapidly expanding Turkish shipbuilding market, concentrated around Tuzla Bay, AVEVA has had a number of new customers taking on the AVEVA Marine products There is considerable investment going into many of the shipyards close to Istanbul and implementing AVEVA Marine products is seen as key to the ongoing modernisation of both the design and manufacturing capability in Turkey

Most of the longstanding AVEVA customers are enjoying full order books and have expanded their licences for AVEVA products Most notable among these was Alstom Power, an AVEVA customer for over 25 years, who signed a new licence for extended use of AVEVA product

WEMEA – Revenue £26 3 million
(2007 – £21 7 million)
AVEVA's most established customer base lies within the Western European, Middle East and African market, but there are also new opportunities emerging within the Marine market and the Middle East

Investing in people has been a key theme across the region during the last year, with improved management structure, along with new sales and support staff across the region We established a stronger presence in the AVEVA Chesterfield office, AVEVA Norway in Stavanger and Oslo, as well as having increased our footprint in the Middle East

continued growth across all our

INCREASE IN REVENUE

34%

RECURRING REVENUE

£66.1m

With all customers very busy in the Oil and Gas business across the region, we had significant expansion of licences in many of the longer established engineering contractors, such as AMEC and Aker Solutions

In the UK, we were delighted to win the highly competitive order for Babcock Marine, where AVEVA Marine will be used on the Royal Navy CVF Aircraft Carrier project amongst other major projects underway at Babcock With orders from VT Shipbuilding Babcock and Harland and Wolff, the UK design centres of excellence are well placed to win design contracts from the Asian shipbuilding market, where AVEVA Marine is becoming the industry standard

In the Middle East we had successes in the Oil and Gas industry with Petrofac, and a significant order from Abu Dhabi Ship Building, who will use AVEVA Marine for both commercial and military new build programmes, as well as refit work

Industry performance
AVEVA's main industries are Oil and Gas, Power and Marine but also include Paper and Pulp Chemical, Pharmaceutical, Environmental, Mining and Food Processing The three main sectors account for close to 90% of the business and all are experiencing continued high levels of activity – driven by robust underlying growth drivers

In the Oil and Gas sector, companies have been increasingly looking at recovering oil in challenging environments, such as ultra deep water, which require greater design complexity This has been driving an increase of our product usage this year and we expect demand to continue

Marine customers are relentless in their drive for increased capacity through greater yard efficiency and new facilities In addition the latest LNG and FPSO vessels are extremely complex and again, as the design complexity increases, so should the use of AVEVA products

The Power industry remains strong with many new conventional fossil fuelled power stations currently being built. The Nuclear industry is also gathering pace with several new build reactors planned or started AVEVA already has a strong presence in the Chinese Nuclear design institute market. Through the AVEVA link with AREVA and many other Nuclear specialists around the world we expect to see increased activity levels

Mining, Paper and Pulp and our other sectors have remained positive and continue to see a solid intake of orders

Technology and products
AVEVA has launched several major new products and upgrades during the year The new releases are the culmination of the largest development project ever carried out in the Group As a part of the continual progression policy, which allows customers to make the best use of the latest technology without making their years of investment in the use of AVEVA products redundant, version 12 of the Plant and Marine products is a simple upgrade for existing customers The introduction of new releases has therefore not hampered sales or created order backlogs The delivery and content of the new versions has been detailed as a part of the AVEVA roadmap for some years, and customer pilots to trial the new products have been very favourable Our aim is to provide customers with the best available technology, whilst always maintaining upward compatibility and offering the choice to upgrade to the new version during a long-term project

Version 12 of AVEVA Plant and AVEVA Marine offer the very latest in functionality and are both built on proven AVEVA database technology Both products were launched at the end of the calendar year Beyond the 12 series are a number of further enhancements, including new modules which we expect will appeal to existing customers and enhance our competitive position in winning new customers

As well as the very substantial investment in a new version of the products which play to our traditional market, we have continued to invest heavily in the AVEVA NET technology platform which has also seen major new functionality released during the year With the rising levels of interest in AVEVA NET, the investment will be stepped up in the coming years

The global development team has done an excellent job in producing a set of world leading applications, whilst at the same time integrating a large number of new staff and introducing new working methods

Organisation
With 730 people in the business at the year end and 148 new joiners, structuring our teams for future growth has been an important area for investment over the last year We will continue to build on the staff development programmes put in place by the Human Resources team, such as graduate recruitment, management development and central induction courses

Thanks to its industry reputation as a highly successful business, the Company has found the recruitment of new staff easier than many other companies in a highly competitive market for all disciplines

main markets and geographies...

ASIA PACIFIC % GROUP REVENUE

40%

WEMEA % GROUP REVENUE

21%

AMERICAS % GROUP REVENUE

14%

CES % GROUP REVENUE

25%

opportunities in new and old

We continue to provide our customers with innovative solutions that allow them to deliver their projects as fast and efficiently as possible.

Prospects

AVEVA has the products and the organisational capability to continue to benefit from the very buoyant market conditions for its design products At the same time, the Company is in a very strong position to establish itself as an important player in the emerging AVEVA NET and Product Lifecycle Management markets World class products, coupled with unique domain experience and knowledge, have enabled us to engage with customers at the highest level, meeting the needs of the industry today and positioning ourselves to address the future requirements of our customers around the world

With our financial strength, well developed direct sales and support organisation as well as a clear product roadmap, AVEVA is very well positioned for continued growth in this exciting market

Key performance indicators

The Group's key financial and non-financial performance indicators are total revenue, adjusted profit before tax, headcount and adjusted earnings per share These are discussed in more detail below

Revenue

We have continued to see high levels of demand across all our business segments delivering sales growth of 34% to £127 6 million (2007 – £94 9 million)

The mix of revenue between initial fees and annual fees remained broadly in line with previous periods Recurring revenue, which reflected continued high levels of renewals and growth in rental fees and annual fees which remain an intrinsic part of the initial licence fee, increased by 25% to £66 1 million (2007 – £52 7 million)

Initial fees grew by 55% to £52 9 million (2007 – £34 2 million) and continued to be driven by the high levels of growth in Asia and sustained levels of industry growth where our customers see value in making longer term commitments

Revenue generated from services remained buoyed by new customer wins and the growth driven by licence sales of our AVEVA NET product, which generates higher levels of product customisation Service revenue for the period amounted to £8 6 million (2007 – £8 1 million)

Details of the Group's revenue recognition policy are set out in note 4(a) to the financial statements

Gross margin, operating expenses and profit from operations

Gross margins and operating margins continued to improve and reflect the nature of the business, where a predominant amount of cost of sales relates to Research and Development costs which have already been expensed and the large proportion of sales relates to standard product However sustainable growth is about investing in the future and as such we continue to invest high levels in Research and Development and 2008 was no exception with expenditure on new and enhancing existing technologies increased by 21% to £21 3 million (2007 – £17 6 million)

Operating costs amounted to £54 6 million (2007 – £43 6 million), an increase of 25% Continued growth in headcount within sales, business development and administration functions to support the growth in the business over the last year accounted for a material proportion of this Performance-based rewards were again a major factor in the increase in costs and now reflect a large variable element linked to the Group's performance Operating costs for 2008 included a charge for reduction in goodwill of £0 4 million (2007 – £1 1 million) IFRS prescribes that, where the tax charge has been reduced due to the utilisation of previously unrecognised pre-acquisition tax losses the carrying value of goodwill should be reduced by a charge to operating expenses of the same amount.

Adjusted profit before tax increased by 70% to £47 9 million (2007 – £28 1 million), which is before amortisation of intangibles, share-based payments and adjustment to goodwill totalling £3 0 million (2007 – £3 4 million)

Headcount

Total headcount at 31 March 2008 amounted to 730 (2007 – 582), an increase of 148 heads Total staff costs for the year were £48 2 million compared with £38 3 million in 2007, an increase of 26%

Taxation

The headline tax rate is lower than the UK standard rate due to a number of one-off credits These include tax credits related to Research and Development, the benefit of tax losses generated from acquisitions which have now been exhausted and previously unrecognised deferred tax assets After adjusting for these items the effective rate is 28%, which is broadly in line with the UK standard rate and expected to be nearer the headline rate in the future

Earnings per share

Adjusted basic earnings per share (which is before amortisation of intangibles, adjustment to goodwill and share-based payments) increased by 74% to 55 22p (2007 – 31 71p) Basic earnings per share was 50 80p (2007 – 26 59p) an increase of 91% The Directors believe that adjusted basic earnings per share provides a more meaningful measurement of performance of the underlying business

economies driving growth...

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 delivering these.

PAUL TAYLOR, FINANCE DIRECTOR

FULL YEAR DIVIDEND (PER SHARE)

6.65p

NET CASH

£82.8m

GROSS PROFIT MARGIN

77%

OPERATING MARGIN

34%

Dividends

The Board of Directors are recommending an increased final dividend of 5 0p (2007 - 2 94p) and when taken together with the interim payment the dividend for the full year amounts to 6 65p (2007 - 4 18p) a 59% increase over the prior year Subject to approval at the Annual General Meeting the final dividend will be paid on the 1 August 2008 to shareholders on the register on 27 June 2008

Balance sheet

AVEVA's strong trading over recent years has continued to strengthen our balance sheet Total assets have increased to £163 2 million up from £113 8 million in 2007, most of which relates to the increase in cash and cash equivalents In addition to the movement in cash we saw trade and other receivables increase to £43 2 million from £36 5 million in 2007 which represents a substantial reduction as a proportion of revenue highlighting both the quality of revenue booked and a reduction in debtor days Current liabilities increased to £53 8 million from £40 3 million in 2007 most of which relates to increases in deferred income to £20 0 million (2007 - £15 4 million) driven by the strength in recurring revenue, and increase in accruals to £18 9 million (2007 - £13 5 million) Retirement benefit obligations have reduced from £4 9 million in 2007 to £1 6 million in 2008 as a result of recent cash injections to the UK defined benefit scheme and an updated pension valuation

Cash flows

Cash generated from operating activities before tax in the period amounted to £54 6 million (2007 - £26 8 million) and culminated in an increase in cash and cash equivalents of 100% to £82 8 million (2007 - £41 3 million) The high level of cash conversion reflects the quality of earnings and improved cash collection procedures

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

Treasury policy

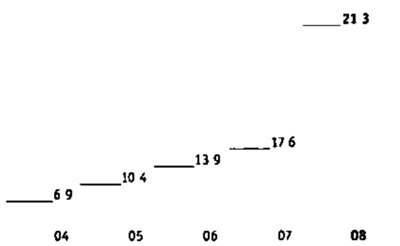
The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board These policies are designed to reduce the financial risk arising from the Group's normal trading activities, which primarily relate to credit, interest, liquidity and currency risk

The Group is, and is expected to continue to be, cash positive and currently holds net deposits The objective with these deposits is to maintain a balance between generating competitive interest rates and allowing accessibility This generally means that deposits are held for periods up to three months During the year the Group had a bank overdraft facility of £3 0 million in the UK and approximately £2 2 million (SEK 30 million) in Sweden, both of which are aimed at managing short-term fluctuations in cash

The Group has a net funding requirement in Sterling due to the majority of Research and Development costs being incurred in the UK The revenue of the Group is predominantly in foreign currency, with approximately 30% in US dollar and 30% in Euro The overseas entities incur costs in their local functional currency, which acts as a partial net hedge Any cash flows which cannot be offset against each other will result in a net currency exposure and where possible these exposures will be hedged These hedges aim to minimise the adverse effect of exchange rate movements without eliminating all upside potential

highly skilled and disciplines and geographies

INVESTMENT IN RESEARCH AND DEVELOPMENT
(£m)



Review of principal risks and uncertainties
AVEVA has delivered good growth in revenue, profit and cash over recent years, but as with any organisation there are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance Where possible the Group seeks to mitigate these risks through its system of internal controls but this can only provide reasonable and not absolute assurance against material losses The principal risks and uncertainties faced by the Group are as follows

Protection of the Group's intellectual property rights
The Group's success has been built upon the knowledge developed in its intellectual property rights and protection of this remains critical 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 contract and the Group seeks to ensure that its intellectual property rights are appropriately protected by law wherever possible

Dependency on key markets
AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects driven by growth in the Oil and Gas, Power and Marine markets Whilst the global complexity of these projects affords some protection against short-term issues, future success is dependent on growth within these markets

Timing of contract signing
As with most software companies, timings of contractual signing and delivery is key to recognising revenue With the majority of costs being people, sales at the end of the year tend to generate very high margins since there are few costs specifically associated with a sale at the end of a period Timing of closure of these can materially affect revenue and profit The increasing recurring nature of our business helps mitigate this to some extent

Foreign exchange risk
Exposure to foreign currency gains and losses can be material to the Group, with approximately 75% 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 and that also acts as a natural hedge against currency movements The Group is also exposed to foreign currency translation risk on the translation of its net investment overseas into Sterling

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 delivering them Maintaining and growing this pool of highly skilled and motivated individuals across all disciplines and geographies remains key to our ongoing success The Group endeavours to ensure that employees are motivated by their work and there are regular appraisals, with staff encouraged to develop their skills

Identification and successful integration of acquisitions
The Group expects to continue to review acquisition targets as part of its strategy Market conditions may lead to increased competition for targets resulting in higher acquisition prices or fewer prospects which will deliver lower value The integration of any acquisitions also involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition, system integration and risks associated with unanticipated events or liabilities

Research and Development
The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products If new products or enhancements are introduced which do not meet customer requirements or competitors introduce a rival product which better meets the requirements of the market, this may have a material impact on the long term revenue and profit

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

Richard Longdon
Chief Executive

Paul Taylor
Finance Director

motivated people across all remain key to our success...

Corporate social responsibility report

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

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

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

Employees
The Group now has 730 employees of whom over 500 are based overseas As a result of our high rate of growth, we have seen a 20% increase in the numbers we employ We are dependent on the drive and goodwill of our employees, they are our most important asset and key to our continuing success and as a result, the extent to which we have sufficient staff of the right calibre available to fill our critical roles is reviewed periodically by the Board as part of the risk management process

We recognise that we must excel in the management of people, helping them develop their careers within the Group whilst maintaining a high level of morale Although staff turnover has remained low in the last 12 months, this is a continual changing process and as such

- we aim to recruit, train and develop the best people and help them take on board our values while continuing to grow the business,
- we provide clean, healthy and safe working conditions,
- we are an equal opportunity employer and do not tolerate any sexual, racial or mental harassment of our employees,
- the Group recognises the requirement to provide facilities for disabled employees and continues to be aware of any special needs an employee might have,
- we encourage fuel efficient commuting through the provision of cycle sheds, showers and changing facilities in the UK offices, and
- the recent implementation of flexible benefits, allows the purchase of bicycles through the cycle to work scheme and the purchase of child care vouchers

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

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

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

AVEVA will continue to review its benefits programme throughout the Group to ensure valued and cost effective benefits are offered to all employees to attract new recruits and reward existing employees

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

The Group has successfully run five central induction courses bringing new employees together from throughout the business to welcome them to the Group and provide informative and useful training

Management development training programme
Managing employees in a growing organisation with such diverse cultures brings with it a number of challenges AVEVA has developed a training programme to provide support and a learning framework for the management team

Group wide appraisal scheme
Developing skills is important to individuals and to AVEVA – developing people helps move the Group forward and helps maintain the respect and reputation of our staff with our customers
The appraisal process therefore

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

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

In the last twelve months there were no RIDDOR reportable accidents

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

Environment
In evaluating the environment management practices being followed by the Group, it is important to note that the Group is classed as "low impact" in environmental terms and that as the principal products are software, these can be shipped to customers electronically

Our software products are created by very knowledgeable, talented individuals using computers and a variety of software development tools There are no harmful chemicals or anything that could give rise to noxious waste employed in the process We purchase energy saving screens which are MPR-II and TCO 03 compliant We are registered with WEECare plc for the disposal of all computer hardware We encourage both employees and their families to undertake the recycling and composting of all suitable items We are reviewing the costs for the fitting of energy saving devices in the UK offices

Further to help reduce the amount of travel the Group has introduced and continues to promote the use of video and web conferencing

Community involvement
The Group is involved in a number of charitable and good causes During the past year we have donated £45,997 to a wide range of local and national organisations as summarised below

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

East Anglian Children's Hospice (EACH)
EACH supports families throughout their experience of caring for children with life-threatening or life-limiting illnesses,

MAGPAS (Mid-Anglia General Practitioner Accident Service)
MAGPAS has provided emergency care in Cambridgeshire and Peterborough since 1971 and works in partnership with the East Anglian Air Ambulance and the East of England Ambulance Service Trust,

Arthur Rank Hospice
Arthur Rank House provides specialist palliative care services for people over 18 who have a life-limiting illness,

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

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

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

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

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

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

Board of Directors

Nick Prest CBE

Richard Longdon

Paul Taylor

David Mann

Philip Dayer

Jonathan Brooks

Colin Garrett

Nick Prest CBE, aged 55
Chairman
Nick Prest joined the Board of AVEVA in January 2006 Following a spell at the Ministry of Defence at the outset of his career Nick joined Alvis, the defence contractor, in 1982, becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996 Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the Company had become a leading international business in military land systems In addition to his position at Alvis, Nick had a prominent role in defence industry representation, serving as Chairman of the Defence Manufacturers' Association and Vice-Chairman of the National Defence Industries Council. In addition to being Chairman of AVEVA, Nick is also Chairman of Cohort plc, a defence technical services business floated on AIM in March 2006

Richard Longdon, aged 52
Chief Executive
Richard Longdon received an engineering training in the defence industry then gained experience in the project management of high value engineering projects He moved into sales and held a series of international sales and marketing positions He joined AVEVA in 1984 and shortly afterwards was made marketing manager for the process products In January 1992 he relocated to Frankfurt where he was responsible for setting up and running the Group's German office He returned to the UK as part of the management buyout team in 1994, subsequently taking responsibility for the Group's worldwide sales and marketing activities, before being appointed Managing Director in May 1999 He took over as Group Chief Executive in December 1999

Paul Taylor, FCCA, aged 43
Finance Director and Company Secretary
Paul Taylor is a Fellow of the Association of Chartered Certified Accountants and joined AVEVA in 1989 He was heavily involved in the flotation process and has been responsible for both UK accounting and the development of its overseas subsidiaries, including adherence to Group standards Between 1998 and 2001 Paul was also UK Director of Human Resources and was appointed to the position of Finance Director and Company Secretary of AVEVA Group plc on 1 March 2001 Prior to joining AVEVA, Paul originally trained within the accountancy profession before moving to Philips Telecommunications (UK), where he was responsible for the management accounts of its public sectors division

David Mann, aged 63
Non-Executive Director and Senior Independent Director
David Mann entered the Information Technology industry after reading Mathematics and Theoretical Physics at Cambridge University From 1969 to 1994 he worked for Logica plc where he became Head of Worldwide Operations, then Group Chief Executive and finally Deputy Chairman He is currently Non-Executive Chairman of Flomerics Group plc and Velti Group plc (both quoted on AIM) and Non-Executive Deputy Chairman of Charteris plc (also quoted on AIM) He is a Past President of the British Computer Society and a Past Master of the Worshipful Company of Information Technologists in the City of London

Philip Dayer, aged 57
Non-Executive Director
Philip Dayer qualified as a chartered accountant and pursued a corporate finance career in investment banking, specialising in advising small and mid-market UK companies He was first appointed an Advisory Director in 1983 of Barclays Merchant Bank Limited and since then has held the position of Corporate Finance Director with a number of banks He retired from Hoare Govett Limited in 2004 Philip was a financial consultant to OJSC Rosneft Oil Company the Russian state-owned oil and gas company on their flotation in 2006 Philip is a Non-Executive Director of Dana Petroleum plc, Senior Independent Director of Cadogan plc Senior Independent Director of Arden Partners plc, Chairman of Baltic Oil Terminals PLC and Chairman of County Contact Centres PLC

Jonathan Brooks, aged 52
Non-Executive Director
Jonathan Brooks joined AVEVA in July 2007 and has a broad range of financial, commercial and international experience He currently holds a number of Directorships with technology-based companies He is a Non-Executive Director of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub-systems and network technology, and e2v technologies plc, an LSE-listed manufacturer of specialised components and sub-systems He is also Chairman of Picochip Inc , a private equity company developing wireless processors and a Non-Executive Director of Sophos Plc a software security company Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc, where he was a key member of the team that developed ARM Holdings to be a leader in its sector

Colin Garrett, ACA, aged 51
Non-Executive Director
Colin Garrett has spent the majority of his career in corporate finance Since 2000 he has been involved, in a Non-Executive capacity, with a number of companies and management teams Colin is a Non-Executive Director of Sentec Limited and Ark Capital Limited He is also Non-Executive Chairman of ZBD Displays Limited and Pelikon Limited Colin retired from the Board on 31 March 2008

Company information and advisers

Directors
Nick Prest CBE
Chairman

David Mann
Non-Executive Director and Senior Independent Director

Jonathan Brooks
Non-Executive Director

Philip Dayer
Non-Executive Director

Richard Longdon
Chief Executive

Paul Taylor
Finance Director

Secretary
Paul Taylor

Registered office
High Cross
Madingley Road
Cambridge CB3 0HB

Registered number
2937296

Auditors
Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge CB5 8DZ

Bankers
Barclays Bank plc
15 Bene't Street
Cambridge CB2 3PZ

Solicitors
Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge CB2 1PH

Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbroker and financial advisers
Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

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

Financial PR
Hudson Sandler
29 Cloth Fair
London EC1A 7NN

Other statutory information

Principal activities

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

Results and dividends

The Group made a profit for the year after taxation of £34.2 million (2007 – £17.8 million). Revenue was £127.6 million (2007 – £94.9 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 5.0p per ordinary share (2007 – 2.94p). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 1 August 2008 to shareholders on the register at close of business on 27 June 2008.

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 and Business review.

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2008 are set out in the Business review on page 12, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group.

Suppliers' payment practice

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

The Company has £nil trade creditors (2007 – £nil). At 31 March 2008, the Group had an average of 18 days purchases owed to trade creditors (2007 – 13 days).

Research and Development

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

Intellectual property

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

Financial instruments

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

Going concern

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

Directors and their interests

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

Nick Prest (Chairman)
David Mann (Non-Executive Director)
Colin Garrett (Non-Executive Director) (resigned 31 March 2008)
Jonathan Brooks (Non-Executive Director) (appointed 12 July 2007)
Philip Dayer (Non-Executive Director) (appointed 7 January 2008)
Richard Longdon
Paul Taylor

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2008 that have been disclosed to the Company are as follows:

	2008 3.33p ordinary shares	2007 (Or subsequent date of appointment) 3.33p ordinary shares
Nick Prest	7,150	7,150
David Mann	26,700	26,700
Colin Garrett	3,000	3,000
Jonathan Brooks	—	—
Philip Dayer	7,000	4,000
Richard Longdon	316,000	500,000
Paul Taylor	50,000	50,000

No changes took place in the interests of Directors in the shares of the Company between 31 March 2008 and 27 May 2008.

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

Other statutory information continued

Directors and their interests continued

Resolutions will be submitted to the Annual General Meeting for the re-election of David Mann and election of Jonathan Brooks and Philip Dayer Brief biographical details of all Directors, including those who are proposed for election and re-election, appear on page 23

Takeover Directive Disclosures

The additional information required to be disclosed under the Takeover Directive Disclosures is set out below Where reference is made to the Company's Articles of Association, this refers to the existing set of Articles, although the changes proposed to be made at the Company's 2008 Annual General Meeting will not change the relevant sections The below disclosures are in some cases a summary of the relevant provisions of the Company's Articles of Association and the relevant full provisions can be found in the Articles, which are available for inspection at the Company's registered office

Share capital

The rights attaching to the Company's shares are set out in its Articles of Association At 31 March 2008, the Company's issued share capital consisted of a single class of ordinary shares with a nominal value of 3⅓p

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

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

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

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

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

A resolution put to the vote of a general meeting is decided on a show of hands unless before or on the declaration of the result of the show of hands, a poll is demanded by the chairman of the meeting, or by at least two members present in person (or by proxy) and having the right to vote, or by any member or members present in person (or by proxy) having at least one tenth of the total voting rights of all members, or by any members present in person (or by proxy) holding shares on which an aggregate sum has been paid up of at least one-tenth of the total sum paid up on all shares conferring that right

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

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

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

The Board may refuse to register a transfer unless

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

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

Takeover Directive Disclosures continued

Share capital continued

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

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

Other substantial shareholdings

On 22 May 2008, the Company had been notified in accordance with Disclosure and Transparency Rule 5 of the following interests in the ordinary share capital of the Company

Name of holder	Number	Percentage held
BlackRock MLIM	5,972,851	8 85%
HSBC Holdings Plc	5,741,479	8 50%
Standard Life Investments	3,815,507	5 65%
Legal and General Investment Management	3,050,754	4 52%
JPMorgan Asset Management	2 276,802	3 37%
Barclays Global Investors	2 124,182	3 15%

Articles of Association

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

Appointment of Directors

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

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

Change of control

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

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

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

Charitable and political donations

During the year the Group made charitable donations totaling £45,997 (2007 – £33,057) of which £15,000 was paid to the Outward Bound Trust, £12,000 to MacMillan Cancer Support and £10,000 to The Prince's Trust The remainder was donated to local and national charities The Group also matched employees' contributions to local charitable events such as the Oxford to Cambridge Cycle Ride

The Group did not make any political donations (2007 – £nil)

Authority to repurchase ordinary shares

Resolution 9 set out in the notice convening the Annual General Meeting gives authority to the Company to purchase its own ordinary shares up to a maximum of 6,751,732 ordinary shares until the earlier of 9 October 2009 and the date of the next Annual General Meeting This represents 10% of the ordinary shares in issue at 27 May 2008 and the Company's exercise of this authority is subject to the stated upper and lower limits on the price payable which reflects the requirements of the UK Listing Authority Shares will only be repurchased if earnings per share are expected to be enhanced as a result and the Directors believe it is in the best interests of shareholders generally To the extent that any shares so purchased are held in treasury, earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury

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

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

As at 27 May 2008 (being the latest practicable date prior to the publication of the notice of the Annual General Meeting), there were 488,624 outstanding options granted under all share option plans operated by the Company which, if exercised, would represent 0 72% of the issued ordinary share capital of the Company If this authority were exercised in full and the shares repurchased were to be cancelled, such options if exercised would represent 0 80% of the issued ordinary share capital of the Company

Other statutory information continued

Authorities to allot shares and disapply pre-emption rights
Resolution 10 set out in the notice convening the Annual General Meeting contains authority for the Directors to allot relevant securities until the earlier of 9 October 2009 and the date of the next Annual General Meeting up to a maximum nominal amount of £749,422 (representing 33 3% of the total issued ordinary share capital as at 27 May 2008 At that date, no treasury shares were held by the Company

Resolution 11 gives the Directors the power to allot equity securities for cash pursuant to this authority, disapplying the pre-emption provisions contained in Section 89(1) of the Companies Act 1985 This power is valid for the same period and is limited to the allotment of equity securities up to a nominal amount of £112,528 (approximately 5% of the issued ordinary share capital at 27 May 2008) or in connection with a rights issue or other pre-emptive offer

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

This authority will also cover the sale of treasury shares for cash

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

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

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

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

Directors' qualifying third party indemnity provisions
The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report

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

Responsibility statement pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)
Each Director of the Company confirms that (solely for the purpose of DTR 4) to the best of his knowledge

- 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, and
- in this document, prepared in accordance with applicable UK law and accounting standards, the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group taken as a whole

Directors' statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 25 Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information

By order of the Board

Paul Taylor
Company Secretary
27 May 2008

High Cross
Madingley Road
Cambridge CB3 0HB

Corporate Governance statement

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

- A 4 1, A 4 2, A 4 3 and A 4 6 – A Nominations Committee has not been established because the full Board carries out all activities of a Nominations Committee,
- A 7 2 – Two Non-Executive Directors who served during the year (of whom, one has since retired) do not have contracts of employment for a specific term due to their appointment being prior to the issue of the 2003 Combined Code, and
- C 3 1 – The Company joined the FTSE 350 in December 2006 and ceased to be considered a small company for Corporate Governance purposes at that point Therefore, the Company was required to have an Audit Committee with at least three members The Board has complied with this requirement since the appointment of Jonathan Brooks to the Board in July 2007

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

Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Directors' remuneration report.

Composition and operation of the Board
The Board currently comprises the Chairman, three Non-Executive Directors, (including the Senior Independent Director), and two Executive Directors (being the Chief Executive and Finance Director) On 12 July 2007 and 7 January 2008 respectively, Jonathan Brooks and Philip Dayer were appointed as Non-Executive Directors, both of whom were considered by the Board to be independent on appointment On 31 March 2008, Colin Garrett retired from the Board The roles of the Chairman and the Chief Executive are distinct and the division of responsibility between these roles has been clearly established, set out in writing and agreed by the Board The Chairman is responsible for the effectiveness of the Board and ensuring that it meets its obligations and responsibilities The Chief Executive is responsible for providing overall leadership, providing management to the Group and for the execution of the Group's strategic and operating plans Brief biographical details of all Board members are set out on page 23 The membership of all Board Committees is set out below

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

* to 31 March 2008

** from 1 April 2008

The Board has considered the independence of 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 David Mann is the Senior Independent Director and he will have served nine years as a Non-Executive Director in June 2008 Notwithstanding this, the Board believes that he remains independent and continues to be effective in his role David Mann has never had any business relationship with the Group, has never been an employee and has never participated in any share option plan or been a member of the Group's pension schemes

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

Corporate Governance statement continued

Composition and operation of the Board continued

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

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended
Number of meetings held	10	2	2
Nick Prest	10	—	2
David Mann	10	2	2
Colin Garrett	10	2	2
Jonathan Brooks*	6	1	1
Philip Dayer*	3	—	1
Richard Longdon	10	—	—
Paul Taylor	9	—	—

* from date of appointment

The full Board carries out the activities of the Nominations Committee which includes nomination, selection and appointment of Non-Executive and Executive Directors, succession planning and the composition of the Board, particularly in the relation to the diversity of skills and experience Therefore, a Nominations Committee has not been established

During the year the Board considered the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepared a description of the role and capabilities required for two new Non-Executive Directors The Board was assisted by an external search consultancy Hanson Green in this process and to help identify potential candidates The Board reviewed the shortlist of candidates and the Chairman and Chief Executive were nominated to conduct the initial interviews The Chairman and Chief Executive recommended a candidate for each position to the Board and the Board then jointly agreed the appointments

This resulted in the appointment of Jonathan Brooks and Philip Dayer to the Board as Non-Executive Directors on 12 July 2007 and 7 January 2008 respectively The Board believes that Jonathan Brooks brings significant skills commercial and international experience and understanding of high growth markets to the Group through his experience with other technology businesses and that Philip Dayer brings significant skills and strategic advice to the Group through his work with related businesses

Both Non-Executive Directors received a formal induction to the Group which involved meetings with fellow Directors and senior management, and presentations from Research and Development, Business Strategy, Finance and Sales In addition, where appropriate, meetings with advisers to the Group and the Board were arranged to assist in briefing the Directors on appointment Jonathan Brooks and Philip Dayer are available for dialogue with shareholders and will attend the Annual General Meeting on 10 July 2008

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

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

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

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

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

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation, and also following their appointment David Mann is subject to re-election (and, given his length of service, annual re-election under the Combined Code) Jonathan Brooks and Philip Dayer are subject to election at the forthcoming Annual General Meeting

Composition and operation of the Board continued
Non-Executive Directors are appointed for an initial term of three years with the exception of David Mann and Colin Garrett who do not have specific terms of appointment However, as noted above, Colin Garrett retired on 31 March 2008 Both were appointed prior to the issue of the 2003 Combined Code The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection on the day of the forthcoming Annual General Meeting

The Board has two Committees, Audit and Remuneration All Non-Executive Directors are members of both Committees In accordance with the Combined Code the duties of the Committees are set out in formal terms of reference They are available on request from the Company's registered office during normal business hours and are available on the Company's website at www aveva com

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

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

Audit Committee
The members of the Audit Committee which met twice during the year, were Colin Garrett, David Mann Jonathan Brooks and Philip Dayer The Chairman of the Committee during the year was Colin Garrett who was deemed by the Board to have recent and relevant financial experience He is a Chartered Accountant and has held a number of senior financial roles in his career Jonathan Brooks and Philip Dayer joined the Audit Committee on their appointment to the Board Jonathan Brooks attended the Audit Committee meeting in November 2007, the purpose of which was to approve the interim results There have been no meetings of the Audit Committee since then up to 31 March 2008 and therefore Philip Dayer did not attend any meetings up to the year end but informal discussions did take place between the members Subsequent to the year end, an Audit Committee meeting was held to approve the annual results which was attended by all members Jonathan Brooks was appointed Chairman of the Audit Committee from 1 April 2008 following the retirement of Colin Garrett and he is deemed by the Board to have recent and relevant financial experience, being a Chartered Management Accountant and having held a number of senior financial positions

The Audit Committee met twice during the year to review the scope of the audit and the audit procedures, the format and content of the audited financial statements and interim reports, including the notes and the accounting principles applied The Audit Committee also reviews any proposed change in accounting policies and any recommendations from the Group's auditors regarding improvements to internal controls and the adequacy of resources within the Group's finance function The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors Controls in place to ensure that the independence and objectivity of the auditors are not compromised include monitoring of the independence and effectiveness of the audit, and a review of the scope, fee and performance of the external auditors In addition, audit partners are rotated every five years and a formal statement of independence is received from the auditors each year The Board and the Audit Committee are satisfied that the independence of the auditors has been maintained

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

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 any employee feels it appropriate to make a disclosure The Audit Committee is satisfied that the policy provides an adequate basis for employees to make representations in confidence to the Group and for appropriate and proportionate investigations

The Board and the Audit Committee have considered the requirement to have an internal audit function and given the Group s relative size, does not consider one necessary at this point but will continue to monitor this annually

Dialogue with institutional shareholders
Communication with shareholders is given high priority by the Board The Chief Executive and the Finance Director have meetings with representatives of institutional shareholders and analysts at least twice a year, following the announcement of the interim and full year results, but also at other times during the year as necessary The Chairman also met with certain shareholders during the year to discuss strategy and performance of the business The Senior Independent Non-Executive Director, David Mann, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or if such contact would be inappropriate The Company also held an investor day in January 2008 when a number of shareholders visited the Head Office in Cambridge and received presentations from senior management These meetings seek to build a mutual understanding of objectives with its major shareholders by discussing long-term strategy and obtaining feedback The Board also receives formal feedback from analysts and institutional shareholders through the Company's public relations adviser and financial adviser The Board is also appraised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views The 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

Corporate Governance statement continued

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 Committee and the Remuneration Committee will be available at the Annual General Meeting to answer any questions

Internal control and risk management

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

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

- there is an Executive Board comprising the Group Executive Directors, Head of Sales, Head of Business Strategy, Head of Research and Development and Head of Human Resources Each member has responsibility for specific aspects of the Group's operations They meet on a regular basis and are responsible for the operational strategy, reviewing operating results, identification and mitigation of risks and communicating and application of the Group's policies and procedures Where appropriate, matters are reported to the Board,
- the Board receive regular reports from the Executive Directors, Head of Sales, Head of Human Resources, Regional Sales Managers and Head of Research and Development on key developments, financial performance and operational issues in the business,
- operational and financial controls and procedures which include authorisation limits for expenditure, sales contracts and capital expenditure, signing authorities, organisation structure, Group policies segregation of duties and reviews by management,
- there is an annual budget process which is reviewed and approved by the Board,
- the Executive Board has regular meetings with the Regional Sales managers and with Research and 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
- insurance cover is maintained to insure all major risk areas of the Group based on the scale of the risk and availability of the cover in the external market

The Board's monitoring covers all material controls, including financial, non-financial, operational and compliance controls and risk management It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring The Board has also performed a specific assessment for the purpose of this Annual report This assessment considered all significant aspects of internal control arising during the period covered by the report The Audit Committee assists the Board in discharging its review responsibilities

Directors' remuneration report

This report has been prepared in accordance with Section 234B of the Companies Act 1985 and the relevant requirements of the Listing Rules of the Financial Services Authority (together "the Regulations") The report also describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements of the Company will be approved

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

UNAUDITED INFORMATION

Remuneration Committee

The Remuneration Committee's principal responsibility is to determine the remuneration of both the Company's Executive Directors and its senior management within broad policies agreed with the Board In addition, it reviews the remuneration policy for the Company as a whole The remuneration of the Non-Executive Directors is determined by the Executive Directors and the Chairman, not the Committee

The conclusions and recommendations of the Remuneration Committee were finalised in two formal meetings during the year, but these were preceded by several informal discussions, including some with advisers (none of whom had any other connection with the Company) The members of the Committee were David Mann (Chairman), Colin Garrett, Nick Prest, and for part of the year, Jonathan Brooks and Philip Dayer Jonathan Brooks and Philip Dayer both joined the Remuneration Committee on their appointment to the Board

The Chief Executive (Richard Longdon) is invited to submit recommendations to the Remuneration Committee and both he and the members of the Committee take into consideration relevant external market data as well as the reviews of remuneration for employees of the Group generally

Remuneration policy

The Remuneration Committee aims to ensure that members of the Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to achieve short and long-term goals

The Remuneration Committee has access to detailed external research from independent consultants and during the year engaged New Bridge Street Consultants LLP to review the remuneration of the Executive Directors and senior management and to benchmark their remuneration against comparable companies As part of this review, the Board introduced new short-term incentives for Executive Directors and selected employees incorporating a deferred bonus component Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash, payable on announcement of interim and/or final results, and partly in ordinary shares in the Company to be delivered on a deferred basis

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

The Board is seeking shareholder approval to establish an Employee Benefit Trust (EBT) and it is intended that the proposed EBT would serve as a mechanism to transfer shares purchased in the market to participants in these short-term incentive arrangements The principal terms of the proposed EBT are included in the enclosed notice of Annual General Meeting The intention is that the EBT would normally deliver the deferred shares to participants in three equal tranches, one in each of the three years following the year in which an award is made by the EBT, provided that the participant remains an employee or Director of the Group If the participant ceases to be an employee or Director, entitlement to all outstanding tranches would fall away unless the cessation occurs by reason of his or her death Following the death of a bonus participant, or on a takeover, reconstruction or amalgamation, or voluntary winding up of the Company, the period for which the participant must remain an employee or Director would be reduced below the normal three years and entitlement to delivery of the shares would be accelerated There are no arrangements for the delivery of additional matching shares to a participant in any circumstances

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

Basic salaries

In determining the basic salary of each Executive Director the Committee takes account of the performance of the Company as a whole and the performance of the individual in achieving financial and non-financial goals within his areas of responsibility

Bonus payments

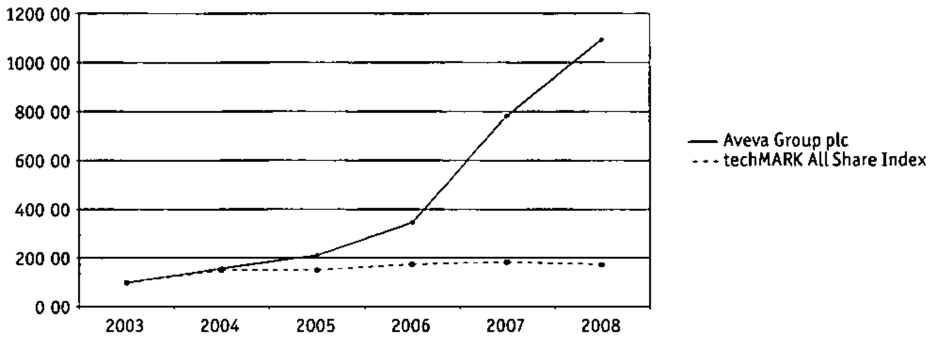
The Executive Directors participate in annual performance-related bonus arrangements determined by the Committee The arrangements are based substantially or entirely on the performance of the Company as a whole geared towards exceeding internal and external expectations of profit before tax Part of this may also be based on the achievement of personal objectives Bonus amounts for the year to 31 March 2008 arising under these arrangements were £310,000 for Richard Longdon and £200,000 for Paul Taylor One half of these bonus amounts is payable in cash, it is intended that the remainder of the bonus will take the form of a deferred share award where the number of ordinary shares which may be received is determined using the method of calculation described above For the year ended 31 March 2008 there was a cap on the bonus that an Executive Director could achieve under these arrangements and the maximum was 100% of basic salary In view of the excellent results for the year, the Committee decided to award a further cash bonus equivalent of 20% of salary, bringing the total bonus amounts to £372,000 (2007 – £275,100) for Richard Longdon and £240,000 (2007 – £183,500) for Paul Taylor

Directors' remuneration report continued

UNAUDITED INFORMATION CONTINUED

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

Total shareholder return v techMARK All-Share Index 2003-2008



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

Share awards
The Remuneration Committee considers that periodic grants of share-related incentives should constitute an important element of the remuneration of the Company's senior Executives, in line with common practice in comparator companies The Company's share schemes have therefore been used to provide long-term incentives to assist in creating and sustaining growth in share value There are three schemes in existence, the AVEVA Group plc Executive Share Option Scheme, the AVEVA Group plc Long-Term Incentive Plan and the AVEVA Group plc Executive Share Option Scheme 2007 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 As recipients of these awards, Executive Directors and senior management are required to hold or build share ownership with a value of at least 100% of their then current salary Details of the awards made under these schemes are as follows

2004/05 awards
In 2004 the Remuneration Committee commissioned a study by Deloitte & Touche LLP to review the Company's share option schemes and to make recommendations on their development The Board accepted those recommendations and, following consultation with shareholders, the Company established the AVEVA Group plc Long-Term Incentive Plan (LTIP) which was approved at the Extraordinary General Meeting held in 2004 Under the LTIP, options are granted to selected individuals to acquire ordinary shares at an exercise price equal to the nominal value of the shares, these options will be exercisable only if stringent performance criteria are met

At the Extraordinary General Meeting in 2004, shareholders also approved that the dilution limits under the AVEVA Group plc Executive Share Option scheme be extended to enable further awards to be made under this scheme

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

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

The performance conditions were measured three years from the date of grant and all awards vested in full

2005/06 awards
The AVEVA Group plc Executive Share Option Scheme was established in 1996 at the time of the Company's listing on the Official List of the London Stock Exchange In 2005/06, a total of 162,816 options under the scheme were awarded to Executive Directors The Remuneration Committee felt that awards made as market value options were better suited at that time to the Company's circumstances

The performance conditions required to be achieved for the exercise of the option were that Earnings per Share (EPS) in the financial year ending 31 March 2008 would have grown to no less than 5% above the Retail Price Index per annum from that achieved in the financial year ended 31 March 2005 The performance condition was judged to be appropriately stretching because of the investment planned in the VNET programme during the period

UNAUDITED INFORMATION CONTINUED

Share awards continued

2006/07 awards

In 2006/07 a total of 42,588 share options were awarded to the Executive Directors under the LTIP The Committee decided to revert to this scheme, with performance conditions based on growth in EPS, but in this case the average growth in EPS achieved over the three years from 2006/07 to 2008/09 If average EPS growth is greater than 15% per annum then all of the shares shall vest If average EPS growth is less than 7 5% per annum none of the shares shall vest If average EPS growth is between 7 5% and 15% then the number of shares that shall vest will be determined by linear interpolation The Remuneration Committee considered that these were challenging performance conditions in the context of the Company's budget and market expectations at the time of the awards

2007/08 awards

In 2007/08, a total of 18,234 share options were awarded to the Executive Directors under the LTIP The performance conditions are based on average growth in earnings per share over the years from 2007/08 to 2009/10 If average EPS growth is greater than 11 5% per annum then all of the shares shall vest If average earnings per share is less than 9% per annum then none of the shares shall vest If average earnings per share growth is between 9% and 11 5% per annum then the number of shares that shall vest shall be determined by linear interpolation The Remuneration Committee considered that these were challenging performance conditions in the context of internal and external expectations at the time of the awards

Service contracts

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

	Date of contract	Date of appointment	Notice period (months)
Nick Prest	10 January 2006	11 January 2006	3
David Mann	17 May 2000	8 June 1999	3
Colin Garrett	14 July 2000	1 August 2000	3
Jonathan Brooks	12 July 2007	12 July 2007	3
Philip Dayer	27 December 2007	7 January 2008	3
Richard Longdon	28 November 1996	28 November 1996	12
Paul Taylor	17 October 1989	1 March 2001	9

The Committee considers that the notice periods of the Executive Directors are in line with those in other companies of a similar size and nature and are in the best interests of the Group to ensure stability in senior management

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

AUDITED INFORMATION

Directors' remuneration

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

Name of Director	Basic salary £000	Fees £000	Bonus**** £000	Benefits in kind £000	2008 Total £000	2007 Total £000
Nick Prest	—	75	—	—	75	75
David Mann	—	30	—	—	30	28
Colin Garrett*	—	30	—	—	30	28
Jonathan Brooks**	—	22	—	—	22	—
Philip Dayer***	—	8	—	—	8	—
Richard Longdon	310	—	372	20	702	570
Paul Taylor	200	—	240	17	457	383
Aggregate emoluments	510	165	612	37	1,324	1,084

* retired 31 March 2008

** from date of appointment (12 July 2007)

*** from date of appointment (7 January 2008)

**** as noted on page 33 part of each Executive Director s bonus may be paid in awards of deferred ordinary shares subject to the approval of the establishment of an Employee Benefit Trust as described above

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

Benefits in kind represent the provision of a company car or a mobility allowance and a fuel allowance

Directors' remuneration report continued

AUDITED INFORMATION CONTINUED

Share options

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

Name	As at 1 April 2007 Number	Granted Number	Exercised Number	Lapsed Number	As at 31 March 2008 Number	Gain on exercise £	Exercise price	Earliest date of exercise	Date of expiry
Richard Longdon	36,000	—	(36,000)	—	—	386,880	3 33p	01 07 07	30 06 11
	98,745	—	—	—	98,745	—	265 3p	20 07 08	20 07 12
	25,548	—	—	—	25,548	—	3 33p	28 06 09	28 06 13
	—	11,083	—	—	11,083	—	3 33p	02 07 10	02 07 14
Paul Taylor	27 000	—	(27,000)	—	—	287,460	3 33p	01 07 07	30 06 11
	64,071	—	—	—	64,071	—	265 3p	20 07 08	20 07 12
	17,040	—	—	—	17,040	—	3 33p	28 06 09	28 06 13
	—	7,151	—	—	7,151	—	3 33p	02 07 10	02 07 14

The market price as at 31 March 2008 was £11 39 (31 March 2007 - £8 19) with a high-low spread for the year of £8 00 to £12 00

During the year, in advance of the proposed changes to the Capital Gains Tax legislation, Richard Longdon and Paul Taylor sold 500,000 and 24,000 ordinary shares respectively (all of which were already owned) at a price of £10 68

At the same time Paul Taylor exercised options over a further 27,000 ordinary shares at an exercise price of 3 33p of which 3,000 ordinary shares were sold at a price of £10 68 The market price on the date of exercise was £10 68 which resulted in an aggregate gain on exercise of £287,460 (2007 - £1,161,063) At 31 March 2008, Paul Taylor held 50,000 ordinary shares and options over 88,262 ordinary shares

Richard Longdon subsequently purchased 280,000 ordinary shares at £10 58 and exercised options over 36,000 ordinary shares at an exercise price of 3 33p and retained the resultant shares The market price on the date of exercise was £10 78 which resulted in a gain on exercise of £386,880 (2007 - £1 635,000) At 31 March 2008, Richard Longdon held 316,000 ordinary shares and options over 135,376 ordinary shares

The options are normally exercisable in full or in part between the third and seventh anniversaries of the date of grant Details of the performance conditions of share option awards are set out on pages 34 and 35

Pensions

During the year, two Executive Directors (Richard Longdon and Paul Taylor) were members of AVEVA Solutions Limited's defined benefit pension scheme It is a contributory funded, occupational pension scheme registered with HMRC and, since 1 October 2004, Career Average Revalued Earnings benefits apply Under this scheme they are entitled to a pension on normal retirement, or on retirement due to ill health, equivalent to two-thirds of their pensionable salary provided they have completed (or would have completed in the case of ill-health) 25 years' service A pension earnings cap (in line with historic HMRC's earning cap) applies to Paul Taylor when calculating pensionable salary Similarly, a scheme-specific earnings limit applies to the benefits earned by Richard Longdon A lower pension is payable on earlier retirement after the age of 50 by agreement with the Company Pensions are payable to dependants on the Director's death in retirement and a lump sum is payable if death occurs in service No other Directors were members of a pension scheme during the year (2007 – nil)

AUDITED INFORMATION CONTINUED

Pensions continued

The Directors had accrued entitlements under the pension scheme as follows

	Accumulated accrued pension at 31 March 2008 £	Accumulated accrued pension at 31 March 2007 £	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	125,351	116,075	9,276	4,903	51,900
Paul Taylor	44,514	40,173	4,341	2,828	19,403

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 Directors' accrued benefits at the end of the financial year is as follows

	31 March 2008 £	31 March 2007 £	Movement, less Directors contributions £
Richard Longdon	1,407,892	1,155,148	237,892
Paul Taylor	393,234	304,048	80,392

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

By order of the Board

Paul Taylor
Company Secretary
27 May 2008

High Cross
Madingley Road
Cambridge CB3 0HB

Statement of Directors' responsibilities – IFRS

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 (IFRS) as adopted by the European Union

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

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

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

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

Auditor's report – IFRS

Independent auditor's report to the members of AVEVA Group plc
We have audited the Group financial statements of AVEVA Group plc for the year ended 31 March 2008 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes 1 to 29 These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2008 and on the information in the Directors' remuneration report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

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

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

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether, in our opinion, the information given in the Directors report is consistent with the financial statements

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

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risk and control procedures

We read other information contained in the Annual report and consider whether it is consistent with the audited Group financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed

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

Opinion
In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended,

  the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and

- the information given in the Directors' report is consistent with the Group financial statements

Ernst & Young LLP
Registered auditor
Cambridge
27 May 2008

Consolidated income statement
For the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Revenue	5, 6	127,561	94,906
Cost of sales		(29,793)	(27,269)
Gross profit		97,768	67,637
Operating expenses			
Selling and distribution costs		(39,025)	(30,541)
Administrative expenses		(15,582)	(13,061)
Total operating expenses		(54,607)	(43,602)
Profit from operations	7	43,161	24,035
Finance revenue	8	3,785	2,297
Finance costs	9	(1,979)	(1,682)
Profit before tax		44,967	24,650
Analysis of profit before tax			
Profit before tax, share-based payments, amortisation and goodwill adjustment		47,949	28,083
Share-based payments		(315)	(177)
Adjustment to carrying value of goodwill in respect of utilisation of tax losses		(391)	(1,136)
Amortisation of intangibles (excluding other software)		(2,276)	(2,120)
Profit before tax		44,967	24,650
Income tax expense	11	(10,721)	(6 844)
Profit for the year attributable to equity holders of the parent		34,246	17,806
Earnings per share (pence)			
– basic	13	50 80p	26 59p
– diluted	13	50 38p	26 32p

All activities relate to continuing activities

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

Consolidated statement of recognised income and expense
For the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Tax on items recognised directly in equity	11(a)	(389)	1,979
Exchange differences arising on translation of foreign operations		5,782	(1,872)
Actuarial gain/(loss) on defined benefit pension schemes	25	3,427	(2,694)
Net income/(loss) recognised directly in equity		8,820	(2,587)
Profit for the year		34,246	17,806
Total recognised income and expense relating to the year attributable to equity holders of the parent		43,066	15,219

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

Consolidated balance sheet
31 March 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Goodwill	14	16,689	15,062
Other intangible assets	15	10,806	12,028
Property, plant and equipment	16	5,403	4,752
Deferred tax assets	24	2,743	3,628
Other receivables	18	737	261
		36,378	35,731
Current assets			
Trade and other receivables	18	43,184	36,546
Current tax assets		751	258
Cash and cash equivalents	19	82,849	41,287
		126,784	78,091
Total assets		163,162	113,822
Equity			
Issued share capital	27	2,250	2,245
Share premium	28	26,522	26,381
Other reserves	28	8,527	2,745
Retained earnings	28	68,447	33,941
Total equity	28	105,746	65,312
Current liabilities			
Trade and other payables	20	45,223	33,259
Financial liabilities	21	1,048	168
Current tax liabilities		7,488	6,907
		53,759	40,334
Non-current liabilities			
Deferred tax liabilities	24	2,065	3,105
Financial liabilities	21	—	128
Retirement benefit obligations	25	1,592	4,943
		3,657	8,176
Total equity and liabilities		163,162	113,822

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 27 May 2008 They were signed on its behalf by

Nick Prest
Chairman

Richard Longdon
Chief Executive

Consolidated cash flow statement
For the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Cash flows from operating activities			
Profit for the year		34,246	17,806
Income tax		10,721	6,844
Net finance revenue		(1,806)	(615)
Depreciation of property, plant and equipment		1,243	1,254
Amortisation of intangible assets		2,336	2,167
Loss/(profit) on disposal of non-current assets		14	(12)
Share-based payments		315	177
Difference between pension contributions paid and amounts recognised in Income statement		135	(1,902)
Adjustment to carrying value of goodwill		391	1,136
Changes in working capital			
Trade and other receivables		(6,475)	(9,298)
Trade and other payables		12,632	9,193
Fair value of forward contracts		874	7
Cash generated from operating activities before tax		54,626	26,757
Income taxes paid		(11,325)	(4,810)
Net cash generated from operating activities		43,301	21,947
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,781)	(1,241)
Interest received		1,772	547
Proceeds from disposal of property, plant and equipment		34	85
Purchase of intangible assets		(136)	(1,056)
Net cash used in investing activities		(111)	(1,665)
Cash flows from financing activities			
Interest paid		(13)	(43)
Proceeds from the issue of shares		146	1 048
Payment of finance lease liabilities		(133)	(157)
Dividends paid to equity holders of the parent		(3,093)	(1,992)
Net cash flows from financing activities		(3,093)	(1,144)
Net increase in cash and cash equivalents		40,097	19,138
Net foreign exchange difference		1,465	(1,354)
Opening cash and cash equivalents	19	41,287	23,503
Closing cash and cash equivalents	19	82,849	41,287

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

Notes to the financial statements – IFRS

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

2 Basis of preparation
The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2008 The Consolidated financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated

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

a) Statement of compliance
The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2008 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 at pages 74 to 78

b) Basis of consolidation
The Consolidated financial statements comprise the financial statements of AVEVA Group plc and its subsidiaries as at 31 March each year The financial statements of subsidiaries are prepared using existing GAAP for each country of operation Adjustments are made to translate any differences that may exist between the respective local GAAP's and IFRS

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

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

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

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

a) Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows The carrying amount of goodwill at 31 March 2008 was £16,689,000 (2007 – £15,062,000)

b) Defined benefit pension schemes
The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts The assumptions applied are described in note 25 and include, amongst others the discount rate, the expected return on plan assets, rates of increase in salaries and mortality rates While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the amount of the Group's future pension obligations, actuarial gains and losses included in the Statement of recognised income and expense in future years and the future staff costs The carrying amount of retirement benefit obligations at 31 March 2008 was £1,592,000 (2007 – £4,943 000)

c) Impairment of trade receivables
The Directors consider that the carrying amount of trade receivables approximates their fair value A provision has been made for the estimated unrecoverable amounts based on information available to management Changes in the financial condition of customers may impact the level of provision required The provision at 31 March 2008 was £1,964,000 (2007 – £3,680,000)

d) Useful lives of tangible and intangible assets
Intangible assets and property, plant and equipment are depreciated over their estimated useful economic lives The period of actual use of economic benefit may vary from these estimated lives Details of the periods that these assets are depreciated over is set out in note 4 (d) and 4 (f)

4 Summary of significant accounting policies

a) Revenue

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

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

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

Users can pay an initial licence fee upon installation for a set number of users together with an obligatory annual fee Additional users can be licenced at any time on payment of an extension fee similar to the initial and annual fees The fees cover right to use and post contract support, which includes core product enhancements and remote support services The fees related to the right to use are recognised once the above conditions have been met Post contract support fees are recognised rateably over the period of the contract

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

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

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

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

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

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

b) Foreign currencies

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

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

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

c) Goodwill

Goodwill which arose on acquisitions in the year ended 31 March 1998, and earlier periods, was written off to reserves in accordance with the UK GAAP accounting standard then in force As permitted by FRS 10 which replaced the previous standard, the goodwill previously written off to reserves has not been reinstated in the Balance sheet

For acquisitions arising between 31 March 1998 and 31 March 2004, goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, was capitalised under UK GAAP and written off on a straight-line basis over its useful economic life

Notes to the financial statements – IFRS continued

4 Summary of significant accounting policies continued

c) Goodwill continued

The Group has elected not to apply IFRS 3, 'Business Combinations' retrospectively to business combinations that took place before 1 April 2004 As a result, the carrying amount of goodwill in the opening IFRS Balance sheet is that recorded under UK GAAP at 1 April 2004 (date of transition)

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

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

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

d) Intangible assets

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

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

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

	Years
Tribon developed technology	5
Realitywave developed technology	12
Tribon customer relationships	20
Other software	3
Purchased software rights	5–10

e) Research expenditure

Research expenditure is written off in the year of expenditure

f) Property, plant and equipment

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

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

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

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

g) Impairment of assets

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

4 Summary of significant accounting policies continued

h) Trade and other receivables

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

i) Cash and cash equivalents

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

j) Derivative financial instruments

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

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in the Income statement

k) Leases

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

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

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

l) Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences

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

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, and the carry-forward of unused tax assets and unused tax losses can be utilised

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

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

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

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

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

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

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

Notes to the financial statements – IFRS continued

4 Summary of significant accounting policies continued

m) Post retirement benefits

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

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

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

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

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

A past service credit is recognised immediately to the extent that benefits are already vested, or is otherwise amortised on a straight-line basis over the average period until the benefits become vested

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

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

n) Share-based payments

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005 Other equity-settled awards which are out of the scope of IFRS, have continued to be accounted for under UK GAAP

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

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

4 Summary of significant accounting policies continued

o) New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

International Accounting Standards (IAS/IFRSs)		Effective date*
IFRS 2	Share-Based Payment – Vesting Conditions and Cancellation	1 January 2009
IFRS 3R	Business Combinations and IAS 27R Consolidated and Separate Financial Statements	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 Revised	Presentation of Financial Statements	1 January 2009
IAS 32 and IAS 1	Puttable Financial Instruments	1 January 2009
IAS 23	Borrowing Costs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRC 12	Service Concession Arrangements	1 January 2008
IFRC 13	Customer Loyalty Payments	1 July 2008
IFRC 14 / IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

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

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

5 Revenue

An analysis of the Group's revenue is as follows

	2008 £000	2007 £000
Annual fees	23,120	17,396
Rental fees	40,558	32,195
Recurring services	2,426	3,060
Total recurring revenue	66,104	52,651
Initial licence fees	52,903	34,185
Services	8,554	8,070
Total revenue	127,561	94,906
Finance revenue	3,785	2 297
	131,346	97,203

Services consist of consultancy and training fees

6 Segment information

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

Geographical segments Year ended 31 March 2008	Asia Pacific £000	WEMEA £000	CES £000	Americas £000	Unallocated £000	Total £000
Income statement						
Revenue						
Segment revenue	50,812	26,257	32,684	17,808	—	127,561
Result						
Segment result	34,486	18,554	20,003	11,109	—	84,152
Unallocated expenses						
Corporate overheads					(19,690)	(19,690)
Research and Development costs					(21,301)	(21,301)
Profit from operations						43,161
Finance revenue						3,785
Finance costs						(1,979)
Profit before tax						44,967
Income tax expense						(10,721)
Net profit for the year						34,246
Assets and liabilities						
Segment assets	48,669	11,485	20,968	7,065	—	88,187
Unallocated corporate assets					74,975	74,975
Consolidated total assets						163,162
Segment liabilities	(17,959)	(3,350)	(8,232)	(3,380)	—	(32,921)
Unallocated corporate liabilities					(24,495)	(24,495)
Consolidated total liabilities						(57,416)
Other segment information						
Capital expenditure						
Property, plant and equipment	729	33	183	98	738	1,781
Intangible assets	—	—	—	—	136	136
Depreciation	(372)	(4)	(120)	(63)	(684)	(1,243)
Amortisation	—	—	—	—	(2,336)	(2,336)

6 Segment information continued

Geographical segments Year ended 31 March 2007	Asia Pacific £000	WEMEA £000	CES £000	Americas £000	Unallocated £000	Total £000
Income statement						
Revenue						
Segment revenue	36,871	21,744	22,808	13,483	—	94,906
Result						
Segment result	21,116	14,216	13,513	7,882	—	56,727
Unallocated expenses						
Corporate overheads					(15,085)	(15,085)
Research and Development costs					(17,607)	(17,607)
Profit from operations						24,035
Finance revenue						2,297
Finance costs						(1,682)
Profit before tax						24,650
Income tax expense						(6,844)
Net profit for the year						17,806
Assets and liabilities						
Segment assets	35,902	9,039	17,761	4,918	—	67 620
Unallocated corporate assets					46,202	46,202
Consolidated total assets						113,822
Segment liabilities	(13,376)	(3,817)	(6,303)	(2,298)	—	(25,794)
Unallocated corporate liabilities					(22,716)	(22,716)
Consolidated total liabilities						(48,510)
Other segment information						
Capital expenditure						
Property, plant and equipment	503	30	120	56	532	1,241
Intangible assets	—	—	—	—	1,056	1,056
Depreciation	(247)	(8)	(109)	(76)	(814)	(1,254)
Amortisation	—	—	—	—	(2,167)	(2,167)

7 Profit from operations

Profit from operations is stated after charging/(crediting)

	2008 £000	2007 £000
Depreciation of owned property, plant and equipment	1,148	1,148
Depreciation of property, plant and equipment held under finance leases	95	106
Amortisation of intangible assets		
– included in cost of sales	1,927	1,775
– included in administrative expenses	92	79
– included in selling and distribution costs	317	313
Research and Development costs (included in cost of sales)	21,301	17,607
Staff costs	48,159	38 252
Operating lease rentals – minimum lease payments	2,261	1,715
Loss/(profit) on disposal of property, plant and equipment	14	(12)
Adjustment to goodwill in respect of the benefit received from utilisation of tax losses (included in administrative expenses)	391	1,136
Net foreign exchange losses	2,551	2,251

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

	2008 £000	2007 £000
Fees payable to the Company auditor for the audit of parent Company and consolidated accounts	246	221
Fees payable to the Company auditor and its associates for other services		
– the audit of Company's subsidiaries pursuant to legislation	86	63
– tax services	46	19
– other services pursuant to legislation	16	—
	394	303

8 Finance revenue

	2008 £000	2007 £000
Expected return on pension scheme assets	2,013	1,750
Bank interest receivable	1,772	547
	3,785	2,297

9 Finance costs

	2008 £000	2007 £000
Bank interest payable and similar charges	13	43
Finance lease interest	11	19
Interest on pension scheme liabilities	1,955	1,620
	1,979	1,682

10 Staff costs

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

	2008 £000	2007 £000
Wages and salaries	39,493	31,139
Social security costs	4,623	3,855
Other pension costs	3,728	3 081
Expense of share-based payments	315	177
	48,159	38,252

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

	2008 Number	2007 Number
Research, development and product support	222	201
Sales, marketing and customer support	300	221
Administration	141	107
	663	529

Directors' remuneration

The disclosure of individual Director's remuneration and interests required by the Companies Act 1985 and those specified for audit by the Listing Rules of the Financial Services Authority are shown in the audited section of the Directors' remuneration report on pages 35 to 37 and form part of these financial statements

11 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2008 and 2007 are as follows

	2008 £000	2007 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	9,119	2,557
Adjustments in respect of prior periods	(769)	(327)
	8,350	2,230
Foreign tax	4,215	4,729
Adjustments in respect of prior periods	(960)	327
	3,255	5,056
Total current tax	11,605	7,286
Deferred tax		
Origination and reversal of temporary differences	391	227
Adjustment in respect of prior periods	(1,267)	(669)
Effect of change in UK tax rate	(8)	–
Total deferred tax (note 24)	(884)	(442)
Total income tax expense reported in Consolidated income statement	10,721	6,844

	2008 £000	2007 £000
Tax relating to items charged or credited directly to equity		
Current tax		
Tax benefit of share option exercises	353	979
Deferred tax		
Deferred tax on share options	629	16
Deferred tax on retranslation of intangible assets	(350)	173
Deferred tax on actuarial gain/(loss) on defined benefit pension scheme	(1,021)	811
Tax (charge)/credit directly to equity	(389)	1,979

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

	2008 £000	2007 £000
Tax on Group profit before tax at standard UK corporation tax rate of 30% (2007 – 30%)	13,490	7,395
Effects of:		
Expenses not deductible for tax purposes	117	951
Movement on unprovided deferred tax balances	(6)	(566)
Change in UK tax rate for deferred tax provision	(8)	–
(Lower)/higher tax rates on overseas earnings	(90)	352
UK tax on remitted earnings	–	517
Unrelieved tax losses	214	–
Adjustments in respect of prior years		
– other	(2,605)	(669)
– relief for losses previously not recognised	(391)	(1,136)
Income tax expense reported in the Consolidated income statement	10,721	6,844

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

Notes to the financial statements – IFRS continued

12 Dividends paid and proposed on equity shares

	2008 £000	2007 £000
Declared and paid during the year		
Interim 2007/08 dividend paid of 1 65p (2006/07 – 1 24p) per ordinary share	1,113	835
Final 2006/07 dividend paid of 2 94p (2005/06 – 1 73p) per ordinary share	1,980	1,157
	3,093	1,992
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2007/08 of 5 0p (2006/07 – 2 94p) per ordinary share	3,376	1,980

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 10 July 2008 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 1 August 2008 to shareholders on the register at the close of business on 27 June 2008

13 Earnings per share

The calculations of basic and diluted earnings per share are based on the net profit attributable to equity holders of the parent for the year of £34,246,000 (2007 – £17,806,000) Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares Details of the terms and conditions of share options are provided in note 26

	2008 Number	2007 Number
Weighted average number of ordinary shares for basic earnings per share	67,412,779	66 970,870
Effect of dilution Employee share options	567,686	687,951
Weighted average number of ordinary shares adjusted for the effect of dilution	67,980,465	67,658,821
Earnings per share for the year		
– basic	50 80p	26 59p
– diluted	50 38p	26 32p
Adjusted earnings per share for the year		
– basic	55 22p	31 71p
– diluted	54 76p	31 39p

Adjusted basic and adjusted diluted earnings per share is calculated based on an adjusted profit after tax of £37,228,000 (2007 – £21 239,000) obtained by adding intangible amortisation (excluding other software) of £2,276,000 (2007 – £2 120,000), share-based payments of £315,000 (2007 – £177,000) and adjustment to carrying value of goodwill of £391 000 (2007 – £1,136,000) to the profit after tax for the year of £34,246,000 (2007 – £17,806,000) The denominators used are the same as those detailed above for both basic and diluted earnings per share

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

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

14 Goodwill

	£000
At 1 April 2006	16,612
Adjustment to carrying value of Tribon Solutions AB	(280)
Adjustment to carrying value of Realitywave Inc	(856)
Exchange adjustment	(414)
At 31 March 2007	15,062
Adjustment to carrying value of Tribon Solutions AB	(391)
Exchange adjustment	2,018
At 31 March 2008	16,689

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

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

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

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

14 Goodwill continued

The adjustments to the carrying value of the Tribon Solutions AB and Realitywave Inc goodwill are due to the post-acquisition utilisation of tax losses, which were not recognised as deferred tax assets on acquisition

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

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

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

Year ended 31 March 2007	WEMEA £000	Asia Pacific £000	CES £000	Americas £000	Total £000
Tribon Solutions AB	267	7 018	5,374	291	12,950
Realitywave Inc	199	200	200	200	799
AEA Technology	—	108	—	976	1,084
Kyokuto Boeki Kaisha	—	229	—	—	229
	466	7,555	5,574	1,467	15,062

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the year ending 31 March 2009 and extrapolates cash flows for the following four years based on an average estimated growth rate of between 10% and 15% Future cash flows are discounted in line with the weighted average cost of capital of approximately 10% pre-tax

15 Intangible assets

	Tribon developed technology £000	Realitywave developed technology £000	Tribon customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost						
At 1 April 2006	5,781	3,219	6,279	995	3,523	19,797
Additions	—	—	—	16	1,040	1,056
Disposals	—	—	—	(33)	—	(33)
Exchange adjustment	(87)	(366)	(94)	(5)	—	(552)
At 31 March 2007	5,694	2,853	6,185	973	4,563	20,268
Additions	—	—	—	136	—	136
Disposals	—	—	—	(5)	—	(5)
Exchange adjustment	893	(47)	970	—	—	1,816
At 31 March 2008	6,587	2,806	7,155	1,104	4,563	22,215
Amortisation						
At 1 April 2006	2,159	268	587	949	2,250	6,213
Charge for the year	1,153	250	313	47	404	2,167
Disposals	—	—	—	(33)	—	(33)
Exchange adjustment	(46)	(43)	(13)	(5)	—	(107)
At 31 March 2007	3,266	475	887	958	2,654	8,240
Charge for the year	1,166	233	317	60	560	2,336
Disposals	—	—	—	(5)	—	(5)
Exchange adjustment	663	(6)	181	—	—	838
At 31 March 2008	5,095	702	1,385	1,013	3,214	11,409
Net book value						
At 31 March 2006	3,622	2,951	5,692	46	1,273	13,584
At 31 March 2007	2,428	2,378	5,298	15	1,909	12,028
At 31 March 2008	1,492	2,104	5,770	91	1,349	10,806

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £60,000 (2007 – £47,000)

15 Intangible assets continued

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

The Tribon developed technology and customer relationships were acquired as part of the acquisition of Tribon Solutions AB on 19 May 2004 and are being amortised over five and twenty years respectively using the straight-line method

The Realitywave developed technology was acquired as part of the acquisition of Realitywave Inc on 31 March 2005 and is being amortised over twelve years using the straight-line method

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

16 Property, plant and equipment

	Long leasehold buildings and improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2006	3,166	6,775	3,141	466	13,548
Additions	43	626	256	316	1,241
Disposals	—	(31)	(27)	(212)	(270)
Exchange adjustment	—	(7)	(125)	(9)	(141)
At 31 March 2007	3,209	7,363	3,245	561	14,378
Additions	—	949	520	312	1,781
Disposals	—	(27)	—	(89)	(116)
Exchange adjustment	—	199	195	26	420
At 31 March 2008	3,209	8,484	3,960	810	16,463
Depreciation					
At 1 April 2006	409	5,814	2,222	198	8,643
Charge for the year	75	716	338	125	1,254
Disposals	—	(24)	(13)	(160)	(197)
Exchange adjustment	—	(45)	(32)	3	(74)
At 31 March 2007	484	6,461	2,515	166	9,626
Charge for the year	75	696	309	163	1,243
Disposals	—	(25)	—	(43)	(68)
Exchange adjustment	—	159	90	10	259
At 31 March 2008	559	7,291	2,914	296	11,060
Net book value					
At 31 March 2006	2,757	961	919	268	4,905
At 31 March 2007	2,725	902	730	395	4,752
At 31 March 2008	2,650	1,193	1,046	514	5,403

The net book value of computer equipment includes an amount of £27 000 (2007 – £115,000) in respect of assets held under finance leases

17 Investments

At 31 March 2008 the Group had the following investments, which are held by AVEVA Solutions Limited unless stated and all of which have been included in the consolidation

	Country of incorporation or registration	Principal activity	Description and proportion of shares and voting rights held
AVEVA Solutions Limited*	Great Britain	Software development and marketing	100% ordinary shares of £1 each
AVEVA Inc	USA	Software marketing	100% common stock of US$1 each
AVEVA GmbH	Germany	Software marketing	100% ordinary shares of €25,565 each
AVEVA SA	France	Software marketing	100% ordinary shares of €30 each
AVEVA East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK$1 each
Cadcentre Property Limited	Great Britain	Holding property	100% ordinary shares of £1 each
Cadcentre Pension Trustee Limited	Great Britain	Trustee company	100% ordinary shares of £1 each
AVEVA Engineering IT Limited	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA AS	Norway	Training and consultancy	100% ordinary shares of NOK 500 each
AVEVA KK	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
AVEVA Sendirian Berhad**	Malaysia	Software marketing	49% ordinary shares of MYR1 each
AVEVA Asia Pacific Sendirian Berhad	Malaysia	Software marketing	100% ordinary shares of MYR1 each
AVEVA Korea Limited	Korea	Software marketing	100% ordinary shares of KRW 500,000 each
AVEVA Managed Services Limited	Great Britain	Dormant	100% ordinary shares of £1 each
Cadcentre Limited*	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Consulting Limited*	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of 10 Rupees each
AVEVA Limited	Great Britain	Dormant	100% ordinary shares of £1 each
Cadcentre Engineering IT Limited	Great Britain	Dormant	100% ordinary shares of £1 each
AVEVA Pty Limited	Australia	Software marketing	100% ordinary shares of AUD$1 each
AVEVA AB	Sweden	Software development and marketing	100% of ordinary shares of SEK 10 each
Tribon Solutions (UK) Limited***	Great Britain	Dormant	100% of ordinary shares of £1 each
AVEVA Pte Limited***	Singapore	Software marketing	100% of ordinary shares of SGD 10 each
Tribon dot com Sweden AB***	Sweden	Dormant	100% of ordinary shares of SEK 100 each
Tribon Solutions Consultancy Shanghai 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

* 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

18 Trade and other receivables

	2008 £000	2007 £000
Current		
Amounts falling due within one year		
Trade receivables	40,804	35,046
Prepayments and other receivables	2,277	1,307
Accrued income	103	193
	43,184	36,546

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

	2008 £000	2007 £000
Non-current		
Prepayments and other receivables	737	261

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

As at 31 March 2008 the provision for impairment of receivables was £1,964,000 (2007 – £3,680,000) and an analysis of the movements during the year was as follows

	£000
At 1 April 2006	3,990
Charge for the year, net of amounts reversed	229
Utilised	(603)
Exchange adjustment	64
As at 31 March 2007	3,680
Charge for the year, net of amounts reversed	(1,914)
Utilised	(3)
Exchange adjustment	201
As at 31 March 2008	1,964

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

			Past due not impaired			
	Total £000	Neither past due nor impaired £000	Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2008	40,804	19,829	16,764	3,434	306	471
2007	35,046	12,063	14,932	6,462	1 538	51

19 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	32,467	14,623
Short-term deposits	50,382	26,664
Net cash and cash equivalents per cash flow	82,849	41,287

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates The fair value of cash and short-term deposits is £82,849,000 (2007 – £41,287,000)

20 Trade and other payables

	2008 £000	2007 £000
Current		
Trade payables	1,795	770
Social security, employee taxes and sales taxes	4,411	3,438
Other payables	26	117
Accruals	18,944	13 537
Deferred income	20,047	15,397
	45,223	33,259

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

21 Financial liabilities

	2008 £000	2007 £000
Current		
Fair value of forward contracts	906	32
Current obligations under finance leases	142	136
	1,048	168
Non-current		
Non-current obligations under finance leases	—	128

Borrowing facilities

The Group had a committed UK borrowing overdraft facility and revolving loan facility at 31 March 2008 of £3,000,000 and £nil respectively (2007 – £3,000 000 and £3,000,000 respectively) of which £nil (2007 – £nil) of the overdraft had been drawn down at 31 March 2008 The Group has right of offset against cash balances held All conditions precedent in respect of the overdrafts and loan had been met

In addition, in both years, the Group had a committed overdraft facility of SEK 30,000,000 (£2,200,000) of which £nil (2007 – £nil) had been drawn down

The bank overdrafts and loans are secured by floating charges over certain of the Group's assets

22 Obligations under leases

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

Future minimum lease payments under finance leases are as follows

	2008 £000	2007 £000
Future minimum payments due		
Not later than one year	146	151
After one year but not more than five years	—	128
Less finance charges allocated to future periods	(4)	(15)
	142	264

The present value of minimum lease payments is analysed as follows

	2008 £000	2007 £000
Not later than one year	142	136
After one year but not more than five years	—	128
	142	264

At 31 March 2008 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows

	2008		2007	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	1,078	199	707	203
After one but not more than five years	1,879	791	1,328	552
Expiry in more than five years	328	—	—	—
	3,285	990	2,035	755

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

Notes to the financial statements – IFRS continued

23 Financial risk management

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

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

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

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

a) Market risk

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

Interest rate risk

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

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

A 1% decrease in the Sterling and US dollar interest rate would have reduced interest income by approximately £551,000 (2007 – £323,000) and profit after tax by £386,000 (2007 – £226,000)

Foreign currency risk

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

The Group reduces these exchange risks, where possible, by using currency exchange contracts and currency options for the sale of US dollar and Euro as appropriate The Group enters into specific forward foreign exchange contracts for individually significant revenue contracts when the timing of forecast cash flows is reasonably certain In addition, the Group enters into forward foreign exchange contracts to sell US dollars and Euro to match forecast cash flows arising from its recurring revenue base These are renewed on a revolving basis as required At 31 March 2008, the Group had outstanding currency exchange contracts to sell $13 5 million (2007 – $3 million) and €11 million (2007 – €10 5 million) In addition, the Group utilises option instruments which have various provisions that, depending on the spot rate at maturity, give either the Group or the counterparty the option to exercise At 31 March 2008, the Group had outstanding currency options under which the Group may, under certain circumstances, be required to sell up to $19 5 million (2007 – $nil) and €13 million (2007 – €nil) in exchange for Sterling The Group has not applied hedge accounting during the current year and therefore all gains and losses on forward exchange contracts have been included in the Consolidated income statement

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

Foreign currency sensitivity analysis

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

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

A 5% change in the US dollar (USD) against Sterling, Euro (EUR) against Sterling and Swedish Krona (SEK) 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 2006/07

31 March 2008	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
USD	5%	(498)	(498)
	(5%)	237	237
EUR	5%	(367)	(367)
	(5%)	(1,279)	(1,279)
SEK	5%	881	881
	(5%)	(925)	(925)

23 Financial risk management continued

Foreign currency sensitivity analysis continued

31 March 2007	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
USD	5%	(799)	(799)
	(5%)	839	839
EUR	5%	(435)	(435)
	(5%)	457	457
SEK	5%	680	680
	(5%)	(714)	(714)

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

b) Credit risk

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

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

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

c) Liquidity risk

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

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

	On demand £000	Less than six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2008				
Trade and other payables	1,795	23,381	–	–
Finance leases	–	73	73	–
	1,795	23,454	73	–
As at 31 March 2007				
Trade and other payables	770	17,092	–	–
Finance leases	–	73	78	128
	770	17,165	78	128

Notes to the financial statements – IFRS continued

23 Financial risk management continued

c) Liquidity risk continued

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

	Less than three months 000	Between three months and six months 000	Between six months and one year 000
As at 31 March 2008			
Forward foreign exchange contracts			
Outflow	€3,000	€3,000	€5,000
Inflow	£2,329	£2,240	£3,746
Forward foreign exchange options			
Outflow	€3,000	€3,000	€7,000
Inflow	£2,284	£2,303	£5,361
Forward foreign exchange contracts			
Outflow	—	$5,000	$8,500
Inflow	—	£2,557	£4,349
Forward foreign exchange options			
Outflow	$6,000	$4,500	$9,000
Inflow	£3,023	£2,295	£4,591
As at 31 March 2007			
Forward foreign exchange contracts			
Outflow	€3,500	—	€7,000
Inflow	£2,402	—	£4,803
Outflow	$3,000	—	—
Inflow	£1,551	—	—

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 2008

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

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

Year ended 31 March 2007

Fixed rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Obligations under finance leases	(136)	(128)	—	(264)

Floating rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Cash and short-term deposits	41,287	—	—	41,287

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £82,849,000 (2007 - £41,287,000), bank overdraft of £nil (2007 – £nil), finance leases of £142,000 (2007 - £264,000) and forward foreign exchange contracts of £906,000 (2007 - £32,000)

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

f) Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders return capital to shareholders or issue new shares No changes were made in the objectives, policies or processes during the years ended 31 March 2007 or 2008

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

24 Deferred tax

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

	Accelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2007	83	(242)	1,223	(3,268)	697	2,030	523
(Charge)/credit to Income statement	(319)	22	(13)	1,083	69	42	884
(Charge)/credit to equity	—	—	(1,021)	(350)	629	—	(742)
Reclassification	130	—	—	33	—	(163)	—
Exchange adjustment	—	—	—	—	—	13	13
At 31 March 2008	(106)	(220)	189	(2,502)	1,395	1,922	678

* 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, 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

	2007 £000	2006 £000
Deferred tax liabilities	(2,065)	(3,105)
Deferred tax assets	2,743	3,628
	678	523

At the Balance sheet date, the Group has unused tax losses of £1,006,000 (2007 – £1,247,000) available for offset against future profits Of the total deferred tax asset of £334,000 (2007 – £498,000), £56,000 (2007 – £nil) has been recognised and is included in "other" above No deferred tax asset has been recognised in respect of the balance due to the unpredictability of future profit streams The losses may be carried forward indefinitely (2007 – £498,000 expired over the years 2010 to 2014)

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 £27,500,000 (2007 – £16,500,000) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

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

25 Retirement benefit obligations

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

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 31 March 2006	3,460	401	294	4,155
Reclassification	—	126	—	126
Current service cost	1,346	36	107	1 489
Interest on pension scheme liabilities	1,607	13	—	1,620
Expected return on pension scheme assets	(1,750)	—	—	(1,750)
Actuarial loss/(gain)	2,704	(10)	—	2,694
Employer contributions	(3,294)	(26)	(35)	(3,355)
Exchange adjustment	—	(10)	(26)	(36)
At 31 March 2007	4,073	530	340	4,943
Current service cost	1,467	30	154	1,651
Interest on pension scheme liabilities	1,930	25	—	1,955
Expected return on pension scheme assets	(2,013)	—	—	(2,013)
Actuarial gain	(3,363)	(64)	—	(3,427)
Employer contributions	(1,425)	(60)	(77)	(1,562)
Exchange adjustment	—	78	(33)	45
At 31 March 2008	669	539	384	1,592

a) UK defined benefit scheme

The Group operates a UK defined benefit pension plan providing benefits based on final pensionable pay which is funded This scheme was closed to new employees on 30 September 2002 (with the option of re-opening if required) and was converted to a Career Average Revalued Earnings basis on 30 September 2004 Pensions are payable to dependants on death in retirement and a lump sum is payable if death occurs in service There is an insurance policy in place which covers this liability Administration on behalf of the members is governed by a Trust Deed, and the funds are held and managed by professional investment managers who are independent of the Group

Contributions to the scheme are made in accordance with advice from an independent professionally qualified actuary Mercer Human Resource Consulting, 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

Notes to the financial statements – IFRS continued

25 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

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

	2008 %	2007 %
Main assumptions		
Rate of salary increases	5 50	4 90
Rate of increase of pensions in payment	3 20	2 90
Rate of increase of pensions in deferment	3 50	2 90
Discount rate	6 60	5 20
Inflation assumption	3 20	2 90
Expected rate of return on scheme assets		
Equities	6 65	6 65
Bonds	3 70	3 70
Other	4 25	4 25

For the years ended 31 March 2008 and 2007, the following weighted average life expectancy at age 65 for mortality has been used

	2008 Years	2007 Years
Male pensioners	23 7	21 9
Female pensioners	26 3	24 8
Non-retired males	26 6	23 0
Non-retired females	28 4	25 8

Member contributions were 7 5% (2007 – 7 5%) of pensionable salary and Company contributions were £1,425,000 (2007 – £3,294,000), which included a one-off special contribution of £nil (2007 – £2,000,000) The total contributions in 2009 are expected to be approximately £2,437,000

The assets and liabilities of the scheme at 31 March 2008 and 2007 were as follows

	2008 £000	2007 £000
Equities	25,478	26,501
Bonds	6,057	4,828
Other	1,396	966
Total fair value of assets	32,931	32,295
Present value of scheme liabilities	(33,600)	(36,368)
Net pension liability	(669)	(4,073)

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

	2008 £000	2007 £000
Recognised in the Consolidated income statement		
Current service cost		
Cost of sales	960	894
Selling and distribution costs	390	282
Administrative expenses	117	170
Total operating charge	1,467	1,346
Finance revenue		
Expected return on pension scheme assets	(2,013)	(1,750)
Finance costs		
Interest on pension scheme liabilities	1,930	1,607
Taken to Consolidated statement of recognised income and expense		
Actual return on pension scheme assets	(780)	1 216
Less expected return on pension scheme assets	(2,013)	(1,750)
	(2,793)	(534)
Changes in assumptions	6,156	(2,170)
Actuarial gain/(loss) recognised in Consolidated statement of recognised income and expense	3,363	(2,704)

25 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

	2008 £000	2007 £000
At 1 April	36,368	31,227
Current service costs	1,467	1,346
Contributions by employees	463	448
Interest on pension scheme liabilities	1,930	1 607
Benefits paid	(435)	(396)
Premiums paid	(37)	(34)
Actuarial (gain)/loss	(6,156)	2,170
At 31 March	33,600	36,368

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

Changes in the fair value of plan assets are as follows

	2008 £000	2007 £000
At 1 April	32,295	27,767
Expected return	2,013	1,750
Contributions by employer	1,425	3,294
Contributions by employees	463	448
Benefits paid	(435)	(396)
Premiums paid	(37)	(34)
Actuarial loss	(2,793)	(534)
At 31 March	32,931	32,295

The history of experience adjustments is as follows

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

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised directly within equity was a gain of £2,887,000 (2007 – loss of £476,000) The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity of £8,500 000 in the Group is attributable to actuarial gains and losses since inception of the pension schemes Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Consolidated statement of recognised income and expense before 1 April 2004

b) German defined benefit schemes

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

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

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

	2008	2007
Rate of increase of pension in payment	0%	0%
Discount rate	4 75%–5 50%	4 50%
Mortality	14 years	16 years
Rate of salary increases	2 5%	2 5%

The retirement age for the Tribon Solutions GmbH scheme and AVEVA GmbH was 60 and 63 years of age respectively

Notes to the financial statements – IFRS continued

25 Retirement benefit obligations continued

b) German defined benefit schemes continued

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

	2008 £000	2007 £000
At 1 April	530	401
Reclassification	–	126
Current service cost (included in selling and distribution costs)	30	36
Interest on pension scheme liabilities (included in finance costs)	25	13
Benefits paid	(60)	(26)
Actuarial loss (included in Consolidated statement of recognised income and expense)	(64)	(10)
Exchange adjustment	78	(10)
At 31 March	539	530

The contributions in 2009 are expected to be approximately £60,000

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

	2008 %	2007 %
Rate of salary increases	5	5
Discount rate	5	5
Inflation assumption	4 7	2 9

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

	2008 £000	2007 £000
At 1 April	340	294
Current service cost (included in selling and distribution costs)	154	107
Payment of benefits	(77)	(35)
Exchange adjustment	(33)	(26)
At 31 March	384	340

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 2008, Alecta's surplus in the form of collective funding level was 141% (2007 - 153%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies The total cost charged to income was £570,000 (2007 – £447,000)

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 £1,507,000 (2007 – £1,145,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans

26 Share-based payment plans

The Group operates four equity-settled share option schemes, the AVEVA Group plc Long-Term Incentive Plan (LTIP), the AVEVA Group plc Employee and Executive Share Option Scheme ("Executive Scheme" and "Employee Scheme" respectively), and the AVEVA Group plc Executive Share Option Scheme 2007 ("2007 scheme") The Executive and Employee schemes lapsed in 2006 and no grants have been made under the 2007 scheme which was approved at the Annual General Meeting on 12 July 2007 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

	2008 Number	2008 WAEP (p)	2007 Number	2007 WAEP (p)
Outstanding at start of year[1]	582,861	160 52	1,123,131	177 43
Granted during year	59,663	3 33	78,648	3 33
Forfeited during year	—	—	—	—
Exercised during year[2]	(153,900)	94 70	(608,718)	172 26
Expired during year	—	—	(10,200)	118 45
Outstanding at end of year	488,624	162 06	582,861	160 52
Exercisable at end of year	94,782	115 25	158,682	158 79

[1] Included within this balance are options over 67 782 (2007 – 158,682) shares that have not been recognised in accordance with IFRS 2 as the options were granted prior to 7 November 2002 These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2

[2] The weighted average share price at the date of exercise for the options exercised is £10 20 (2007 – £7 28)

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 2008	Number of options 2007	Exercise price (p)
30 March 2000	Employee Scheme	—	3,600	114 17
12 July 2001	Employee Scheme	12,050	34,350	159 83
12 July 2001	Executive Scheme	55,732	120,732	159 83
1 July 2004	LTIP	27,000	90,000	3 33
20 July 2005	Employee Scheme	11,304	11,304	265 33
20 July 2005	Executive Scheme	244,227	244,227	265 33
28 June 2006	LTIP	78,648	78,648	3 33
2 July 2007	LTIP	59,663	—	3 33
		488,624	582,861	

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

The weighted average remaining contractual life for the options outstanding at 31 March 2008 is 3 3 years (2007 – 3 2 years)

The average fair value of options granted during the year was £9 38 (2007 – £3 53)

The range of exercise prices for options outstanding at the end of the year was £0 03 to £2 65 (2007 – £0 03 to £2 65)

The Group recognised total expenses of £315,000 and £177,000 related to equity-settled share-based payment transactions in the years ended 31 March 2008 and 2007 respectively

Notes to the financial statements – IFRS continued

26 Share-based payment plans continued
Details of the share option plans are as follows

a) Long-Term Incentive Plan (LTIP)
2007/08 awards
On 2 July 2007, a total of 59,663 share options were awarded to the Executive Directors and senior management under the LTIP This scheme was used because the AVEVA Group plc Executive Share Option and Employee Share Option schemes originally introduced in 1996 had expired and the new scheme, which was approved by shareholders at the Annual General Meeting held on 12 July 2007, had not yet been established The performance conditions are based on average growth in earnings per share over the years from 2007/08 to 2009/10 If average earnings per share growth is greater than 11 5% per annum then all of the shares shall vest If average earnings per share growth is less than 9% per annum then none of the shares shall vest If average earnings per share growth is between 9% and 11 5% per annum then the number of shares that shall vest shall be determined by linear interpolation

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

	Year ended 31 March 2008
Dividend yield	0 5%
Expected volatility	31 90%
Risk-free interest rate	5 75%
Expected life of the option	3 years
Weighted average share price	£9 55
Weighted average exercise price	£0 03

2006/07 awards
On 28 June 2006 a total of 78,648 share options were awarded to the Executive Directors and senior management under the LTIP The exercise price of the options is equal to the nominal value of the underlying shares, which is 3 33p These options are subject to performance conditions which are based on average growth in earnings per share achieved over the three years from 2006/07 to 2008/09 If average earnings per share growth is greater than 15% per annum then all of the shares shall vest If average earnings per share growth is less than 7 5% per annum none of the shares shall vest If average earnings per share growth is between 7 5% and 15% then the number of shares that shall vest will be determined by linear interpolation

The following table lists the inputs to the model used for the year ended 31 March 2007

	Year ended 31 March 2007
Dividend yield	0 60%
Expected volatility	31 90%
Risk-free interest rate	4 89%
Expected life of the option	3 years
Weighted average share price	£3 62
Weighted average exercise price	£0 03

2004/05 awards
A total of 90,000 share options were granted under the LTIP to certain senior executives on 1 July 2004 The exercise price of the options is equal to the nominal value of the underlying ordinary shares, which is 3 33p The extent to which the options are exercisable will depend on the ranking of the Company in terms of total shareholder return measured against other companies in the London Stock Exchange techMARK 100 index The performance conditions will be measured three years from the date of grant and there is no allowance for retesting The contractual life of each option granted is seven years and the options become exercisable three years after the date of grant The options lapse if the option holder leaves the employment of the Group with certain specific exceptions

26 Share-based payment plans continued

a) Long-Term Incentive Plan (LTIP) continued

The options vest in accordance with the following scale

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

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

	Year ended 31 March 2005
Dividend yield	1 23%
Expected volatility	30 0%
Risk-free interest rate	5 09%
Expected life of the option	3 years
Weighted average share price	£1 83
Weighted average exercise price	£0 03

b) Employee and executive share option plan

Options have also been granted under the AVEVA Group plc Employee Share Option Scheme and the AVEVA Group plc Executive Share Option Scheme

Pre-2004 awards

The options will lapse if not exercised by the seventh anniversary from the date of grant All options are subject to performance conditions, which require earnings per share to outperform RPI (utilisation) by a total of 10% over a three year rolling period The share option rules were established at the time of the Company's initial public offering in 1996 and the performance conditions set were commonly used at that time

2005/06 awards

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

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

	Year ended 31 March 2006
Dividend yield	0 90%
Expected volatility	33 44%
Risk-free interest rate	4 21%
Expected life of the option	5 years
Weighted average share price	£2 65
Weighted average exercise price	£2 65

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

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

Notes to the financial statements – IFRS continued

27 Share capital

	2008 £000	2007 £000
Authorised		
90,000,000 (2007 – 90,000,000) ordinary shares of 3 33p (2007 – 3 33p) each	3,000	3,000
Allotted, called-up and fully paid		
67,517,319 (2007 – 67,363,419) ordinary shares of 3 33p (2007 – 3 33p) each	2,250	2,245

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

	2008 Number	2008 £000	2007 Number	2007 £000
At 1 April	67,363,419	2,245	22,251,567	2,225
Exercise of share options	—	—	3,400	—
	67,363,419	2,245	22,254,967	2,225
Effect of 3 for 1 share split	—	—	44 509,934	—
Exercise of share options	153,900	5	598,518	20
At 31 March	67,517,319	2,250	67,363,419	2,245

Following the Annual General Meeting held on 14 July 2006, a 3 for 1 share reorganisation was approved by the shareholders Adjusting for the effect of the 3 for 1 share reorganisation, the total number of ordinary shares issued pursuant to the exercise of share options during the prior year was 608,718

Year ended 31 March 2008

Date of issue	Number of shares 2008 Number	Nominal value 2008 £	Share premium 2008 £	Market price £
19 April 2007	3,600	120	3,990	8 44
16 July 2007	37,700	1,257	58,999	9 89
26 November 2007	40,000	1,333	62,599	9 57
14 December 2007	3,600	120	5,634	9 49
2 February 2008	3,000	100	4,695	10 18
19 February 2008	27,000	900	—	10 74
3 March 2008	3,000	100	4,695	9 60
28 March 2008	36,000	1,200	—	11 10
	153,900	5,130	140,612	

Year ended 31 March 2007

Date of issue	Number of shares 2007 Number	Nominal value 2007 £	Share premium 2007 £	Market price £
Pre-share split				
16 May 2006	1,200	120	5,634	11 31
22 June 2006	2,200	220	10,055	10 59
	3,400	340	15,689	
Post-share split				
21 September 2006	3,000	100	4,695	5 19
8 November 2006	2,400	80	3,756	6 29
28 November 2006	531,768	17,725	909,508	7 29
18 December 2006	47,550	1,585	74,694	7 95
23 January 2007	3,600	120	3,990	9 08
1 March 2007	10,200	340	15,963	8 50
	598,518	19,950	1,012,606	

28 Reconciliation of movements in equity

	Share capital £000	Share premium £000	Other reserves: Merger reserve £000	Other reserves: Cumulative translation adjustments £000	Other reserves: Total £000	Retained earnings £000	Total equity £000
At 1 April 2006	2,225	25,353	3,921	696	4,617	18 665	50,860
Total recognised income and expense for the year	—	—	—	(1,872)	(1,872)	17,091	15,219
Issue of share capital	20	1,028	—	—	—	—	1,048
Share-based payments	—	—	—	—	—	177	177
Equity dividends	—	—	—	—	—	(1,992)	(1,992)
At 31 March 2007	2,245	26,381	3,921	(1,176)	2,745	33,941	65,312
Total recognised income and expense for the year	—	—	—	5,782	5,782	37,284	43,066
Issue of share capital	5	141	—	—	—	—	146
Share-based payments	—	—	—	—	—	315	315
Equity dividends	—	—	—	—	—	(3,093)	(3,093)
At 31 March 2008	2,250	26,522	3,921	4,606	8,527	68,447	105,746

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

b) Merger reserve
This represents the difference between the fair value and the nominal value of shares issued in connection with the acquisition of AVEVA AB in 2004

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

Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures In addition to their salaries, the Group also provides non-cash benefits to Directors and contribute to a defined benefit pension plan on their behalf The Directors also participate in the Group's share option schemes Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 35 to 37

	2008 £000	2007 £000
Short-term employee benefits	1,324	1,084
Share-based payments	146	108
	1,470	1,192

Statement of Directors' responsibilities – UK GAAP

Statement of Directors' responsibilities in relation to the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

Auditor's report – UK GAAP

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 2008 which comprise the Balance sheet and the related notes 1 to 11 These parent Company financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' remuneration report that is described as having been audited

We have reported separately on the Group financial statements of AVEVA Group plc for the year ended 31 March 2008

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

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

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

We report to you our opinion as to whether the parent Company financial statements give a true and fair view, the parent Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors report is consistent with the financial statements

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual report and consider whether it is consistent with the audited parent Company financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

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

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

Opinion

In our opinion

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's affairs as at 31 March 2008,
- the parent Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the parent Company financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Cambridge
27 May 2008

Company balance sheet – UK GAAP
31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	5	27,482	27,482
Current assets			
Debtors	6	49,808	30,713
Cash at bank and in hand		19	507
		49,827	31,220
Creditors amounts falling due within one year	7	(7,649)	(4,117)
Net current assets		42,178	27,103
Net assets		69,660	54,585
Capital and reserves			
Called-up share capital	8	2,250	2,245
Share premium account	9	26,522	26,381
Merger reserve	9	3,921	3,921
Profit and loss account	9	36,967	22,038
Shareholders' funds	10	69,660	54,585

The financial statements on pages 74 to 78 were approved by the Board of Directors on 27 May 2008 and signed on its behalf by

Nick Prest
Chairman

Richard Longdon
Chief Executive

27 May 2008

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

Notes to the financial statements – UK GAAP

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 have all been applied consistently throughout the current and the preceding year

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

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

b) Taxation
Current tax including UK Corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance sheet date Timing differences are differences between the Company s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

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

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

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

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

c) Foreign currency
Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Profit and loss account

d) Investments
Fixed asset investments in subsidiaries are shown at cost less provision for impairment

Notes to the financial statements – UK GAAP continued

3 Profit for the year

As permitted by Section 230 of the Companies Act 1985, the Company has elected not to present its own Profit and loss account for the year AVEVA Group plc reported a profit for the financial year ended 31 March 2008 of £18,022,000 (2007 – £20,021,000)

Audit fees of £5,000 (2007 – £5,000) are borne by another Group company

The Company does not have any employees (2007 – nil) Directors' emoluments are disclosed in the Directors' remuneration report on pages 35 to 37

4 Dividends

	2008 £000	2007 £000
Declared and paid during the year		
Interim 2007/08 dividend paid of 1 65p (2006/07 – 1 24p) per ordinary share	1,113	835
Final 2006/07 dividend paid of 2 94p (2005/06 – 1 73p) per ordinary share	1,980	1,157
	3,093	1,992
Proposed for approval by shareholders at the Annual General Meeting		
Final 2007/08 proposed dividend of 5 0p (2006/07 – 2 94p) per ordinary share	3,376	1,980

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 10 July 2008 and has not been included as a liability in these financial statements

5 Fixed asset investments

	£000
Cost and net book value	
At 31 March 2007 and 31 March 2008	27,482

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

6 Debtors amounts falling due within one year

	2008 £000	2007 £000
Amounts owed by Group undertakings	49,808	30,713

7 Creditors amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to Group undertaking	7,645	4,113
Other creditors	4	4
	7,649	4,117

8 Called-up share capital

	2008 £000	2007 £000
Authorised 90,000,000 (2007 – 90,000,000) ordinary shares of 3 33p each	3,000	3,000
Allotted, called-up and fully-paid 67,517,319 (2007 – 67,363,419) ordinary shares of 3 33p each	2,250	2,245

	2008 Number	2008 £000	2007 Number	2007 £000
At 1 April	67,363,419	2,245	22,251,567	2,225
Exercise of share options	—	—	3,400	—
	67,363,419	2,245	22,254,967	2,225
Effect of 3 for 1 share split	—	—	44,509,934	—
Exercise of share options	153,900	5	598,518	20
At 31 March	67,517,319	2,250	67,363,419	2,245

Details of the shares issued during the year are as follows

Date of issue	Number of shares 2008 Number	Nominal value 2008 £	Share premium 2008 £	Market price £
19 April 2007	3,600	120	3,990	8 44
16 July 2007	37,700	1,257	58,999	9 89
26 November 2007	40,000	1,333	62,599	9 57
14 December 2007	3,600	120	5,634	9 49
2 February 2008	3,000	100	4,695	10 18
19 February 2008	27,000	900	—	10 74
3 March 2008	3,000	100	4,695	9 60
28 March 2008	36,000	1,200	—	11 10
	153,900	5,130	140,612	

Year ended 31 March 2007

Date of issue	Number of shares 2007 Number	Nominal value 2007 £	Share premium 2007 £	Market price £
Pre-share split				
16 May 2006	1,200	120	5,634	11 31
22 June 2006	2,200	220	10,055	10 59
	3,400	340	15,689	
Post-share split				
21 September 2006	3,000	100	4,695	5 19
8 November 2006	2,400	80	3,756	6 29
28 November 2006	531,768	17,725	909,508	7 29
18 December 2006	47,550	1,585	74,694	7 95
23 January 2007	3,600	120	3,990	9 08
1 March 2007	10,200	340	15,963	8 50
	598,518	19,950	1,012,606	

During the year the Company issued 153,900 (2007 – 608,718) ordinary shares of 3 33p each with a nominal value of £5,130 (2007 – £20,290) pursuant to the exercise of share options The total proceeds were £145,742 (2007 – £1,048,000), which included a premium of £140,612 (2007 – £1,028,000)

Notes to the financial statements – UK GAAP continued

8 Called-up share capital continued

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

	Number of options	Exercise price (p)
12 July 2001	67,782	159 83
1 July 2004	27,000	3 33
20 July 2005	255,531	265 33
28 June 2006	78,648	3 33
2 July 2007	59,663	3 33
	488,624	

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

9 Reserves

	Merger reserve £000	Share premium £000	Profit and loss account £000
At 1 April 2007	3,921	26,381	22,038
Share issues	—	141	—
Dividends paid	—	—	(3,093)
Profit for the year	—	—	18,022
At 31 March 2008	3,921	26,522	36,967

10 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Profit for the financial year	18,022	20,021
Dividends	(3,093)	(1,992)
Share issues	146	1,048
Net addition to shareholders' funds	15,075	19,077
Opening shareholders' funds	54,585	35,508
Closing shareholders' funds	69,660	54,585

11 Related party transactions

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

Five year record

	IFRS				UK GAAP
	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Summarised Consolidated results					
Revenue	127,561	94,906	65,930	57,163	38,113
Gross profit	97,768	67,637	44,416	38,942	25,525
Adjusted profit before tax*	47,949	28,083	13,822	9,969	6,728
Profit before tax	44,967	24,650	11,155	9,124	6,109
Income tax expense	(10,721)	(6,844)	(3,079)	(4,011)	(2,199)
Profit for the financial year	34,246	17,806	8,076	5,113	3,910
Basic earnings per share	50 80p	26 59p	12 14p	7 97p	7 54p
Adjusted basic earnings per share	55 22p	31 71p	16 15p	9 29p	8 73p
Total dividend per share	6 65p	4 18p	2 46p	2 03p	1 93p
Summarised Consolidated balance sheet					
Non-current assets	36,378	35,731	38,245	39,753	8,336
Cash and cash equivalents (net)	82,849	41,287	23,503	11,211	8,713
Net current assets	73,025	37,757	20,830	11,478	13,610
Shareholders' funds	105,746	65,312	50,860	41,369	21,570

* Adjusted profit before tax is stated before amortisation of intangibles share-based payments adjustment to goodwill restructuring costs and past service credit on the defined benefit pension scheme in the relevant years

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

Group directory

Abu Dhabi, UAE

Al Khobar, Saudi Arabia

Busan, South Korea

Calgary, Canada

Cambridge, UK

Chesterfield, UK

Dubai, UAE

Frankfurt, Germany

Genova, Italy

Guangzhou, China

Hamburg, Germany

Hong Kong

Houston, USA

Kuala Lumpur, Malaysia

Lysaker, Norway

Madrid, Spain

Malmo, Sweden

Mexico City, Mexico

Moscow, Russia

Mumbai, India

Paris, France

Perth, Australia

Seoul, South Korea

Shanghai, China

Singapore

Solent, UK

St Petersburg, Russia

Stavanger, Norway

Wilmington, USA

Yokohama, Japan

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