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AVEVA
CONTINUAL PROGRESSION

AVEVA Group plc
Annual report 2010

Registered number
2937296

• **Who we are**

A FTSE 250 company, headquartered in Cambridge, UK, AVEVA is an acknowledged industry leader in engineering design and information management software.

• **What we do**

AVEVA creates and supplies the most powerful technology available for the engineering design, construction and lifecycle support of all types of plant and marine assets in the oil and gas, power generation, process plant, minerals processing and shipbuilding industries. At every stage of the project lifecycle AVEVA solutions deliver high productivity and information integrity, saving time and money, improving project quality and reducing business risk.

• **How we do it**

AVEVA maintains its clear industry leadership through a combination of pioneering in-house software development, carefully selected technology acquisition and strategic partnerships. It continually extends the capabilities of its solution to increase the competitive advantage of its customers, while simultaneously protecting their investment in engineering information.

our strategy

AVEVA's philosophy of Continual Progression meets the challenges of increasingly complex, integrated engineering projects by delivering powerful, innovative technologies which anticipate and lead the way in developing new capabilities and more productive working methods.

Developing global networks

In a global marketplace, projects and assets are managed on an international scale AVEVA supports this by delivering the most advanced enabling technologies and close customer support through a steadily expanding global network of offices and strategic partnerships

for more information
turn to page 02

Leadership through progression

AVEVA's leadership comes from vision and a sustained commitment to technological progress For over 40 years, AVEVA has led the way by pioneering developments which anticipate and enable the most far-reaching transformations in project execution and asset ownership

for more information
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Highlights

Solid performance in challenging market conditions focusing on our core strengths of supplying world class solutions and services to our customers in the Oil and Gas, Power and Marine markets

Revenue of £148.3 million (2009 – £164.0 million)

Recurring revenue up 9% to £102 7 million (2009 – £94.2 million) representing 69% (2009 – 57%) of total revenue

Investment in Research and Development of £20 9 million (2009 – £27 3 million)

Restructuring programme complete at a cost of £1.9 million and annualised savings of approximately £5.0 million per annum

Adjusted profit before tax of £50.7 million (2009 – £66 4 million)*

Profit before tax of £49.6 million (2009 – £59.2 million)

Adjusted basic earnings per share of 50.92 pence (2009 – 69.99 pence)*

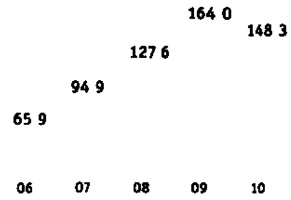
Basic earnings per share of 49.36 pence (2009 – 62.27 pence)

Final dividend increased to 13.9 pence (2009 – 6.5 pence) resulting in total dividend of 16 9 pence for the year (2009 – 9.36 pence), an increase of 81%

Continued strong cash generation with net cash and deposits at the year end of £149.7 million (2009 – £126 2 million)

Revenue (£m)

£148.3m

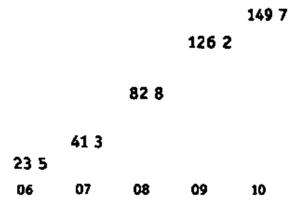


Adjusted profit before tax (£m)

£50.7m

Net cash and deposits (£m)

£149.7m



* Adjusted profit before tax and adjusted earnings per share are calculated before amortisation of intangible assets share-based payments gain/loss on fair value of forward foreign exchange contracts and restructuring costs in the relevant year In addition adjusted earnings per share also include the tax effects of these adjustments

Collaboration through relationships

As engineering projects become ever more complex, their creation and long-term operation demands the efficient management of information and workflows across distributed, collaborative working relationships AVEVA's technologies facilitate this collaboration, while its business structure integrates a growing network of technology, services and interoperability partners to provide the most comprehensive solutions

for more information
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Developing global networks

In a global marketplace, projects and assets are managed on an international scale. AVEVA supports this by delivering the most advanced enabling technologies and close customer support through a steadily expanding global network of offices and strategic partnerships.

Kharkov
Mr Badzym, Chief of Board Directors, Kharkov Scientific Research & Design Institute

"As we continually increase our library of proven designs and innovations, AVEVA PDMS allows us to reuse them on subsequent projects, so we progressively become more efficient with every project. Our engineers are happier, because their work is easier and of high quality, and our customers are delighted with our projects."

Americas revenue

£26.9m

- AVEVA Inc celebrated its 25th anniversary
- New Business Performance Centre opened in Houston
- First AVEVA NET installations delivered in North America

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

for AVEVA NET in action
see page 05

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

for AVEVA PLANT in action
see page 06

Europe, Middle East and Africa revenue

£70.9m

- Hungary's largest electricity provider (Paks) selected AVEVA Plant and AVEVA NET for nuclear plant design and information management
- voestalpine AG, Europe's number one high-quality steel fabricator, deployed over 50 AVEVA NET clients for daily operations
- Over 50 installations of the new AVEVA Diagrams application achieved in its first year

GL Noble Denton
Nandakumar Kunnanchath, General Manager, Competency Centre MEA Region

"AVEVA is like a friend around the corner, always delivering beyond expectations."

Woodside Energy Ltd (Australia)
Bill van Butzelaar, Business Improvement Manager

"We simply couldn't have delivered this level of saving, productivity boost and shareholder value without the use of AVEVA NET as a core part of our technology solution. Woodside had to make payback happen, and AVEVA NET has delivered financially as well as operationally, and well ahead of expectations."

Asia Pacific revenue

£50.5m

- AVEVA's Shanghai office celebrated its 20th anniversary
- AVEVA's Yokohama office celebrated its 10th anniversary
- Major contract wins with leading companies including Daelim Industrial, Mitsui Engineering and Shipbuilding, Namura Shipbuilding, Thiess Degremont Joint Venture and WorleyParsons

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

for AVEVA MARINE in action
see pages 04 and 07

Leadership through progression

AVEVA maintains its leadership by continually delivering new technologies that provide ever-increasing business value across the entire project lifecycle. Many of these developments are carried out in collaboration with AVEVA's customers, focusing on real needs, practical working methods and measurable benefits.

Collaborative development shortens the ship structural design cycle

TKMS BVN
Rafael Doig, Research & Development Department

"Using this new tool for the analysis of a frigate, we halved the time needed for the whole Finite Element Analysis of the vessel. We expect to save from now on about 960 hours in the structural assessment of a vessel."

Analysing the structural strength and vibration characteristics of a complex ship structure is a highly skilled and lengthy process that is often a critical-path activity

To solve this problem AVEVA worked with TKMS Blohm + Voss Nordseewerke (BVN) and three other leading German shipbuilders and consultants to specify and develop an efficient link between AVEVA Marine and third-party Finite Element Analysis (FEA) programs The result was AVEVA Hull Finite Element Modeller released in January 2010 and already proven to deliver substantial reductions in time and cost while enabling more efficient design of more sophisticated vessels

- **Sustained innovation**

  AVEVA maintains consistently high investment in R&D throughout the economic cycles. This strategy ensures the continual release of new, value-adding technology, whether as enhancements to established products, additions to portfolios, or closer technology integration This long-term commitment instils confidence in AVEVA as both a secure vendor and a sound investment.

- **Leading the way**

  AVEVA successfully pioneered most of the technologies that form the foundation of today's engineering design methods The Company continues to lead the way with new technologies that harness information itself to create new opportunities for competitive advantage across the engineering industries.

Information management processes and tools are essential at every stage of an asset's lifecycle, whether project execution, handover, or operations That's why they are sometimes described as Project Lifecycle Management (PLM) tools. AVEVA's PLM solution is AVEVA NET, an innovative and powerful technology platform for integrating and exploiting every type of project information

Mustang, a leading Engineering, Procurement & Construction Management (EPCM) contractor in the oil and gas industry, uses AVEVA NET as the hub for project information management, from commencement to completion and for data handover to the client AVEVA NET supports Mustang's business processes across five business units in 13 offices around the world

AVEVA's information management technologies enable true global collaboration

Mustang Engineering
John Dalton, Executive Vice President

"Efficient data management and access to information have always been challenges to global project execution. With AVEVA NET, we are able to provide our global projects with an easily accessible, single source of project data, ensuring more efficient data management, consistency across deliverables and true global collaboration."

Collaboration through relationships

In today's competitive engineering industries, success frequently comes from an ability to work in efficient collaborative relationships. It is now common to find businesses collaborating on one project while competing for another. AVEVA technology enables collaborative use of all types of project information, so that businesses can compete on innovation and their core competencies.

JRI
Mario Gonzalez, Chief of Integral Design Area

"This is a real innovation for JRI. No other applications have given us this level of business value. We expect our continuing close relationship with AVEVA will enable us to deliver even more impressive projects in the future."

JRI Ingeniería raises the benchmark in minerals processing

Large-scale minerals projects create considerable engineering challenges, not least because they often span great distances and complex topography. Chilean mining engineering company JRI Ingeniería has put itself in a leadership position by its innovative use of AVEVA Plant solutions

JRI regards AVEVA as an important business partner for its close technical support, which has enabled JRI to train engineers 'on-demand' to meet its specific industry needs. JRI also developed an innovative means of mapping and integrating complex site topography by means of aerial survey data converted into PDMS data

- **Information integration**

  For many years, AVEVA has taken the lead in removing barriers to information interchange by progressively integrating its technologies and promoting the use of robust, open standards Effective integration and sharing of all project information is the essential enabler for seamless collaboration.

- **Acquisition and partnership**

  Recognising the wealth of creativity in the engineering IT industry, AVEVA actively seeks to expand the scope of its solutions through carefully selected technology or business acquisitions and by developing close partnerships with companies offering complementary technologies.

Located in Nantong, Rongsheng Heavy Industries (RSHI) is today China's fastest growing private shipbuilder, with development plans through to 2020 Since its establishment in 2005, RSHI has been using AVEVA's Tribon system to design and build bulk carriers, oil tankers and containerships

It is now expanding its business in high-value offshore products such as FPSOs, FSOs, deep-water pipelaying vessels, drillships and drilling rigs

Using AVEVA technology, Rongsheng Heavy Industries plans to become one of the world's top three shipbuilders

Rongsheng Heavy Industries
Chen Qiang, Chairman President of RSHI

"AVEVA's Tribon marine solution was the natural choice for us because of its proven success in the Chinese shipbuilding industry. Our plan is now to migrate to AVEVA Marine. We find the 3D technology further enhanced in AVEVA Marine, with a better balance between the different structural and outfitting disciplines, as the integration between them is further improved in AVEVA Marine."

Chairman's statement

Nick Prest
Chairman

- **Highlights**

Revenue for the year amounted to £148.3 million (2009 - £164.0 million)
The Group's balance sheet continued to strengthen
The Board is recommending a final dividend of 13 9 pence
Our staff remained highly focused and professional and have contributed to our solid performance during the year

to view the Chairman's statement online
ar.aveva.com/2010

I am pleased to report on another set of solid results for AVEVA for the year ended 31 March 2010 Good levels of revenue and profits have been achieved in difficult world economic conditions

Key financials

Revenue for the year amounted to £148 3 million (2009 – £164 0 million) The performance across all our regions was impacted by recent economic uncertainty and, as anticipated, this resulted in a reduction in new licence sales which was particularly pronounced in the Marine market in Asia However, recurring revenue increased by 9% to £102 7 million (2009 – £94 2 million) and this, coupled with a fall in initial fees to £35 1 million (2009 – £57 7 million), has meant that recurring revenue as a proportion of total revenue increased to 69% (2009 – 57%)

Following the restructuring programme undertaken in the early part of the year, the Group has remained well positioned to respond to market conditions whilst maintaining the appropriate level of investment for the longer term As part of the restructuring, the Group achieved annualised cost savings of approximately £5 0 million which helped to maintain solid operating margins that the Group has historically achieved. Operating margins were 33% for the year (2009 – 35%)

Adjusted profit before tax, amortisation, share-based payments, restructuring costs and fair value of forward foreign exchange contracts amounted to £50 7 million (2009 – £66 4 million) Adjusted basic earnings per share amounted to 50 92 pence (2009 – 69 99 pence), a decrease of 27% Profit before tax amounted to £49 6 million (2009 – £59 2 million) and basic earnings per share were 49 36 pence (2009 – 62 27 pence)

The Group's balance sheet continued to strengthen during the period as the Group's cash, including treasury deposits which comprise bank deposits with a maturity date of up to six months, increased by 19% to £149 7 million (2009 – £126 2 million), once again reflecting the strong conversion of profits into cash flow

Dividend

Following a number of years of high levels of profitability and cash generation the Board has reviewed the existing level of dividend payout and has decided to increase it from what it now considers to be a relatively low base The Board is therefore recommending a final dividend of 13 9 pence (2009 – 6 5 pence) Combined with the interim dividend of 3 0 pence (2009 – 2 86 pence) this gives a full year dividend of 16 9 pence (2009 – 9 36 pence), an increase of 81% The rebased dividend better reflects the established nature of our business and the strength and stability of our cash flows without impinging materially on our ability to continue to invest and grow the business

Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 July 2010 to shareholders on the register on 25 June 2010

People

Our people remain the principal foundation of our success and this continues to be one of our market differentiators Our staff are highly skilled and dedicated to keeping the AVEVA brand synonymous with quality and delivery The past twelve months have presented a number of challenges for the Group and its employees The global economic slowdown and the subsequent restructuring programme created both business and personal challenges for many of our staff Throughout this period our staff remained highly focused and professional and have contributed to our solid performance during the year, whilst building a strong base from which we can continue to both grow the business and maintain our first class reputation On behalf of the Board I wish to thank all of our people for their hard work, commitment and contribution over this year to the success of the Group

As announced earlier in May 2010, after eleven years of contribution to the Group, David Mann will retire from his role as Non-Executive Director of the Company at the Annual General Meeting in July of this year I would like to take this opportunity to thank David for both his personal contribution and his help in developing the Group and the Board over his tenure

I would also like to welcome Hervé Couturier who joined the Board in April 2010 Hervé's experience, in particular at SAP AG, will no doubt prove invaluable as AVEVA continues to develop its products and solutions for the markets in which it operates

Outlook

Despite the challenges of 2009, we have continued with the development of the business through product innovation and securing growth in new markets such as the CIS and Brazil We see growth opportunities in each of our vertical end markets

The key drivers for growth remain in the Power and Oil and Gas markets where projects in new regions and more complex designs are likely to see new customer wins and the expansion of existing relationships Although the traditional Marine market looks set to be slow for some time, emerging countries that are investing to develop local capacity afford some opportunities, as does offering new product functionality to existing customers AVEVA NET remains a strong focus for the business as a growing customer base accepts the technology solution for managing the large volumes of data in both new build and brownfield assets

Ongoing investments in products and delivery capabilities across AVEVA's entire portfolio will continue but added emphasis on AVEVA NET delivery capacity will help to accelerate our position within the market and capitalise on the growing opportunity

The Group's market leading technologies and a global sales infrastructure capable of benefiting from both improving global and local trends, mean that AVEVA remains well placed to continue to build on its success over recent years

Nick Prest
Chairman
26 May 2010

"Good levels of revenue and profits have been achieved in difficult world economic conditions."

Chief Executive's review

Richard Longdon
Chief Executive

- **Highlights**

Overall performance of most industry segments served by AVEVA has been in line with our expectations.

AVEVA managed to secure important new contracts with Kyokuyo Shipyard in Japan and Samsung in Korea.

The quality of the AVEVA products and their suitability for the Oil and Gas projects in Brazil has positioned AVEVA for strong growth in this market.

Research and Development continued to be a key priority during the year

to view the Chief Executive's review online
ar.aveva.com/2010

Overview

AVEVA continued its development despite the challenges of the world economy, delivering a good performance reflecting the fundamental strengths of the business Our strong base of recurring revenue and good growth in developing markets helped to mitigate the impact of global economic uncertainty, particularly on initial fees in Marine As a result, overall revenue fell only 10% to £148 3 million (2009 – £164 0 million)

Decisive restructuring actions taken in the first half delivered the anticipated efficiency savings, better equipping the Group to address the trading environment. This helped to ensure that margins remained strong at 33% (2009 – 35%), whilst also enabling us to invest selectively in growth opportunities, particularly in South America, the CIS, where we expanded local resources and AVEVA NET where we increased capacity in solutions delivery The whole organisation showed great professionalism and commitment throughout this process and the Group was quickly able to move forward this year with the right cost base

Overall performance of most industry segments served by AVEVA has been in line with our expectations Funding constraints in the Oil and Gas sector led to some major new projects proceeding slowly, although the situation steadily improved during the year In particular, there have been some areas of intense activity, notably Brazil, where we have expanded our presence in Rio de Janeiro

"AVEVA continued its development despite the challenges of the world economy, delivering a good performance reflecting the fundamental strengths of the business."

The Power industry tends to have much longer investment cycles and has not been as susceptible to the global downturn with our business in both fossil-fuelled and nuclear builds continuing to grow steadily Marine did suffer from a dramatic decline in new build orders and concerns over funding for the existing ship order backlog

By making some hard decisions at the start of the year to adjust the cost base we have been able to expand the business during the year to exploit new opportunities We have recruited high calibre people into both our office network and the AVEVA NET organisation, which has already benefited our sales There have been a number of significant sales of AVEVA NET during the year and a strengthening business pipeline as we have built up our specialist business development team focused on sales into the owner operator market We have already started on building up our service delivery capability in order to serve this £500 billion market

Global performance

Providing a consistent high quality level of product performance and customer service has become increasingly important during the last year, as customers who already operate internationally seek to introduce further efficiencies into their own operations by increasing the use of 24/7 working and high value engineering centres

Key to the success in winning customers away from our competitors has been the high quality of support and service we can offer from our 35 locations, in addition to the partners who work with us in some regions

Asia Pacific – Revenue £50.5 million (2009 – £67.1 million)

Whilst we have had to adjust for a rapid decline in Marine sales, growth was delivered in other parts of the business, in particular the Chinese Power market We also made good progress in sales of AVEVA NET to both Plant and Marine customers Asia has borne the brunt of the decline in initial fee licence sales, as the majority of Asian business tends to be based on the initial fee sales as opposed to the rental model, which is more prevalent in other regions

Due to the very high number of sales in Marine during the latter part of 2008/09 and the ongoing opportunities of providing start up assistance to new customers, support levels were maintained in China Marine However, we were also able to focus these resources on selling AVEVA NET into the rapidly growing market for Product Lifecycle Management (PLM) solutions within the Marine customer base

Despite the downturn, AVEVA managed to secure important new contracts with Kyokuyo Shipyard in Japan and Samsung in Korea for both Marine and Plant divisions

In non-Marine markets we made good progress in securing important new strategic contracts This included collaboration with one of the world's largest companies, China National Petroleum Co Petrochemical Project Company (CNPC PPC)

Citec Engineering Oy
Mr Thomas Back, Application Specialist

"Most importantly, the system gives us the ability to generate completely clash-free designs. Everything will fit when the plant is being built."

Global performance continued
Americas – Revenue £26.9 million (2009 – £24.4 million)
Latin America, particularly in Brazil, provides an important development opportunity for the Group Since the opening of our office in Rio de Janeiro last year, we have built a high quality team and have already doubled the size of our original office, with plans to continue hiring into our sales and customer support teams The quality of the AVEVA products and their suitability for the Oil and Gas projects in Brazil, along with the local support, has positioned AVEVA for strong growth in this market for the foreseeable future We have secured a two year corporate agreement with Petrobras for the supply of design products

AVEVA products are already being used on many of the offshore projects starting to be commissioned in the region, with new customers joining from the Brazilian Engineering, Procurement and Contracting (EPC) community In addition, AVEVA has the opportunity to sell the AVEVA Marine products into new shipyards which are expected to be commissioned to build Floating Production and Storage Offshore (FPSO) vessels and a fleet of Very Large Crude Carriers (VLCC)

Performance in North America has remained subdued As in previous years our strong and enduring relationships with many Oil and Gas customers have provided stability and some growth opportunities We have used the downturn to build our business development expertise, with particular focus on deeper penetration of the Owner Operator market in the United States, with the aim of replicating our recent successes We were pleased with the highly successful implementation of AVEVA NET at Mustang, one of the largest EPC firms in the US

The market in Canada was one of the first casualties of the rapid oil price decline and shows little sign of recovery in the short term With the oil price at circa US$80 there is still uncertainty surrounding the exploitation of oil sands reserves in Canada and the high costs of subsequent environmental impact

EMEA – Revenue £70.9 million (2009 – £72.6 million, combined former WEMEA and CES regions)
The combined EMEA region, which was created last year from two business regions, has performed very well throughout the year This region has a very diverse spread of business and a wide geographic mix with diverse drivers, from the Middle East, up through the CIS, across to Spain and down as far as South Africa

The Oil and Gas business has performed well Some notable highlights include a large rental expansion from Technip and our first significant sale in Iraq with AVEVA products installed at SIDDCO and ADMA in Abu Dhabi, who have mandated the use of AVEVA products on all future projects The Power market is very important across the EMEA region, with long-term customers like Alstom and AREVA as key players We have extended our relationship with AREVA by securing business from the AREVA Nuclear Fuels division The Marine business, which is spread across the region, has been generally flat throughout the year

Alliance Engineering
Mr Ron Bohannon, Vice President of Engineering

"AVEVA's technology helps us streamline our engineering process and contributes to Alliance Engineering's ability to deliver projects at a lower weight (therefore, lower cost) and ahead of schedule."

"AVEVA has achieved a very strong position as a preferred supplier for many of the world's power station providers, both fossil-fuelled and nuclear."

EMEA has been the region where we have been the most consistently successful in winning customers away from our competitors This year we have added 79 new name customers across the region, with many of these converting to AVEVA after years of using competitors' systems

We are also investing in the CIS and have seen very strong sales in this sub region AVEVA has won important new business with customers in the Oil and Gas and Power markets Some of these customers will be strategic in winning further business as we expand in the region Of particular note is the contract with OJSC TANECO, the operator of the new multibillion dollar refinery complex in Russia, who will now use AVEVA NET as the consolidation tool for all engineering data for this mega project In the Nuclear power field we have secured KIEP as our second CIS nuclear design institute

End user market trends
We have seen differing trends in each of the main end user markets during the year

AVEVA has achieved a very strong position as a preferred supplier for many of the world's power station providers, both fossil-fuelled and nuclear The global span of customers using AVEVA products on new build power plants can be seen by our leading position with many of the European suppliers but is particularly pronounced in Asia, with some great successes during the past year in China The market for power stations has a very long-lead cycle and may span a recession but there have been concerns over the funding of future projects, in particular large nuclear power projects Although we have not yet seen a huge upturn in demand for products from this sector, we anticipate a steady increase in demand for many years to come, as the current global power generation capacity falls well short of predicted consumption even before taking into account all of the capacity which is due to be retired in the near future

Marine presented us with the most challenges but has performed predictably throughout the year We still have a very busy customer base in Marine as most customers are working on orders received over recent years and for the majority of customers these orders still stretch out over the next two or three years Until the market for new ships returns we expect the market for design tools to remain subdued However, efficient production is paramount in a modern shipyard and we plan to extend the use of the Marine variant of AVEVA NET to more yards, particularly in China and Korea

In Oil and Gas, whilst the tar sands project in Canada remains slow to recover from the stoppages caused by uncertainty over commodity prices, most other areas have remained buoyant In Brazil the market is very strong, as Petrobras and others rush to capitalise on the huge oil reserves off the Brazilian east coast We expect this market to continue to grow strongly and further investment in Brazil is a key element of our future planning We see additional opportunities in Russia and expect to continue to grow our team there following the strong performance from this region during the past year With greater stability in the oil price we are planning further investment in those regions likely to benefit from consistently increased commodity prices These include Malaysia and the global market for FPSO assets, where AVEVA is already a leader

"AVEVA has done very well over the last year and the core strengths in both our people and products have served to provide confidence to customers in a difficult year."

Technology and products
Research and Development continued to be a key priority during the year in order to enhance our software applications and functionality The high levels of investment in recent years ensure that we have the most advanced product offering in the industry There has been a large investment in consolidating the developments of recent years and further improving quality This work has been carried out across the entire product portfolio, with special focus on those developments deemed essential for deeper penetration of developing markets in Latin America and Eastern Europe

Integration between applications from multiple vendors has been high on the agenda of many Chief Information Officers and AVEVA has always been a leader in providing open solutions and investing in global standards initiatives During the last year we have provided more interfaces to third-party software products than ever before to enable customers to achieve greater value from their project and enterprise information

Last year we acquired a specialist business in Australia to manage instrumentation data The new version of this instrumentation product has been delivered and, with many new customers taking up this product during the year, we have received very positive feedback on the level of functionality and the competitiveness of our new solution

In addition to work on consolidating the core product range, we have continued to expand the functionality of AVEVA NET with many new features added, as we gained further experience working with oil majors and large Chinese shipbuilders The teams working on AVEVA NET have been increased during the year, with plans in place to continue the expansion of AVEVA NET and bring to market a novel web navigation capability within the coming months

Organisation and people
The AVEVA human resources team played a key role in successfully transitioning the organisation into a shape and size which was needed as we entered the downturn This was achieved by introducing a range of cost saving measures including a salary freeze, career breaks, part-time working and some redundancies, both voluntary and compulsory Once again I would like to thank all those affected by this for their understanding and professionalism

We have continued to expand the sales and support network and our relatively new office in Brazil has doubled in size to cope with the demands of this exciting new market for AVEVA products and services We have also increased staff numbers in Russia and the CIS, along with some areas within the Asia Pacific region

Since merging two sales regions into one to form EMEA last year and the rigorous examination of our cost base, we have made cost savings by rationalising some corporate functions and introduced new centralised systems to streamline the reporting processes of a very international business

Outlook

AVEVA has done very well over the last year and the core strengths in both our people and products have served to provide confidence to customers in a difficult year

As the global economic outlook improves, AVEVA is well placed to fulfil customers' requirements through our world-class products together with their increasingly high level of service demanded We have taken the opportunity over the past year to evaluate all aspects of our business and have been continually strengthening the areas where we see the most opportunity for growth, in particular increasing the investment levels in AVEVA NET

With our design products we have invested in new geographies that have grown strongly and we will continue to invest and develop offices and people AVEVA has the right products and a proven track record which appeal to customers seeking highly functional products backed by first class local support and service

We will continue to seek to maximise organic growth and to complement it with acquisitions as and when opportunities arise which can extend the functionality of our products or our market reach

Richard Longdon
Chief Executive
26 May 2010

Sumitomo Heavy Industries – Marine & Engineering
Dr Masao Takekawa, Director of Construction Management Division

"The quality and efficiency of our design have been improved with AVEVA Marine. We believe these efficient solutions are key ingredients to success in today's competitive and very challenging shipbuilding world."

Finance Director's review

Paul Taylor
Finance Director

- **Highlights**

Solid operating margins maintained at 33% (2009 – 35%)

Ongoing investment in Research and Development was £20 9 million.

Basic earnings per share were 49 36 pence (2009 – 62.27 pence)

AVEVA continues to be cash generative and net cash and deposits were £149.7 million (2009 – £126 2 million).

to view the Finance Director's review online
ar.aveva com/2010

Business model

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

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

Key performance indicators

The Group's key financial and non-financial performance indicators are total revenue, adjusted profit before tax, headcount and adjusted earnings per share The financial results for the year ended 31 March 2010 are summarised below These are discussed as part of the review below

	2010 £000	2009 £000	% change
Revenue			
Recurring revenue	102,701	94,196	9%
Initial licence fees	35,149	57,741	(39%)
Services	10,484	12,104	(13%)
Total revenue	148,334	164,041	(10%)
Cost of sales (including Research and Development costs)	(30,380)	(37,612)	(19%)
Gross profit	117,954	126,429	(7%)
Total operating expenses	(68,745)	(69,780)	(2%)
Profit from operations	49,209	56,649	(13%)
Operating margin	33%	35%	(2%)
Net bank interest	1,097	2,805	(61%)
Net interest on pension scheme	(732)	(253)	189%
Adjusted profit before tax*	50,685	66,360	(24%)
Profit before tax	49,574	59,201	(16%)
Income tax expense	(16,134)	(17,047)	(5%)
Profit after tax	33,440	42,154	(21%)
Earnings per share (pence)			
– basic	49 36p	62 27p	(21%)
– diluted	49.08p	61 98p	(21%)
– adjusted basic* (2009 restated)	50 92p	69 99p	(27%)
– adjusted diluted* (2009 restated)	50 62p	69 67p	(27%)

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

Revenue

Total revenue for the year fell by 10% to £148 3 million compared to £164 0 million last year with, as previously disclosed, the Group being impacted by the world recession Revenue from initial licence fees in the Marine market was particularly affected with total fees falling 39% from £57 7 million to £35 1 million In particular, initial licence fees in Asia Pacific fell from £36 8 million to £19 7 million reflecting this trend

However the decline in initial licence fees was partly offset by the robustness of our recurring revenue consisting of annual fees, rental licence fees and recurring services Recurring revenue increased by 9% from £94 2 million to £102 7 million reflecting the continued renewals of annual fees and rental fees from our established customer base and new customers preferring to rent rather than buy the software for more flexibility

Services continue to remain a relatively small part of the business with associated revenue falling by 13% from £12 1 million to £10 5 million although in future this is expected to increase as sales of AVEVA NET software increase

The Group's revenue was impacted by movements in foreign exchange rates during the year, particularly in US Dollars and Euro Revenue on a constant currency basis was approximately £141 0 million (reported £148 3 million) compared to £164 0 million in 2008/09, down 14%

Cost of sales and operating expenses

Cost of sales consists of direct cost of selling (third party royalties, consultancy costs and agent's commission) as well as Research and Development costs and associated Information Technology costs Total cost of sales for the year was £30 4 million (2009 – £37 6 million) Research and Development costs were £20 9 million (2009 – £27 3 million), a decrease of 23% which reflects the impact of the restructuring programme that was carried out in April 2009 Research and Development costs represented 14% of total revenue (2009 – 17%) The focus in Research and Development has been targeting our investment in key product areas such as AVEVA NET and to continue to improve the quality of AVEVA Marine and AVEVA Plant products

Operating expenses were £68 7 million (2009 – £69 8 million) for the year, a decrease of 2% on the prior year Of the total operating expenses selling and distribution costs were £60 0 million (2009 – £53.2 million) and administrative expenses were £8 7 million (2009 – £16 5 million)

"At the core of AVEVA's business is the intellectual property generated in its software products."

Cost of sales and operating expenses continued
Selling and distribution costs increased by 13% during the year which reflected the additional investments in our direct sales office network Administrative expenses included a gain on the fair value of forward foreign exchange contracts of £3 6 million (2009 – loss of £3 7 million) and, excluding these amounts, administrative expenses were broadly in line

The operating margin in 2009/10 was maintained at 33% (2009 – 35%) which was pleasing in light of the difficult trading conditions and reflects the benefits of the restructuring programme implemented in the year

Headcount

Total headcount at 31 March 2010 amounted to 820 (2009 – 843), a net decrease of 23 staff The average headcount during the year was 815 (2009 – 809) of which 228 were in Research, Development and product support (2009 – 253), 417 in sales, marketing and customer support (2009 – 380) and 170 in administration (2009 – 176)

As noted below, the restructuring programme implemented during the year largely affected Research and Development which resulted in the reduction in the average headcount The increase in the average headcount in sales, marketing and customer support was due to the continued investment in our direct sales offices, particularly in South America and Eastern Europe

Total staff costs for the year were £58 8 million compared with £55 5 million in 2009, an increase of 6%

Restructuring

As announced previously, the Group implemented a restructuring programme at the start of the financial year to make sure that AVEVA was better equipped to address the difficult trading environment, whilst also selectively investing to exploit growth opportunities As part of this restructuring programme, we combined the Central, Eastern and Southern Europe region with our Western Europe, Middle East and Africa region to form the European, Middle East and Africa region (EMEA) As part of this combination and restructuring of some of our Research and Development activities, a number of employees were made redundant giving rise to a one-off cost of £1 9 million The cost of restructuring was lower than anticipated and annualised savings were approximately £5 0 million, which was in line with our initial expectations

Finance revenue and finance costs

Finance revenue represents bank interest receivable on cash and cash equivalents of £1 1 million (2009 – £2 8 million) and the expected return on the UK defined benefit pension plan of £1 7 million (2009 – £2 0 million) Despite strong growth in cash and cash equivalents and treasury deposits, bank interest receivable fell from £2 8 million to £1 1 million due to the significant falls in UK and US interest rates Finance costs principally relate to the interest charge on the pension scheme liabilities of £2 5 million (2009 – £2 3 million)

Presentation of adjusted profit before tax

We have amended the calculation of adjusted profit before tax to include the change in the fair value of forward foreign exchange contracts as this is a non-cash item that has become more material due to the volatility in the underlying exchange rates In the year ended 31 March 2010, there was a gain on the fair value of forward foreign exchange rates amounting to £3 6 million (2009 – loss of £3 7 million) Adjusted profit before tax also takes into account amortisation of intangibles, share-based payments and restructuring costs totalling £4 7 million (2009 – £3 4 million) This resulted in adjusted profit before tax for the year of £50 7 million (2009 – £66 4 million) Profit before tax for the year was £49 6 million compared to £59 2 million in 2008/09

Taxation

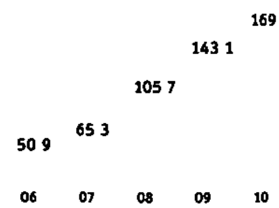
The Group's effective tax rate for the year was 32 5% compared to 28 8% in 2008/09 The main reasons for the increase were irrecoverable withholding tax suffered in Asia, expenses not deductable for tax purposes and adjustments in respect of prior years The Group has tax losses of

Dividend per share (Pence)

16.90p

Net assets (£m)

£169.2m



"AVEVA continued to deliver strong cash generation."

£5 1 million (2009 – £3 8 million) which relate to overseas subsidiaries for which no deferred tax asset has been recognised (2009 – £0 6 million) The losses can be carried forward indefinitely

Earnings per share and dividends
Basic earnings per share were 49 36 pence (2009 – 62 27 pence) and diluted earnings per share were 49 08 pence (2009 – 61 98 pence)

Following the change to the presentation of adjusted profit before tax as noted above, adjusted earnings per share has also been amended to reflect the changes in the fair value of forward foreign exchange contracts Therefore adjusted basic earnings per share, which is calculated before amortisation of intangibles, gain on the fair value of forward foreign exchange contracts, restructuring costs and share-based payments and the associated tax effects, were 50 92 pence (2009 – 69 99 pence) Diluted adjusted earnings per share on the same basis were 50 62 pence (2009 – 69 67 pence) The Directors believe that adjusted earnings per share provide a more representative presentation of the underlying performance of the business

Comparative figures in the financial statements for adjusted profit before tax and adjusted basic and diluted earnings per share have been restated accordingly to reflect this change in presentation

The Board of Directors recommend payment of a final dividend of 13 9 pence (2009 – 6 5 pence) which, together with the interim dividend of 3 0 pence (2009 – 2 86 pence), gives a total dividend for 2009/10 of 16 9 pence (2009 – 9 36 pence), an 81% increase over 2008/09 Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 July 2010 to shareholders on the register on 25 June 2010

Balance sheet and cash flows
AVEVA's balance sheet continued to strengthen during the year and at 31 March 2010 net assets were £169 2 million compared to net assets of £143 1 million at 31 March 2009 with increased cash and treasury deposits being the main driver behind this

Non-current assets at 31 March 2010 were £42 1 million (2009 – £42 2 million) which was in line with the prior year Investments in intangible assets during the year included software licences for components used in the suite of AVEVA products at a cost of £1 2 million Investments in tangible assets of £1 5 million (2009 – £3 7 million) were for replacement computer equipment and the refurbishment of offices

Current assets increased to £195 6 million from £183 7 million principally due to the increase in cash and cash equivalents and treasury deposits of £23 5 million from £126 2 million to £149 7 million AVEVA continues to be cash generative and the Group has continued to focus closely on cash management during the year particularly on the collection of customer receivables and repatriation of cash to the UK from overseas subsidiaries Total cash and deposits held in the UK at 31 March 2010 represented 85% of the total cash and deposits balance (2009 – 69%) As noted below, treasury deposits represent deposits with an original maturity of six months following the amendment to the Group's treasury policy The Group has no debt

Cash generated from operating activities before tax in the period amounted to £47 7 million (2009 – £58 7 million) Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 97% compared to 104% in 2008/09 which continues to reflect the quality of earnings and results of these cash management initiatives

Trade and other receivables were £44 1 million (2009 – £56 8 million) which partly reflects the reduction in revenue but also continued focus on collection of customer receivables Accounts receivable is also net of the provision for impairment of £6 6 million (2009 – £4 8 million) which reflects the Group's continued prudent view of the collectability of accounts receivable

Current liabilities totalled £48 9 million at 31 March 2010 (2009 – £56 6 million) which included deferred revenue of £26 9 million (2009 – £31 1 million), and trade payables and accruals of £22 0 million (2009 – £25 5 million) Non-current liabilities include retirement benefit obligations of £13 1 million (2009 – £8 8 million) This mainly relates to the UK defined benefit pension plan which had a deficit under IAS 19 of £11 7 million at 31 March 2010 (2009 – deficit of £7 6 million)

"The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products."

Balance sheet and cash flows continued
The increase in the deficit was caused by increased liabilities from £36 3 million to £52 4 million due to the updated assumption for discount rate This was partly offset by an increase in the fair value of the scheme assets from £28 7 million to £40 7 million at 31 March 2010

Capital structure

The authorised share capital of the Company is 120,000,000 ordinary shares of 3 33 pence each (2009 - 90,000,000) The issued share capital at 31 March 2010 was 67,928,208 ordinary shares of 3 33 pence each (2009 - 67,818,868) During the year the AVEVA Group Employee Benefit Trust 2008 purchased 89,016 ordinary shares in the Company in the open market at an average price of £7 29 per share for total consideration of £653,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008 At 31 March 2010, the Trust owned 122,770 ordinary shares in the Company

Treasury policy

The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board These policies are designed to reduce the financial risk arising from the Group's normal trading activities, which primarily relate to credit, interest, liquidity and currency risk Further details of these risks are contained at note 24 The Group is, and expects to continue to be, cash positive and currently holds net deposits The treasury policy includes counterparty limits which are adhered to During the year the treasury policy was updated to enable deposits with an original maturity of up to six months to be placed with banks with a high credit rating

During the year the Group had a bank overdraft facility of approximately £0 9 million (SEK 10 million) (2009 - £0.8 million, SEK 10 million) in Sweden, aimed at managing short-term fluctuations in cash of which £nil had been drawn down at 31 March 2010 (2009 - £nil) 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 35% in US Dollar and 25% in Euro The overseas entities incur costs in their local functional currency, which acts as a partial net hedge Any cash flows which cannot be offset against each other result in a net currency exposure and where possible these exposures are hedged These hedges aim to minimise the adverse effect of exchange rate movements, without eliminating all upside potential

Review of principal risks and uncertainties

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

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

Protection of the Group's intellectual property rights

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

Dependency on key markets

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

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

Foreign exchange risk
Exposure to foreign currency gains and losses can be material to the Group, with approximately 80% of the Group's revenue denominated in a foreign currency, of which our two largest are US Dollar and Euro The Group enters into forward foreign currency contracts to manage the currency risk where material The overseas subsidiaries trade in their own currencies, which also acts as a natural hedge against currency movements The Group is also exposed to foreign currency translation risk on the translation of its net investment into Sterling

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

Identification and successful integration of acquisitions
The Group expects to continue to review acquisition targets as part of its strategy The integration of any acquisitions also involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition, system integration and risks associated with unanticipated events or liabilities

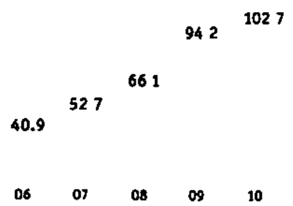
Research and Development
The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products There are many risks in software development This process is managed by developing a product roadmap that identifies the schedule for new products and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

International operations
The Group operates in Continental Europe, the Middle East, the United States, South America and Asia Pacific and is required to comply with the local laws, regulations and tax legislation in each of these jurisdictions Significant changes in these laws and regulations or failure to comply with them could lead to additional liabilities and penalties The Group manages its overseas operations by employing locally qualified personnel who are able to provide expertise in the appropriate language and an understanding of local culture, custom and practice Dependence on local management can increase the risks of Group policy not being correctly applied, especially where diverse languages and cultures exist The Group endeavours to mitigate these risks through oversight by regional management in each of the three major zones of the Group, Asia Pacific, EMEA and the Americas, as well as through the use of local professional advisers

Paul Taylor
Finance Director
26 May 2010

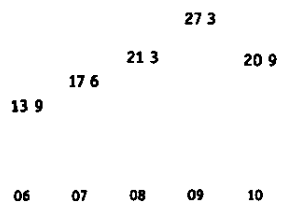
Recurring revenue (£m)

£102.7m



Investment in Research and Development (£m)

£20.9m



Corporate social responsibility report

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

As a Group we seek to operate responsibly and ethically in all areas of our business We have a strong ethical belief in the way business should be conducted and how employees should be treated We have integrated social, environmental and ethical policies into the way we do business and how we interact with our stakeholders including our shareholders, employees, customers, suppliers and local communities The Chief Executive has Board responsibilities for matters relating to the Group's culture and ethical policies, environmental matters and customer and employee issues These matters are reviewed by the Board as part of its management of risk and maintenance of its core values is vital The Board considers that it has sufficient information in order to be able to assess these risks

Customers and suppliers

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

We have a policy not to offer, pay or accept bribes or to accept substantial favours We encourage our suppliers and customers to adopt the same principles to which we ourselves aspire

We offer the highest level of support and continue to enhance our product offering to ensure our customers' effective use of our software thus minimising waste and improving efficiency The Group is committed to its customers and has dedicated support staff within its Group Solutions Centre to handle all support calls and capture customer feedback

In addition to sponsoring a variety of industry trade shows, AVEVA hosted a number of customer focused events during the year, including the AVEVA Marine User Meeting (AMUM) in Shanghai, China, and the International Symposium for Engineering Information Technology (ISEIT), held in Berlin, Germany As in previous years, these events provided a valuable industry forum to build relationships with the customer base and potential new customers, to obtain feedback on the product offering and to promote best practice in the use of our software

Following on from the success of the ISEIT and AMUM conferences, AVEVA announced in 2010 an exciting change to their successful conference series with the introduction of the AVEVA World Summits The new Summits will become AVEVA's premier customer events held in multiple locations around the world They will continue to focus on strategic business, industry and technology issues critical to the success of existing and future AVEVA customers

Employees

The Group now has over 800 employees of whom over 500 are based overseas 2009/10 saw a review of our growth strategy in the light of changes in the global economy and the refocusing of our investments which resulted in some job losses Alternative options, including part-time working, retraining and career breaks, were offered to ensure that key skills were retained Job losses were kept to a minimum so as not to damage the longer-term business goals

We are dependent on the drive and commitment of our employees, they are our most important and valuable asset and key to our continuing success We have continued to review the skills and experience needed to fill our critical roles and continue to recruit in certain areas Retention and skill development is regularly reviewed by the Board as part of the risk management process

We recognise that we must excel in the management of people and support employees to develop their careers within the Group, which assists towards maintaining a high level of morale Staff turnover remains well below the industry norm and positive retention programmes are being developed by the Group HR team Staff retention rate is a KPI which is monitored regularly and at 31 March 2010, the retention rate was 93% (excluding the impact of the redundancy programme which was completed in 2009) (2009 – 93%) We aim to be an employer of choice by

- aiming to recruit, train and develop high calibre people and helping them to subscribe to our values while continuing to grow the business in key areas,
- providing clean, healthy and safe working conditions,

- being an equal opportunity employer and not tolerating any discriminatory actions or harassment of our employees, we are proud of the diverse nature of our workforce,
- recognising the requirement to provide facilities for disabled employees and taking all reasonable measures to meet any special needs an employee might have,
- encouraging fuel-efficient commuting through the provision of car share networks, cycle sheds, showers and changing facilities in the UK offices, and
- offering flexible benefits in the UK to allow employees to select benefits to suit their lifestyle, and an Employee Assistance Programme to provide independent support for a variety of both work and non-work related issues

AVEVA will continue to review its benefits programme throughout the Group to ensure that valued and cost-effective benefits are offered to all employees whilst remaining competitive 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 Wherever possible, these promote a considerate and flexible approach to work/life balance As part of this, the Group continues to review and improve communication with employees and has conducted surveys and held forums with employees to gain their views on key issues

Training and development

E-Learning

In support of the development and retention of staff, this year the Group launched E-Learning to all employees across the Group to enable them to access technical and generic training material This is particularly suited to an employee base so widely spread across different locations

This initiative includes bespoke training for new employees and information for specific groups such as graduates, managers, etc

Central Induction Programme

Our successful Central Induction Programme has continued to be enjoyed by new recruits and proved very beneficial in providing information and a welcome to the Company This is now being supplemented with the E-Learning programme and local induction plans During the year over 50 new employees attended the courses hosted in Cambridge

Management development training programme

Managing employees in a changing and demanding organisation with such diverse cultures and numerous locations brings a number of challenges AVEVA has developed a training programme and a learning framework to provide support for the management team The management development course has been extended to include different levels of management and is led by our internal Training and Development Manager

Graduate training programme

The AVEVA graduate training programme has now been extended to include graduates in our EMEA Sales Division and in 2010 will be extended further to include North America and non-R&D functions such as business strategy and sales During the year an additional four new graduates were hired and will undergo a two year graduate training programme gaining experience from different disciplines in the Group

©ICRC/Ch Von Toggenburg

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

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

Health and safety
We have a legal and moral responsibility to ensure the safety and well being of all our employees whilst carrying out their duties on behalf of the Group and also to 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 we have had one RIDDOR reportable accident which resulted in no further action 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 (for example we regularly updated employees on advice this year relating to the H1N1 virus and provided additional precautions in the workplace to prevent the spread of infection)

Environment
As a developer of software the Company has no manufacturing facilities and therefore the Group is classed as "low impact" in environmental terms. The majority of sales are for software which is delivered electronically to customers Our software products are created by very knowledgeable, talented individuals using computers and a variety of software development tools There are no harmful chemicals or anything that could give rise to noxious waste employed in the process We purchase energy saving screens which are MPR II and TCO 03 compliant We have this year also had a survey carried out by the Carbon Trust to give us guidance on further adjustments we can make to cut down on our carbon footprint We use third party recycling vendors to assist us with the disposal of computer hardware in an environmentally friendly manner The Group actively undertakes recycling of waste products with printer toner, paper, cardboard and plastic recycled in many locations We encourage employees to undertake recycling as much as possible

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

Video and web conferencing is utilised whenever practicable Recent investments to our core IT infrastructure across the Group has enabled more effective communication/collaboration and is expected to continue to improve operational efficiencies in the future

Educational partnerships

Skills shortages continue to be a challenge in most engineering companies and it will take some time for the recent increases in the number of engineering students at universities and technical colleges to close the skills gap that currently exists In recognition of this, and in addition to its own in-house graduate recruitment schemes, AVEVA actively supports the work of educational establishments and government bodies around the world to narrow the skills gap The AVEVA Academic Initiative is a Group-wide programme whereby the Company

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

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

In the 2009/10 financial year AVEVA provided support to

Asia Pacific region:
Over 30 universities, colleges and high schools in China, India, Korea, Malaysia, Singapore and Taiwan

EMEA:
More than 15 universities and colleges in Algeria, Finland, France, Germany, Italy, Russia, Serbia, Spain, Sweden and the UK

Americas:
Seven universities, colleges and postgraduate institutes in North America and Canada

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

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

Community involvement

The Group is involved in a number of charitable and good causes The Group's policy has been to continue to support local charities in the areas that we operate as well as a number of national and international charities

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

During the past year we have donated £36,000 to a wide range of organisations as summarised below

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

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

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

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

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

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

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

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

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

1. Nick Prest CBE, aged 57 (appointed 11 January 2006)
Chairman
Nick Prest joined the Board of AVEVA in January 2006 Following a spell at the Ministry of Defence at the outset of his career Nick joined Alvis, the defence contractor, in 1982, becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996 Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems In addition to his position at Alvis, Nick had a prominent role in defence industry representation, serving as Chairman of the Defence Manufacturers' Association and Vice Chairman of the National Defence Industries Council In addition to being Chairman of AVEVA, Nick is also Chairman of Cohort plc, the AIM quoted defence technical services Group, and Chairman of Shephard Group, a privately owned media business

2. Richard Longdon, aged 54 (appointed 16 August 1994)
Chief Executive
Richard Longdon received an engineering training in the defence industry then gained experience in the project management of high value engineering projects He moved into sales and held a series of international sales and marketing positions He joined AVEVA in 1984 and shortly afterwards was made marketing manager for the process products In January 1992, he relocated to Frankfurt where he was responsible for setting up and running the Group's German office He returned to the UK as part of the management buyout team in 1994, taking responsibility for the Group's worldwide sales and marketing activities, before being appointed Managing Director in May 1999 He took over as Group Chief Executive in December 1999

3. Paul Taylor FCCA, aged 45 (appointed 1 March 2001)
Finance Director and Company Secretary
Paul Taylor is a Fellow of the Association of Chartered Certified Accountants and joined AVEVA in 1989 He was heavily involved in the flotation process and has been responsible for UK accounting and for the development of its overseas subsidiaries, including adherence to Group standards Between 1998 and 2001 Paul was also UK Director of Human Resources and was appointed to the position of Finance Director and Company Secretary of AVEVA Group plc on 1 March 2001 Before joining AVEVA, Paul trained within the accountancy profession before moving to Philips Telecommunications (UK), where he was responsible for the management accounts of its public sectors division During the year Paul was appointed a Non-Executive Director of Amite plc

4. David Mann, aged 65 (appointed 8 June 1999)
Non-Executive Director and Senior Independent Director
David Mann entered the Information Technology industry after reading Mathematics and Theoretical Physics at Cambridge University From 1969 to 1994 he worked for Logica plc where he became Head of Worldwide Operations, then Group Chief Executive and finally Deputy Chairman He is currently Non-Executive Chairman of Velti Group plc and Non-Executive Deputy Chairman of Charteris plc (both quoted on AIM) He is a Past President of the British Computer Society and a Past Master of the Worshipful Company of Information Technologists in the City of London

5. Jonathan Brooks, aged 54 (appointed 12 July 2007)
Non-Executive Director
Jonathan Brooks joined AVEVA in July 2007 He currently holds a number of Directorships with technology based companies He is a Non-Executive Director of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub systems and network technology, 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 Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc

6. Philip Dayer, aged 59 (appointed 7 January 2008)
Non-Executive Director
Philip Dayer qualified as a chartered accountant and pursued a corporate finance career in investment banking, specialising in advising small and mid-market UK companies He was first appointed an Advisory Director in 1983 of Barclays Merchant Bank Limited and since then has held the position of Corporate Finance Director with a number of banks He retired from Hoare Govett Limited in 2004 Philip was a financial consultant to OJSC Rosneft Oil Company, the Russian state-owned oil and gas company, on their flotation in 2006 Philip is a Non-Executive Director of Dana Petroleum plc, JSC Kazmunaigas Exploration Production and Navigators Underwriting Agency Limited, Senior Independent Director of Cadogan plc and Arden Partners plc and Chairman of IP PLUS plc

7. Hervé Couturier, aged 51 (appointed 1 April 2010)
Non-Executive Director
Hervé Couturier joined the AVEVA Board in April 2010 Since 2008 he has been Executive Vice President of SAP AG's Technology Group He also serves as a board member for SimCorp A/S, a public Danish software company, and has held management positions at a number of IT companies including Business Objects, the worldwide leader of business intelligence solutions, now part of SAP, S1 Corporation, a provider of software for financial and payment services, and XRT, a leading European treasury management software company, now part of the Sage Group PLC Hervé holds both an engineering degree and a Master of Science degree from the École Centrale Paris in France He began his career at IBM in 1982, where he held various engineering and business positions through until 1997

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

Hervé Couturier
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
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

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

Joint stockbrokers and financial advisers
RBS Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Joint stockbrokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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

Results and dividends
The Group made a profit for the year after taxation of £33 4 million (2009 – £42 2 million) Revenue was £148 3 million (2009 – £164 0 million) and comprised software licences, software maintenance and services

The Directors recommend the payment of a final dividend of 13 9 pence per ordinary share (2009 – 6 5 pence) If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 30 July 2010 to shareholders on the register at close of business on 25 June 2010

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

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, adjusted profit before tax, adjusted earnings per share and headcount The figures for the year ended 31 March 2010 are set out in the Finance Director's review on pages 16 to 21, 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 (2009 – £nil) At 31 March 2010, the Group had an average of 18 days' purchases owed to trade creditors (2009 – 18 days')

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

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

Financial instruments
The Group's financial risk management objectives and policies are discussed in note 24 to the Consolidated financial statements

Going concern
The Group has significant financial resources, is profitable and has a strong position in the markets it serves At 31 March 2010 the Group had bank and cash and treasury deposit balances of £149 7 million (2009 – £126 2 million) and no debt As a result, the Directors believe that the Group is well placed to manage business risks successfully despite the uncertain economic outlook

Therefore after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Directors and their interests
The Directors who served during the year under review are shown below

Nick Prest (Chairman)

David Mann (Non-Executive Director and Senior Independent Director)

Jonathan Brooks (Non-Executive Director)

Philip Dayer (Non-Executive Director)

Richard Longdon (Chief Executive)

Paul Taylor (Finance Director and Company Secretary)

On 1 April 2010, Hervé Couturier was appointed a Non-Executive Director On the same date it was also announced that David Mann will retire as Non-Executive Director and Senior Independent Director from the Board at the next Annual General Meeting

Other statutory information continued

Directors and their interests continued

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2010 in respect of transactions notifiable under Disclosure and Transparency Rule 3 1 2 that have been disclosed to the Company are as follows

	2010 3 33 pence ordinary shares	2009 3 33 pence ordinary shares
Nick Prest	16,690	16,690
David Mann	26,700	26,700
Jonathan Brooks	—	—
Philip Dayer	7,000	7,000
Richard Longdon	364,970	350,000
Paul Taylor	59,984	50,000

No changes took place in the interests of Directors in the shares of the Company between 31 March 2010 and 26 May 2010

Hervé Couturier had no interests in the Company on the date of his appointment (1 April 2010)

Directors' share options are disclosed in the Directors' remuneration report on pages 40 to 45

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

Resolutions will be submitted to the Annual General Meeting for the election of Hervé Couturier and the re-election of all other current Directors (other than David Mann) Brief biographical details of all Directors, including those who are proposed for re-election, appear on page 27

Conflict of interest

Throughout the year the Company has had the procedures in place to deal with conflict situations and these have been operated effectively During the year no conflicts arose which would require the Board to exercise authority or discretion in relation to such conflicts Changes to the Articles are proposed to be made at the Annual General Meeting and these are described in the appendix to the Notice of Annual General Meeting

Takeover Directive Disclosures

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

Share capital

The rights attaching to the Company's shares are set out in its Articles of Association At 31 March 2010, the Company's issued share capital consisted of a single class of ordinary shares with a nominal value of 3 33 pence

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

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

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

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

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

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

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

Takeover Directive Disclosures continued

Share capital continued

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

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

The Board may refuse to register a transfer unless

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

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

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

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

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

Other substantial shareholdings

On 26 May 2010, the Company had been notified, in accordance with Disclosure and Transparency Rule 5, of the following interests in the ordinary share capital of the Company

Name of holder	Number	Percentage held %
Black Rock Investment Management	11,568,521	17 03
Capital Group	5,020,350	7 39
HSBC Holdings plc	4,222,648	6 22
Legal and General Investment Management	2,520,510	3 71
Standard Life Investments	2,282,793	3 36
Janus Capital Management LLC	2,038,895	3 00

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

Powers of the Directors

Subject to its Articles of Association and relevant statutory law and to any direction that may be given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting At the Annual General Meeting in 2009 the Directors were granted authority to allot (a) relevant securities up to an aggregate nominal amount of £753,542 97 and (b) equity securities up to an aggregate nominal amount (when added to allotments under (a) above of £1,507,085 94 where the allotment is in connection with a rights issue) A renewal of this authority is being sought at the 2010 Annual General Meeting

Other statutory information continued

Takeover Directive Disclosures continued

Appointment of Directors

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

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

In accordance with Corporate Governance best practice, all Directors who served during the year (with the exception of David Mann) will stand for re-election together with Hervé Couturier, being the first Annual General Meeting since his appointment

Charitable and political donations

During the year the Group made charitable donations totalling £35,590 (2009 – £49,145) of which £10,000 was paid to MacMillan Cancer Support and £10,000 to The Prince's Trust The remainder was donated to local and national charities

During the year the Group did not make any political donations (2009 – £nil)

Annual General Meeting

The Annual General Meeting will be held on 7 July 2010 at The Trinity Centre, 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN The Notice of the Annual General Meeting is being sent to shareholders along with this Annual Report which contains details of the resolutions proposed Further details of particular resolutions are set out below

Authority to repurchase ordinary shares

Resolution 12 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 6,792,820 ordinary shares until the earlier of 6 October 2011 and the date of the next Annual General Meeting This represents 10% of the ordinary shares in issue at 26 May 2010 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 Your Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares Shares will only be repurchased if earnings per share are expected to be enhanced as a result and the Directors believe it is in the best interests of shareholders generally To the extent that any shares so purchased are held in treasury, earnings per share will be enhanced until such time, if any, as such shares are resold or transferred out of treasury

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

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

As at 26 May 2010 (being the latest practicable date prior to the publication of the notice of the Annual General Meeting), there were 378,220 outstanding options granted under all share option plans operated by the Company which, if exercised, would represent 0 22% of the issued ordinary share capital of the Company at that date If this authority and any existing authority were exercised in full and the shares repurchased were to be cancelled, such options, if exercised, would represent 0 25% of the issued ordinary share capital of the Company

Authorities to allot shares and disapply pre-emption rights

Resolution 13

The Directors may allot shares and grant rights to subscribe for, or convert any security into, shares only if authorised to do so by shareholders The authority granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting Accordingly, resolution 13 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert that security into, shares (a) up to an aggregate nominal amount of £754,757 86 and (b) in connection with a rights issue, up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £1,509,515 72

These amounts represent approximately 33 3% and approximately 66 7% respectively of the total issued ordinary share capital of the Company as at 26 May 2010 (the latest practicable date prior to the publication of this notice) If given, these authorities will expire at the Annual General Meeting in 2011 or on 6 October 2011, whichever is the earlier Where usage of these authorities exceeds the thresholds suggested by the Association of British Insurers ("the ABI"), all of the Directors will stand for re-election at the following Annual General Meeting to the extent required by the ABI

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

As at 26 May 2010 (the latest practicable date prior to the publication of this notice) the Company holds no treasury shares

Authorities to allot shares and disapply pre-emption rights continued
Resolution 14
The Directors also require a power from shareholders to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings The power granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting Accordingly, resolution 14 will be proposed as a special resolution to grant such a power Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £113,213 68 (being 5% of the Company's issued ordinary share capital at 26 May 2010 (the latest practicable date prior to the publication of the Notice)) If given, this power will expire on 6 October 2011 or at the conclusion of the Annual General Meeting in 2011, whichever is the earlier The Directors will have due regard to institutional guidelines in relation to any exercise of this power, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7 5% of the Company's issued share capital in any rolling three year period

New Articles of Association
It is proposed in resolution 15 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles"), primarily to take account of the Companies (Shareholders' Rights) Regulations 2009 and the implementation of the Companies Act 2006

The principal changes introduced in the New Articles are summarised in the appendix to the Notice of Annual General Meeting Other changes, which are of a minor, technical or clarifying nature and also some more changes which merely reflect changes made by the Companies Act 2006 and the Companies (Shareholders' Rights) Regulations 2009 have not been noted in the appendix to the Notice of Annual General Meeting The New Articles and the Current Articles are available for inspection, as noted in the Notice of Annual General Meeting

Notice required for shareholder meetings
The Shareholders Rights Directive was implemented in the UK in August 2009 The regulation implementing this Directive increases the notice period for general meetings of the Company to 21 days unless shareholders agree to a shorter notice period On the basis of a resolution passed at the 2009 Annual General Meeting, the Company is currently able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability Resolution 16 seeks such approval The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed The Company will also need to meet the requirements for electronic voting under this Directive before it can call a general meeting on 14 days' notice The shorter notice period would not be used as a matter of routine for general meetings However, the flexibility offered by this resolution will be used where, taking into account the circumstances, including whether the business of the meeting is time-sensitive, the Directors consider this appropriate in relation to the business to be considered at the general meeting in question

Employee benefit trust
The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company On 28 May 2009, the Trust acquired in the open market an aggregate of 89,016 ordinary shares in AVEVA Group plc at a price of £7 29 for total consideration of £653,000 The Trust holds a total of 122,770 ordinary shares in AVEVA Group plc representing 0 18% of the issued share capital at the date of this report Under the terms of the Trust deed governing the Trust, the trustees of the Trust are required (unless the Company directs otherwise) to waive all dividends in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust

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

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

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

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

Other statutory information continued

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

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

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

Responsibility statement pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)
Each Director of the Company (whose names and functions appear on page 29) confirms that (solely for the purpose of DTR 4) to the best of his knowledge

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

By order of the Board

Paul Taylor
Finance Director
and Company Secretary
26 May 2010

Richard Longdon
Chief Executive

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

- A 7 2 – One Non-Executive Director (David Mann) who served during the year does not have a contract of employment for a specific term due to his appointment being prior to the issue of the 2003 Combined Code In April 2010, it was announced that Mr Mann will retire as a Director at the Annual General Meeting in July 2010

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

Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Directors' remuneration report on page 40

Composition of the Board

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

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 a new Non-Executive Director with a strong software technology background and experience of managing and delivering large scale software solution projects

In April 2010, the Company announced the appointment of Hervé Couturier as a Non-Executive Director and the Board believes that he will bring significant skills and experience in these areas Further details of the process for the appointment of Mr Couturier are contained in the Nominations Committee report

In addition, in April 2010, it was announced that following eleven years of invaluable service to the Group, David Mann will retire as Non-Executive Director and Senior Independent Director at the Annual General Meeting in July 2010

Brief biographical details of all Board members are set out on page 27 The membership of all Board Committees is set out below

		Board	Audit	Remuneration	Nomination	Treasury Risk Management
Nick Prest	Chairman	Chairman	–	Member	Chairman	–
David Mann	Senior Independent Non-Executive Director	Member	Member	Chairman	–	–
Jonathan Brooks	Independent Non-Executive Director	Member	Chairman	Member	Member	Member
Philip Dayer	Independent Non-Executive Director	Member	Member	Member	Member	Chairman
Herve Couturier[1]	Independent Non-Executive Director	Member	–	–	–	–
Richard Longdon	Chief Executive	Member	–	–	–	–
Paul Taylor	Finance Director	Member	–	–	–	Member

[1] Appointed to the Board on 1 April 2010

Operation of the Board

The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Limited, the main operating company in the Group which owns all of the Group's trading subsidiaries The AVEVA Solutions Limited Board includes as members the Head of Product Development and the Head of Group Operations as well as all the members of the Group Board This ensures that the AVEVA Group Board is well informed on technical and market factors driving the Group's performance as well as on financial outcomes

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

- overall responsibility for the strategy of the Group,
- Corporate Governance,
- review of trading performance and forecasts,
- risk management,
- Board membership,
- communications with shareholders,
- approval of major transactions, including mergers and acquisitions, and
- approval of the financial statements and annual operating and capital expenditure budgets

The Board met ten times during the year and the Board also conducted a strategy meeting and visited key locations, receiving presentations from senior management The Board delegates the day to day responsibility for managing the Group to the Executive Directors The Chairman ensures that the Board functions effectively, overseeing the timely and effective provision of information to the Board To enable the Board to discharge its duties, all Directors receive appropriate and timely information Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings and all members of the Audit Committee, Remuneration, Nomination and Treasury Risk Management Committees respectively prior to meetings of such Committees

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	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Treasury Risk Management Committee meetings
Number of meetings held	10	2	2	1	2
Number of meetings attended					
Nick Prest	10	—	2	1	—
David Mann	8	2	2	—	—
Jonathan Brooks	10	2	2	1	2
Philip Dayer	9	2	1	1	2
Richard Longdon	10	—	—	—	—
Paul Taylor	10	—	—	—	2

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

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

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

Performance evaluation
The Combined Code requires that the Board undertakes a formal annual evaluation of its own performance and that of its Committees and individual Directors

In the course of the year the Chairman, in conjunction with the other members of the Nominations Committee, conducted a review of the structure and skills of the Board and the performance of individuals One decision which emanated from this review was the desirability of adding to the collective skills of the Board a stronger Non-Executive input on technology issues and this led to the appointment of Hervé Couturier as a Non-Executive Director Overall the performance of the Board and its Committees was considered to be satisfactory but some ideas for changes in the way the Board handles its business in relation to the provision of information and the focus of Board meetings were generated by these consultations and these will be introduced in the current year As part of the Board review process the performance of the Chairman was assessed by the Senior Independent Director following consultation with the other Non-Executive Directors

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

Policy on appointment and re-appointment
In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation, and also following their appointment Following his appointment in April 2010, Hervé Couturier is subject to election at the forthcoming Annual General Meeting In addition, in accordance with Corporate Governance best practice, all of the remaining Board members are offering themselves for re-election at the Annual General Meeting

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

Non-Executive Directors are appointed for a term of three years with the exception of David Mann who does not have a specific term of appointment because he was appointed prior to the issue of the 2003 Combined Code In April 2010, it was announced that Mr Mann will retire from the Board at the Annual General Meeting in July 2010 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

Independence of Non-Executive Directors and segregation of duties
The Board has considered the independence of the Chairman and the Non-Executive Directors and believes that all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement Their biographies on page 27 demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group

David Mann is the Senior Independent Director and he will have served eleven years as a Non-Executive Director in June 2010 In April 2010, it was announced that David Mann would retire as Non-Executive Director and Senior Independent Director at the Annual General Meeting in July 2010

Notwithstanding his length of service, the Board believes that Mr Mann has remained and remains independent during the term of his appointment and continues to be effective in his role and demonstrates commitment to the role He 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

Independence of Non-Executive Directors and segregation of duties continued
Hervé Couturier was appointed to the Board in April 2010 After a formal review, the Board has concluded that Mr Couturier is independent in character and judgement, and that

- he has never been an employee of the Group,
- he has never had any material business relationship with the Group,
- he does not receive any remuneration other than Director's fees,
- he does not have any close family ties with other Directors or senior management of the Group or advisers to the Group,
- he has no significant links with other Directors or senior management or advisers to the Group through involvement with other companies, and
- he does not represent a material shareholder of the Group

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

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

Nominations Committee

Committee Chairman	Nick Prest
Committee Members	Jonathan Brooks
	Philip Dayer

The Nominations Committee was formed in April 2009 The Chief Executive is invited to attend meetings as appropriate to the business being considered The activities of the Nominations Committee include nomination, selection and appointment of Non-Executive and Executive Directors, succession planning and the composition of the Board, particularly in relation to the diversity of skills and experience The Nominations Committee meets periodically when required In addition to the meetings there are a number of ad-hoc meetings to address specific matters

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

On 5 October 2009, Paul Taylor (Finance Director) was appointed a Non-Executive Director of Amte plc Prior to the appointment, the Board considered the impact on his role as Finance Director and concluded that he could still devote sufficient time to his Finance Director role and therefore approved that Mr Taylor could accept the appointment

Remuneration Committee

Committee Chairman	David Mann
Committee Members	Nick Prest
	Jonathan Brooks
	Philip Dayer

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

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

Audit Committee

Committee Chairman	Jonathan Brooks
Committee Members	Philip Dayer
	David Mann

The Chairman of the Committee is deemed by the Board to have recent and relevant financial experience He is a Chartered Management Accountant and has held a number of senior financial positions in his career Hervé Couturier will join the Audit Committee from the date of the Annual General Meeting (7 July 2010) being the date that David Mann will retire The Committee invites the Finance Director and senior representatives from the auditors to attend meetings as appropriate to the business being considered Subsequent to the year end, an Audit Committee meeting was held to review the results of the audit, which was attended by all members

Committees of the Board continued

Audit Committee continued

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 members (as part of the full Board) review all proposed announcements to be made by the Group to the extent that they contain financial information The Audit Committee considers compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority and also reviews any proposed change in accounting policies and any recommendations from the Group's auditors regarding improvements to internal controls and the adequacy of resources within the Group's finance function The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors Controls in place to ensure this include monitoring of the independence and effectiveness of the audit, implementing a policy on the engagement of the external auditors to supply non-audit services, and a review of the scope of the audit and fee and performance of the external auditors The Audit Committee monitors fees paid to the auditors for non-audit work and delegates the authority for approval of such work to the Finance Director where the level of fees involved are insignificant During the year there was limited non-audit work performed by the auditors which mainly consisted of tax compliance work for subsidiaries of the Group and other statutory filing work Any significant non-audit work such as reporting accountant engagements would require prior approval from the Audit Committee

The Group engages other independent firms of accountants to perform tax consulting work and other consulting engagements to ensure that the independence of the auditors is not compromised Audit partners are rotated every five years and a formal statement of independence is received from the auditors each year The Board and the Audit Committee are satisfied that the independence of the auditors has been maintained

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

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

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

Treasury Risk Management Committee (TMRC)

Committee Chairman	Philip Dayer
Committee Members	Jonathan Brooks
	Paul Taylor

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

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

The policies of the Group in relation to these areas are explained in note 24 to the financial statements

During the year the TMRC met twice to discuss the above matters and provided a report to the Board after each meeting

Dialogue with institutional shareholders

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

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

Share capital structure
Further information on the share capital structure of the Company and the Takeover Directive Disclosures is contained on pages 30 to 32

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

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

The key elements of the systems of internal controls currently include

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

The Board's monitoring covers all material controls, including financial, non-financial, operational and compliance controls and risk management It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring The Board periodically carries out visits to the Group's subsidiaries and during the year travelled to Asia to meet with senior management from the Asia Pacific region and receive presentations on their operations

The Board has also performed a specific assessment for the purpose of this Annual report This involved reviewing the reports from a risk assessment workshop involving the Executive Board and senior members of management from Product Development, Sales and Finance/Legal The workshop was conducted in January 2010 and was facilitated by a third party 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 sections 420 and 421 of the Companies Act 2006 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 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 2006 The report has therefore been divided into separate sections for audited and unaudited information

UNAUDITED INFORMATION

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

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

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

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

Remuneration policy
The Remuneration Committee aims to ensure that members of the Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to achieve short and long term goals The Company's policy is that a substantial proportion of remuneration of Executive Directors should be performance-related The payment of bonuses and the vesting of share incentives are subject to meeting performance conditions established by the Committee at the beginning of each performance period reflecting what, at that time, the Committee considers demanding targets These targets are set taking account of the market in which the Group operates and the expectations of investment community on the Group's future potential performance

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

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

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

Outside appointments
Executive Directors are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment Whether or not the Director concerned is permitted to retain their fees is considered on a case by case basis As noted above, Paul Taylor was appointed a Non-Executive Director of Anite plc during the year His annual fee on appointment was £37,000 As Mr Taylor performs these services independently of his duties to the Company, he is thus entitled to receive such compensation

UNAUDITED INFORMATION continued

Remuneration policy continued
The individual components of the remuneration packages offered are

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

In 2009/10, the Remuneration Committee took into account the uncertain market conditions and, in seeking to ensure that remuneration policies remained appropriate, Directors' salaries were frozen at 2008/09 levels in keeping with the general pay freeze adopted by the Group

In keeping with a general review of salaries for the Group as a whole, the salaries for Executive Directors were reviewed in March 2010 with any adjustment to take effect from 1 April 2010 As a result the Executive Directors received salary increases of 3% set slightly below the average increase across the Group As of the date of this report, the fees for the Non-Executive Directors had not been reviewed and will be reviewed during the course of the year Details of the current salaries and fees are as follows

	£
Nick Prest	85,000
David Mann	33,000
Jonathan Brooks	35,000
Philip Dayer	30,000
Hervé Couturier*	39,000
Richard Longdon	335,265
Paul Taylor	216,300

* From date of appointment (1 April 2010)

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

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

Bonus payments
The Executive Directors participate in annual performance-related bonus arrangements determined by the Committee As noted above, these arrangements include a component using the Deferred Share Scheme Under these incentive arrangements, depending on the extent to which performance conditions are achieved, an overall bonus amount is determined Part of this overall bonus amount is payable in cash, an amount equal to the balance is used to calculate the number of ordinary shares which the bonus recipient is eligible to receive on a deferred basis This is calculated by identifying the number of ordinary shares which could be purchased with the balance at the mid-market closing price of an ordinary share on the dealing day immediately preceding the preliminary announcement of the Company's results for the financial year in which the bonus was earned

The arrangements are based substantially or entirely on the performance of the Group as a whole geared towards exceeding internal and external expectations of normalised profit before tax with 10% based on achievement for the six months to 30 September and 90% based on the full year results

For the annual performance bonus arrangements for 2009/10, the targets were set after considering the Group's budgeted normalised profit before tax and market expectations The agreed targets were considered to be appropriate and stretching against the budgeted profit for 2009/10 and market conditions prevailing at that time For 2009/10, the maximum bonus amount which an Executive Director could earn was 100% of basic salary Performance targets were achieved in full resulting in a cash bonus equal to 60% (2009 – 60%) of basic salary with the remaining 40% (2009 – 40%) of the bonus amount being used to calculate the number of deferred shares for which each Executive Director was eligible

Pensions
During the year, the two Executive Directors (Richard Longdon and Paul Taylor) were members of AVEVA Solutions Limited's defined benefit pension scheme It is a contributory, funded, occupational pension scheme registered with HM Revenue and Customs (HMRC) and, since 1 October 2004, Career Average Revalued Earnings benefits apply Under this scheme they are entitled to a pension on normal retirement, or on retirement due to ill health, equivalent to two-thirds of their pensionable salary provided they have completed (or would have completed in the case of ill health) 25 years' service A pension earnings cap (in line with historic HMRC's earning cap) applies to Paul Taylor when calculating pensionable salary Similarly, a scheme-specific earnings limit applies to the benefits earned by Richard Longdon A lower pension is payable on earlier retirement after the age of 50 by agreement with the Company and subject to HMRC guidelines Pensions are payable to dependants on the Director's death in retirement and a lump sum is payable if death occurs in service No other Directors were members of a pension scheme during the year (2009 – nil)

On 31 August 2009, Mr Longdon had accrued the maximum benefits that he was entitled to under the rules of the pension scheme and as a result left the pension scheme Mr Longdon was paid a one-off sum of £25,000 on leaving the pension scheme

UNAUDITED INFORMATION continued

Remuneration policy continued

Share awards

The Remuneration Committee considers that periodic grants of share-related incentives should constitute an important element of the remuneration of the Company's senior Executives, in line with common practice in comparable companies The 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 four schemes in existence, the AVEVA Group plc Executive Share Option Scheme (the ability to grant shares under this scheme has now expired), the AVEVA Group Management Bonus Deferred Share Scheme 2008, the AVEVA Group plc Long Term Incentive Plan and the AVEVA Group plc Executive Share Option Scheme 2007 No awards have been made under the AVEVA Group plc Executive Share Option Scheme 2007 and the performance conditions that would apply to them remain to be determined The Company would consult with major shareholders before setting any performance conditions

The number of shares which may be allocated on exercise of any options granted under any of the Company's share option schemes (including employee schemes) shall not, when aggregated with the number of shares which have been allocated in the previous ten years under these schemes, exceed 10% of the ordinary share capital of the Company in issue immediately prior to that date The share schemes are used to provide incentives to Senior Managers as well as Executive Directors As recipients of these awards, Executive Directors and Executive Board members are required to hold or use the schemes to build share ownership with a value of at least 100% of their then current salary Details of the awards made under these schemes are as follows

Long Term Incentive Plan (LTIP)

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 There are no rules under the LTIP scheme which govern the maximum awards that can be made to participants However in 2009/10 the market value of awards under the LTIP awarded to Richard Longdon and Paul Taylor amounted to 50% of basic salary (2009 – 50%) It is not expected that material changes will be made to the level of awards under the LTIP without consultation with shareholders

Details of the outstanding awards under the LTIP are as follows

2006/07 awards

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

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

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 EPS 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 EPS is less than 9% per annum then none of the shares shall vest If average EPS growth is between 9% and 11 5% per annum then the number of shares that shall vest shall be determined by linear interpolation The Remuneration Committee considered that these were challenging performance conditions in the context of Company's budget and external expectations at the time of the awards

Although the vesting date has not yet been reached, it is anticipated that the performance conditions attached to this award will be met following finalisation of the 2009/10 financial results However this is still subject to the approval of the Remuneration Committee at the time of announcement of the results

2008/09 awards

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

2009/10 awards

In 2009/10, a total of 36,628 share options were awarded to the Executive Directors under the LTIP In view of the general economic background, the Remuneration Committee gave especially careful consideration to what performance conditions would be appropriate and finally agreed that they should be based on average diluted EPS over the three years from 2009/10 to 2011/12 All shares under this option shall vest if average diluted EPS for the three years ending 31 March 2012 is equal to or above 52 14 pence Should average diluted EPS for the period be below 52 14 pence, then no shares will vest and the option will lapse The Remuneration Committee considered that these were challenging performance conditions in the context of internal and external expectations at the time of the awards

UNAUDITED INFORMATION continued

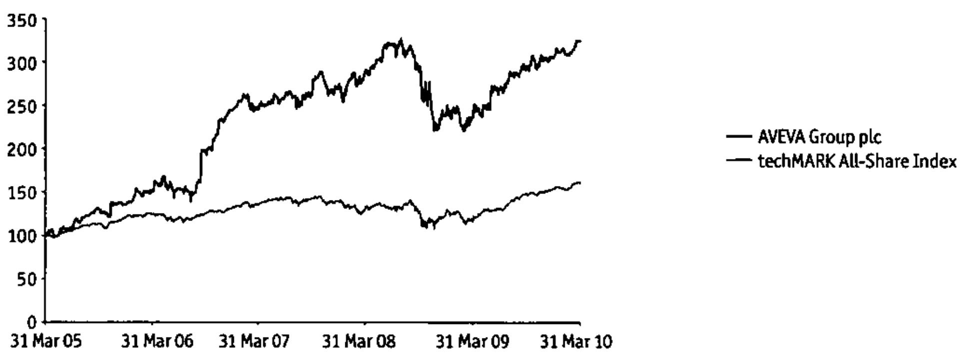
Remuneration policy continued
Share awards continued
Deferred annual bonus share plan
As described above, part of the annual bonus earned by Executive Directors in the year is used to determine eligibility for an award of deferred shares under the Deferred Share Scheme In order to deliver shares under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

On 27 May 2009 the EBT awarded 22,487 and 14,508 deferred shares to Richard Longdon and Paul Taylor respectively in respect of the bonus arrangements for the year ended 31 March 2009

Following the achievement of the objectives for 2009/10, it is anticipated that 12,471 and 8,046 deferred shares will be awarded to Richard Longdon and Paul Taylor respectively in respect of the bonus arrangements for the year ended 31 March 2010

Total shareholder return performance graph
The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 require the presentation of a performance graph of total shareholder return compared with a broad equity market index for a period of five years The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period

Total shareholder return v techMARK All-Share Index 2005–2010



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

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

	Date of contract	Date of appointment	Expiry/review date of current contract	Notice period Months
Nick Prest	10 January 2006	11 January 2006	11 January 2012	3
David Mann	17 May 2000	8 June 1999	Rolling	3
Jonathan Brooks	12 July 2007	12 July 2007	12 July 2010	3
Philip Dayer	27 December 2007	7 January 2008	7 January 2011	3
Hervé Couturier	18 March 2010	1 April 2010	1 April 2013	3
Richard Longdon	28 November 1996	28 November 1996	Rolling	12
Paul Taylor	17 October 1989	1 March 2001	Rolling	9

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

There are no predetermined special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office The Remuneration Committee would be responsible for considering the circumstances of the early termination of an Executive Director's contract and determining whether in exceptional circumstances there should be compensation payments in excess of the Company's contractual obligations

AUDITED INFORMATION

Directors' remuneration

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

	Basic salary £000	Fees £000	Cash bonus* £000	Benefits in kind £000	2010 Total £000	2009 Total £000
Nick Prest	—	85	—	—	85	85
David Mann	—	33	—	—	33	33
Jonathan Brooks	—	35	—	—	35	35
Philip Dayer	—	30	—	—	30	30
Richard Longdon	326	—	220**	22	568	541
Paul Taylor	210	—	126	17	353	353
Aggregate emoluments	536	183	346	39	1,104	1,077

* In addition to the cash bonus award noted above, it is anticipated that Richard Longdon and Paul Taylor will be awarded 12 471 and 8,046 deferred shares respectively (2009 – 22,487 and 14 508 deferred shares were awarded respectively) under the Deferred Share Scheme The estimated monetary value of these awards was £130 000 (2009 – £130,000) for Richard Longdon and £84,000 (2009 – £84 000) for Paul Taylor

** Includes a payment of £25 000 after leaving the AVEVA Solutions Limited defined benefit pension scheme (see page 41)

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

Share options

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

	Scheme	As at 1 April 2009 Number	Granted Number	Exercised Number	As at 31 March 2010 Number	Gain on exercise £	Exercise price Pence	Earliest date of exercise	Date of expiry
Richard Longdon	LTIP	25,548	—	(25,548)	—	252,368	3 33	28 06 09	28 06 13
	LTIP	11,083	—	—	11,083	—	3 33	02 07 10	02 07 14
	LTIP	10,891	—	—	10,891	—	3 33	07 07 11	07 07 15
	LTIP	—	22,264	—	22,264	—	3 33	07 07 12	07 07 16
	Deferred Share Scheme (2008)	12,282	—	—	12,282	—	0 00	26 05 09	Note
	Deferred Share Scheme (2009)	—	22,487	—	22,487	—	0 00	26 05 10	Note
Paul Taylor	LTIP	17,040	—	(17,040)	—	168,325	3 33	28 06 09	28 06 13
	LTIP	7,151	—	—	7,151	—	3 33	02 07 10	02 07 14
	LTIP	7,038	—	—	7,038	—	3 33	07 07 11	07 07 15
	LTIP	—	14,364	—	14,364	—	3 33	07 07 12	07 07 16
	Deferred Share Scheme (2008)	7,923	—	—	7,923	—	0 00	26 05 09	Note
	Deferred Share Scheme (2009)	—	14,508	—	14,508	—	0 00	26 05 10	Note

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

The market price as at 31 March 2010 was £11 85 (31 March 2009 - £5 64) with a high-low spread for the year of £5 35 to £11 92

During the year Richard Longdon and Paul Taylor exercised options over 25,548 and 17,040 ordinary shares respectively at an exercise price of £0 03 The market price on the date of exercise was £9 91 which resulted in an aggregate gain on exercise of £252,368 for Richard Longdon and £168,325 for Paul Taylor Mr Longdon retained 14,970 and Mr Taylor 9,984 of the resultant shares arising

At 31 March 2010, Mr Longdon owned 364,970 ordinary shares (2009 – 350,000 ordinary shares) and options over 79,007 ordinary shares (2009 – 59,804 options) Mr Taylor owned 59,984 ordinary shares (2009 – 50,000 ordinary shares) and options over 50,984 ordinary shares (2009 – 39,152 options)

Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant Details of the performance conditions of share option awards are set out on pages 42 and 43

AUDITED INFORMATION continued

Pensions

The Directors had accrued entitlements under the pension scheme as follows

	Accumulated accrued pension at 31 March 2010 £	Accumulated accrued pension at 31 March 2009 £	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	**143,964**	135,536	8,428	1,651	17,141
Paul Taylor	**54,868**	49,269	5,599	3,136	18,462

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

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

	31 March 2010 £	31 March 2009 £	Movement, less Directors contributions £
Richard Longdon	**2,097,351**	1,720,009	371,926
Paul Taylor	**615,644**	470,242	136,141

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

By order of the Board

Paul Taylor
Company Secretary
26 May 2010

High Cross
Madingley Road
Cambridge CB3 0HB

Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

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 2010 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes 1 to 30 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' responsibilities statement set out on page 46, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006
In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements, and
- the information given in the Corporate Governance Statement set out on pages 35 to 39 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

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

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

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 29, in relation to going concern, and
- the part of the Corporate Governance Statement on pages 35 to 39 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Other matter
We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2010 and on the information in the Directors' remuneration report that is described as having been audited

Ernst & Young LLP

Peter Bateson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
26 May 2010

Consolidated income statement

for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Revenue	5, 6	148,334	164,041
Cost of sales		(30,380)	(37,612)
Gross profit		117,954	126,429
Operating expenses			
Selling and distribution costs		(60,027)	(53,248)
Administrative expenses		(8,718)	(16,532)
Total operating expenses		(68,745)	(69,780)
Profit from operations	7	49,209	56,649
Finance revenue	9	2,861	4,846
Finance expense	10	(2,496)	(2,294)
Analysis of profit before tax			
Profit before tax, amortisation, share-based payments, foreign exchange contracts and restructuring costs		50,685	66,360
Amortisation of intangibles (excluding other software)		(1,665)	(2,482)
Share-based payments		(1,184)	(940)
Gain/(loss) on fair value of forward foreign exchange contracts		3,610	(3,737)
Restructuring costs	8	(1,872)	–
Profit before tax		49,574	59,201
Income tax expense	12	(16,134)	(17,047)
Profit for the year attributable to equity holders of the parent		33,440	42,154
Earnings per share (pence)			
– basic	14	49 36p	62 27p
– diluted	14	49 08p	61 98p

All activities relate to continuing activities

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

Consolidated statement of comprehensive income
for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Profit for the year		33,440	42,154
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1,537	5,503
Actuarial loss on defined benefit pension schemes	26	(4,907)	(7,523)
Tax on items relating to components of other comprehensive income	12(a)	1,302	1,885
Total comprehensive income for the year		31,372	42,019

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

Consolidated balance sheet
31 March 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Goodwill	15	18,177	17,055
Other intangible assets	16	10,571	10,750
Property, plant and equipment	17	7,557	8,096
Deferred tax assets	25	5,016	5,514
Other receivables	19	746	804
		42,067	42,219
Current assets			
Trade and other receivables	19	44,084	56,768
Current tax assets		1,801	746
Treasury deposits	20	106,555	–
Cash and cash equivalents	20	43,169	126,164
		195,609	183,678
Total assets		237,676	225,897
Equity			
Issued share capital	28(a)	2,264	2,260
Share premium		27,288	27,176
Other reserves	28(b)	14,455	13,535
Retained earnings		125,215	100,160
Total equity		169,222	143,131
Current liabilities			
Trade and other payables	21	48,869	56,598
Financial liabilities	22	1,033	4,643
Current tax liabilities		4,044	11,172
		53,946	72,413
Non-current liabilities			
Deferred tax liabilities	25	1,426	1,589
Retirement benefit obligations	26	13,082	8,764
		14,508	10,353
Total equity and liabilities		237,676	225,897

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

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2010 They were signed on its behalf by

Nick Prest
Chairman

Richard Longdon
Chief Executive

Consolidated statement of changes in shareholders' equity
31 March 2010

	Notes	Share capital £000	Share premium £000	Other reserves: Merger reserve £000	Other reserves: Cumulative translation adjustments £000	Other reserves: Own shares held £000	Other reserves: Total £000	Retained earnings £000	Total equity £000
At 1 April 2008		2,250	26,522	3,921	4,606	—	8,527	68,447	105,746
Profit for the year		—	—	—	—	—	—	42,154	42,154
Other comprehensive income/(expense)		—	—	—	5,503	—	5,503	(5,638)	(135)
Total comprehensive income		—	—	—	5,503	—	5,503	36,516	42,019
Issue of share capital	28(a)	10	654	—	—	—	—	—	664
Share-based payments, net of tax		—	—	—	—	—	—	515	515
Investment in own shares		—	—	—	—	(495)	(495)	—	(495)
Equity dividends		—	—	—	—	—	—	(5,318)	(5,318)
At 31 March 2009		2,260	27,176	3,921	10,109	(495)	13,535	100,160	143,131
Profit for the year		—	—	—	—	—	—	33,440	33,440
Other comprehensive income/(expense)		—	—	—	1,537	—	1,537	(3,605)	(2,068)
Total comprehensive income		—	—	—	1,537	—	1,537	29,835	31,372
Issue of share capital	28(a)	4	112	—	—	—	—	—	116
Share-based payments, net of tax		—	—	—	—	—	—	1,692	1,692
Investment in own shares		—	—	—	—	(653)	(653)	—	(653)
Cost of employee benefit trust shares issued to employees		—	—	—	—	36	36	(36)	—
Equity dividends		—	—	—	—	—	—	(6,436)	(6,436)
At 31 March 2010		2,264	27,288	3,921	11,646	(1,112)	14,455	125,215	169,222

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

Consolidated cash flow statement
for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Profit for the year		33,440	42,154
Income tax	12(a)	16,134	17,047
Net finance revenue	9, 10	(365)	(2,552)
Amortisation of intangible assets	16	1,749	2,538
Depreciation of property, plant and equipment	17	1,948	1,550
Loss on disposal of property, plant and equipment	7	38	11
Share-based payments	27	1,184	940
Difference between pension contributions paid and amounts recognised in the Consolidated income statement		(1,389)	(603)
Changes in working capital			
Trade and other receivables		9,684	(15,550)
Trade and other payables		(11,123)	9,409
Changes to fair value of forward foreign exchange contracts		(3,610)	3,737
Cash generated from operating activities before tax		47,690	58,681
Income taxes paid		(22,114)	(15,109)
Net cash generated from operating activities		25,576	43,572
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(1,479)	(3,668)
Purchase of intangible assets	16	(1,305)	(58)
Acquisition of subsidiary, net of cash acquired	30	—	(1,664)
Proceeds from disposal of property, plant and equipment		98	30
Interest received	9	1,114	2,815
Purchase of treasury deposits	20	(106,555)	–
Net cash used in investing activities		(108,127)	(2,545)
Cash flows from financing activities			
Interest paid	10	(17)	(7)
Payment of finance lease liabilities		—	(145)
Purchase of own shares	28(b)	(653)	(495)
Proceeds from the issue of shares	28(a)	116	664
Dividends paid to equity holders of the parent	13	(6,436)	(5,318)
Net cash flows used in financing activities		(6,990)	(5,301)
Net (decrease)/increase in cash and cash equivalents		(89,541)	35,726
Net foreign exchange difference		6,546	7,589
Opening cash and cash equivalents	20	126,164	82,849
Closing cash and cash equivalents	20	43,169	126,164

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

Notes to the consolidated financial statements

1 Corporate information
AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 28 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 2010 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 Historically these items have included amortisation of intangible assets, share-based payments and restructuring costs From 2009/10, the Group has chosen to also adjust for the gain/loss on the fair value of foreign currency contracts because this is a non-cash item and has become material due to the volatility of the underlying exchange rates Comparatives have been restated accordingly

The Directors believe that adjusted profit before tax allows shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods in assessing trends in financial performance

a) Statement of compliance
The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2010 The Group's financial statements are also consistent with IFRSs as issued by the IASB

The parent Company financial statements of AVEVA Group plc have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and are included on pages 82 to 86

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

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

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

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

c) Adoption of new and revised standards
The accounting policies adopted are consistent with those of the previous financial year except as follows

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

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled The Group adopted this amendment as of 1 January 2009 It did not have an impact on the financial position or performance of the Group

IFRS 7 Financial Instruments. Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management The fair value measurement disclosures are presented in note 24(e) The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 24(c)

IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14 IFRS 8 disclosures are shown in note 6, including the related revised comparative information

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity The Consolidated statement of changes in shareholders' equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity In addition, the standard introduces the statement of comprehensive income it presents all items of recognised income and expense, either in one single statement, or in two linked statements The Group has elected to present two statements

2 Basis of preparation continued
c) Adoption of new and revised standards continued
Improvements to IFRSs
In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording There are separate transitional provisions for each standard The adoption of the following amendments resulted in changes to accounting policies and disclosures but did not have any impact on the financial position or performance of the Group

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
- IFRS 8 Operating Segment Information,
- IAS 1 Presentation of Financial Statements, and
- IAS 18 Revenue

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations The new standard is effective for annual reporting periods beginning on or after 1 July 2009 However, the Group has decided to adopt this standard early During the year the Group recognised the benefit of tax losses of £500,000 attributable to an acquisition completed in a previous period The impact is included within the current income tax expense Had the standard not been adopted early, an adjustment to goodwill would have been required Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners Therefore, such transactions no longer give rise to goodwill, nor does it give rise to a gain or loss Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests

New standards and interpretations not yet effective
During the year, the IASB and IFRIC have issued the following standard which is expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years

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

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) 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 26 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs The carrying amount of retirement benefit obligations at 31 March 2010 was £13,082,000 (2009 – £8,764,000)

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

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

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

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

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

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

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

Other rental licence agreements are invoiced at the start of the contracted period, are non-cancellable and consist of two separate components, the right to use and customer support and maintenance Revenue in respect of the customer support and maintenance element is valued at fair market value based on the value established when annual fees are charged separately to customer This component is recognised on a straight-line basis over the period of the contract The residual amount representing the right to use element is recognised upfront, provided all of the above criteria have been met

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 customer support and maintenance obligations, subject to the above recognition conditions being met Where the customer is charged in arrears, revenue is recognised based on actual number of tokens used

Services
Services consist primarily of consultancy, implementation services and training and are performed on a time and material basis under separate service arrangements Revenue from these services is recognised as the services are performed

b) Foreign currencies
The functional and presentational currency of AVEVA Group plc is Pounds Sterling (£) Transactions in foreign currencies are initially recorded 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 the Consolidated statement of comprehensive income

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

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

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

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

4 Summary of significant accounting policies continued

d) Intangible assets continued

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

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

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

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

g) Impairment of assets

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

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

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

k) Leases

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

4 Summary of significant accounting policies continued

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

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

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

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

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

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

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

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

m) Post retirement benefits

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

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

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

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

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

Notes to the consolidated financial statements continued

4 Summary of significant accounting policies continued

m) Post retirement benefits continued

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

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

n) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 27 In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AVEVA Group plc (market conditions)

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

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

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

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

o) Employee benefit trust

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

5 Revenue

An analysis of the Group's revenue is as follows

	2010 £000	2009 £000
Annual fees	**40,397**	33,912
Rental licence fees	**61,164**	57,657
Recurring services	**1,140**	2,627
Total recurring revenue	**102,701**	94,196
Initial licence fees	**35,149**	57,741
Services	**10,484**	12,104
Total revenue	**148,334**	164,041
Finance revenue	**2,861**	4,846
	151,195	168,887

Services consist of consultancy and training fees

6 Segment information

For management purposes the Group is organised into three geographical segments known as Sales divisions Asia Pacific, Americas, and Europe, Middle East and Africa (EMEA) On 1 April 2009, Central, Eastern and Southern (CES) Europe Sales division and Western Europe, Middle East and Africa (WEMEA) Sales division were merged to form EMEA Comparatives have been restated to reflect this change Each segment is determined by the location of the Group's operations and is organised and managed separately due to the differing local requirements in each market Sales divisions are granted distribution rights to license the Group's software to customers in their respective territories The segments identified under IFRS 8 are unchanged from those previously identified under IAS 14

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

Information concerning the Group's segments is set out below

	Year ended 31 March 2010			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Income statement				
Revenue				
Annual fees	15,436	20,360	4,601	40,397
Rental licence fees	12,823	30,347	17,994	61,164
Recurring services	—	100	1,040	1,140
Initial licence fees	19,703	13,548	1,898	35,149
Services	2,542	6,541	1,401	10,484
Segment revenue	50,504	70,896	26,934	148,334
Segment operating costs	(20,361)	(28,267)	(11,545)	(60,173)
Segment profit contribution before interest	30,143	42,629	15,389	88,161
Finance revenue	40	15	44	99
Finance expense	—	(13)	—	(13)
Segment profit contribution	30,183	42,631	15,433	88,247
Reconciliation of segment profit contribution to profit before tax				
Segment profit contribution				88,247
Research and development expenditure				(20,946)
Corporate overheads (including restructuring costs of £1,617,000)				(18,006)
Other finance revenue				2,762
Other finance expense				(2,483)
Profit before tax				49,574
Other segmental disclosures				
Restructuring costs	(71)	(159)	(25)	(255)
Depreciation	(691)	(303)	(169)	(1,163)

Notes to the consolidated financial statements continued

6 Segment information continued

	Year ended 31 March 2009 (restated)			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Income statement				
Revenue				
Annual fees	12,541	17,774	3,597	33,912
Rental licence fees	14,983	28,289	14,385	57,657
Recurring services	—	99	2,528	2,627
Initial licence fees	36,774	19,069	1,898	57,741
Services	2,769	7,377	1,958	12,104
Segment revenue	67,067	72,608	24,366	164,041
Segment operating costs	(22,957)	(26,487)	(9,868)	(59,312)
Segment profit contribution before interest	44,110	46,121	14,498	104,729
Finance revenue	112	238	12	362
Segment profit contribution	44,222	46,359	14,510	105,091
Reconciliation of segment profit contribution to profit before tax				
Segment profit contribution				105,091
Research and development expenditure				(27,332)
Corporate overheads				(20,748)
Other finance revenue				4,484
Other finance expense				(2,294)
Profit before tax				59,201
Other segmental disclosures				
Depreciation	(507)	(207)	(93)	(807)

Other segmental disclosures

The Company's country of domicile is the UK Revenue attributed to the UK and all foreign countries amounted to £11,951,000 and £136,383,000 (2009 – £11,146,000 and £152,895,000) respectively No individual country accounted for 10% or more of the Group's total revenue Revenue is allocated to countries on the basis of the location of the customer

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £7,878,000 and £29,173,000 (2009 – £8,528,000 and £28,177,000) respectively There are no material non-current assets located in an individual country outside of the UK

No single external customer accounted for 10% or more of the Group's total revenue (2009 – none)

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

7 Profit from operations

Profit from operations is stated after charging

	2010 £000	2009 £000
Depreciation of owned property, plant and equipment	1,948	1,527
Depreciation of property, plant and equipment held under finance leases	—	23
Amortisation of intangible assets		
– included in cost of sales	1,275	2,094
– included in administrative expenses	118	88
– included in selling and distribution costs	356	356
Research and Development costs (included in cost of sales)	20,946	27,332
Staff costs	58,848	55,503
Operating lease rentals – minimum lease payments	3,761	3,418
Loss on disposal of property, plant and equipment	38	11
Net foreign exchange losses	1,076	2,359

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

	2010 £000	2009 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	274	259
Fees payable to the Company auditor and its associates for other services		
– the audit of Company's subsidiaries pursuant to legislation	127	116
– tax services	59	25
– other services pursuant to legislation	23	35
	483	435

8 Restructuring costs

Restructuring costs incurred in the year amounted to £1,872,000 (2009 – £nil) and arose from the programme to reduce headcount following the merger of CES Europe and WEMEA Sales divisions and the restructuring of operations in Research and Development The costs mainly comprise of redundancy costs and related expenditure and was all borne in the year

9 Finance revenue

	2010 £000	2009 £000
Expected return on pension scheme assets	1,747	2,031
Bank interest receivable	1,114	2,815
	2,861	4,846

10 Finance expense

	2010 £000	2009 £000
Bank interest payable and similar charges	17	7
Finance lease interest	—	3
Interest on pension scheme liabilities	2,479	2,284
	2,496	2,294

11 Staff costs

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

	2010 £000	2009 £000
Wages and salaries	47,842	45,100
Social security costs	6,218	5,604
Other pension costs	3,604	3,859
Expense of share-based payments	1,184	940
	58,848	55,503

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

	2010 Number	2009 Number
Research, development and product support	228	253
Sales, marketing and customer support	417	380
Administration	170	176
	815	809

Directors' remuneration

The disclosure of an individual Director's remuneration and interests required by the Companies Act 2006 and those specified for audit by the Listing Rules of the Financial Services Authority are shown in the audited section of the Directors' remuneration report on pages 40 and 45 and form part of these financial statements

12 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2010 and 2009 are as follows

	2010 £000	2009 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	7,282	13,243
Adjustments in respect of prior periods	(575)	(40)
	6,707	13,203
Foreign tax	6,721	6,585
Adjustments in respect of prior periods	849	(162)
	7,570	6,423
Total current tax	14,277	19,626
Deferred tax		
Origination and reversal of temporary differences	1,715	(2,534)
Adjustment in respect of prior periods	142	(45)
Total deferred tax (note 25)	1,857	(2,579)
Total income tax expense reported in Consolidated income statement	16,134	17,047

Notes to the consolidated financial statements continued

12 Income tax expense continued
a) Tax on profit continued

	2010 £000	2009 £000
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	(40)	(220)
Deferred tax on actuarial loss on defined benefit pension scheme	1,342	2,105
Tax credit reported in Consolidated statement of comprehensive income	1,302	1,885

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

	2010 £000	2009 £000
Tax on Group profit before tax at standard UK corporation tax rate of 28% (2009 – 28%)	13,881	16,576
Effects of		
– expenses not deductible for tax purposes	866	434
– irrecoverable withholding tax	392	–
– movement on unprovided deferred tax balances	257	204
– higher tax rates on overseas earnings	322	80
– adjustments in respect of prior years	416	(247)
Income tax expense reported in Consolidated income statement	16,134	17,047

13 Dividends paid and proposed on equity shares

	2010 £000	2009 £000
Declared and paid during the year		
Interim 2009/10 dividend paid of 3 0 pence (2008/09 – 2 86 pence) per ordinary share	2,034	1,938
Final 2008/09 dividend paid of 6 5 pence (2007/08 – 5 0 pence) per ordinary share	4,402	3,380
	6,436	5,318
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2009/10 of 13 9 pence (2008/09 – 6 5 pence) per ordinary share	9,442	4,408

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2010 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 30 July 2010 to shareholders on the register at the close of business on 25 June 2010

14 Earnings per share

	2010 Pence	2009 Pence (restated)
Earnings per share for the year		
– basic	49 36	62 27
– diluted	49 08	61 98
Adjusted earnings per share for the year		
– basic	50 92	69 99
– diluted	50 62	69 67

	2010 Number	2009 Number
Weighted average number of ordinary shares for basic earnings per share	67,741,927	67,695,127
Effect of dilution employee share options	394,460	312,387
Weighted average number of ordinary shares adjusted for the effect of dilution	68,136,387	68,007,514

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 £33,440,000 (2009 – £42,154,000) 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 27

14 Earnings per share continued

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

	2010 £000	2009 £000 (restated)
Profit after tax for the year	33,440	42,154
Intangible amortisation (excluding software)	1,665	2,482
Share-based payments	1,184	940
(Gain)/loss on fair value of forward foreign exchange contracts	(3,610)	3,737
Restructuring costs	1,872	—
Tax effect	(58)	(1,935)
Adjusted profit after tax	34,493	47,378

The denominators used are the same as those detailed above for both basic and diluted earnings per share The adjusted earnings per share comparative has been restated to include the gain/loss on the fair value of forward foreign exchange contracts

The adjustment made to profit after tax in calculating adjusted basic and diluted earnings per share has been adjusted for the tax effects of the items adjusted in the current year The preceding year has been restated to reflect this

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

15 Goodwill

	£000
At 1 April 2008	16,689
Exchange adjustment	366
At 31 March 2009	17,055
Exchange adjustment	1,122
At 31 March 2010	18,177

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

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

Year ended 31 March 2010	Asia Pacific £000	EMEA £000	Americas £000	Total £000
On the acquisition of				
Tribon Solutions AB	8,576	6,892	356	15,824
Realitywave Inc	260	520	260	1,040
AEA Technology	108	—	976	1,084
Kyokuto Boeki Kaisha	229	—	—	229
	9,173	7,412	1,592	18,177

Year ended 31 March 2009 (restated)*	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Tribon Solutions AB	7,934	6,377	327	14,638
Realitywave Inc	276	552	276	1,104
AEA Technology	108	—	976	1,084
Kyokuto Boeki Kaisha	229	—	—	229
	8,547	6,929	1,579	17,055

* The comparatives for 31 March 2009 have been restated to reflect the merger of Central, Eastern and Southern Europe and Western Europe, Middle East and Africa Sales divisions into one Sales division known as Europe, Middle East and Africa

15 Goodwill continued

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 2011 and extrapolates cash flows for future years based on an average estimated growth rate of 2% for each CGU (2009 – 2%), representing the long term average growth rate for the Group's CGUs Future cash flows are discounted in line with the weighted average cost of capital of approximately 10% pre-tax (2009 – 10%)

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

16 Intangible assets

	Developed technology £000	Customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost					
At 1 April 2008	9,393	7,155	1,104	4,563	22,215
Acquisition of iDesign Office Pty Ltd	1,622	—	—	—	1,622
Additions	—	—	58	—	58
Exchange adjustment	1,155	24	48	—	1,227
At 31 March 2009	12,170	7,179	1,210	4,563	25,122
Additions	—	—	125	1,180	1,305
Exchange adjustment	337	581	7	—	925
At 31 March 2010	12,507	7,760	1,342	5,743	27,352
Amortisation					
At 1 April 2008	5,797	1,385	1,013	3,214	11,409
Charge for the year	1,566	356	56	560	2,538
Exchange adjustment	386	7	32	—	425
At 31 March 2009	7,749	1,748	1,101	3,774	14,372
Charge for the year	793	356	84	516	1,749
Exchange adjustment	482	173	5	—	660
At 31 March 2010	9,024	2,277	1,190	4,290	16,781
Net book value					
At 31 March 2008	3,596	5,770	91	1,349	10,806
At 31 March 2009	4,421	5,431	109	789	10,750
At 31 March 2010	3,483	5,483	152	1,453	10,571

For the purposes of the adjusted earnings per share calculation (note 14), intangible asset amortisation excludes the charge relating to other software of £84,000 (2009 – £56,000)

Developed technology

Developed technology includes the Realitywave developed technology which was acquired as part of the acquisition of Realitywave Inc in 2005 and the Tribon Solutions AB developed technology which was acquired in 2004 The Tribon developed technology was amortised over five years using the straight-line method and is now full written down The Realitywave developed technology is being amortised over twelve years using the straight-line method In addition, this caption includes the developed technology intangible asset acquired as part of the acquisition of iDesign Office Pty Limited in March 2009 which is being amortised over five years on a straight-line basis

Customer relationships

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

Other software

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

Purchased software rights

Purchased software rights arose on the acquisition of the products 'FOCUS' for £1,700,000 and 'VANTAGE' for £1,500,000 in 1999 and OPE software for £323,000 in 2000 These purchased software rights were amortised on a straight-line basis over ten years and are now fully depreciated In 2007 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

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

17 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 2008	3,209	8,484	3,960	810	16,463
Acquisition of subsidiary	—	—	12	—	12
Additions	132	903	2,338	295	3,668
Disposals	—	(355)	(164)	(105)	(624)
Exchange adjustment	20	406	539	157	1,122
At 31 March 2009	3,361	9,438	6,685	1,157	20,641
Additions	—	507	840	132	1,479
Disposals	—	(211)	(67)	(268)	(546)
Exchange adjustment	4	87	104	64	259
At 31 March 2010	3,365	9,821	7,562	1,085	21,833
Depreciation					
At 1 April 2008	559	7,291	2,914	296	11,060
Charge for the year	102	834	404	210	1,550
Disposals	—	(351)	(158)	(74)	(583)
Exchange adjustment	4	282	176	56	518
At 31 March 2009	665	8,056	3,336	488	12,545
Charge for the year	104	959	661	224	1,948
Disposals	—	(208)	(35)	(167)	(410)
Exchange adjustment	3	70	71	49	193
At 31 March 2010	772	8,877	4,033	594	14,276
Net book value					
At 31 March 2008	2,650	1,193	1,046	514	5,403
At 31 March 2009	2,696	1,382	3,349	669	8,096
At 31 March 2010	2,593	944	3,529	491	7,557

18 Investments

At 31 March 2010 the Group had the following principal investments, which are held by AVEVA Solutions Limited unless stated and all of which have been included in the consolidation

	Country of incorporation or registration	Principal activity	Description and proportion of shares and voting rights held
AVEVA Solutions Limited*	Great Britain	Software development and marketing	100% ordinary shares of £1 each
AVEVA Inc	USA	Software marketing	100% common stock of US$1 each
AVEVA GmbH	Germany	Software marketing	100% ordinary shares of €25,565 each
AVEVA SA	France	Software marketing	100% ordinary shares of €30 each
AVEVA East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK$1 each
Cadcentre Property Limited	Great Britain	Holding property	100% ordinary shares of £1 each
AVEVA AS	Norway	Training and consultancy	100% ordinary shares of NOK 500 each
AVEVA KK	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
AVEVA Sendirian Berhad**	Malaysia	Software marketing	49% ordinary shares of MYR1 each
AVEVA Asia Pacific Sendirian Berhad	Malaysia	Software marketing	100% ordinary shares of MYR1 each
AVEVA Korea Limited	Korea	Software marketing	100% ordinary shares of KRW 500,000 each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of 10 Rupees each
AVEVA Pty Limited	Australia	Software marketing	100% ordinary shares of AUD$1 each
AVEVA AB	Sweden	Software development and marketing	100% of ordinary shares of SEK 10 each
AVEVA Pte Limited***	Singapore	Software marketing	100% of ordinary shares of SGD 10 each
AVEVA (Shanghai) Consultancy Co Limited***	China	Services and training	100% of issued share capital
AVEVA Software and Services S A de C V	Mexico	Software marketing	100% of ordinary shares of US$50 each
AVEVA Limited Liability Company	Russia	Software marketing	100% of ordinary shares
AVEVA de Mexico S D E R L de C V	Mexico	Provision of staff	100% of ordinary shares of MXP 1 each
iDesign Office Pty Limited****	Australia	Software marketing and development	100% of ordinary shares of AUD$ 1 each
AVEVA do Brasil Informática Ltda	Brazil	Software marketing	100% of ordinary shares of BRL 1 each

* Held by AVEVA Group plc

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

*** Held by AVEVA AB

**** Held by AVEVA Pty Ltd

Notes to the consolidated financial statements continued

19 Trade and other receivables

	2010 £000	2009 £000
Current		
Amounts falling due within one year		
Trade receivables	40,928	54,201
Prepayments and other receivables	2,630	2,386
Accrued income	526	181
	44,084	56,768

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

	2010 £000	2009 £000
Non-current		
Prepayments and other receivables	746	804

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

As at 31 March 2010 the provision for impairment of receivables was £6,629,000 (2009 - £4,823,000) and an analysis of the movements during the year was as follows

	£000
At 1 April 2008	1,964
Charge for the year, net of amounts reversed	3,523
Utilised	(853)
Exchange adjustment	189
At 31 March 2009	4,823
Charge for the year, net of amounts reversed	1,834
Utilised	(235)
Exchange adjustment	207
As at 31 March 2010	6,629

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
2010	40,928	23,245	14,555	2,426	702	—
2009	54,201	29,457	20,070	4,361	313	—

20 Cash and cash equivalents and treasury deposits

	2010 £000	2009 £000
Cash at bank and in hand	37,021	38,491
Short-term deposits	6,148	87,673
Net cash and cash equivalents per cash flow	43,169	126,164
Treasury deposits	106,555	—
	149,724	126,164

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

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates

The fair value of cash and cash equivalents and treasury deposits is £149,724,000 (2009 - £126,164,000)

21 Trade and other payables

	2010 £000	2009 £000
Current		
Trade payables	2,630	2,583
Social security, employee taxes and sales taxes	4,160	4,490
Other payables	51	197
Accruals	15,091	18,241
Deferred income	26,937	31,087
	48,869	56,598

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

22 Financial liabilities

	2010 £000	2009 £000
Current		
Fair value of forward foreign exchange contracts	1,033	4,643

Borrowing facilities
At 31 March 2009 and 2010 the Group had no committed UK bank overdraft or loan facility

In addition, in both years, the Group had a committed overdraft facility of SEK 10,000,000 (£915,000) (2009 – SEK 10,000,000 (£845,000)) of which £nil (2009 – £nil) had been drawn down

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

23 Obligations under leases
At 31 March 2010 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows

	2010		2009	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	2,701	251	2,911	441
After one but not more than five years	5,231	394	5,177	776
Expiry in more than five years	—	—	21	—
	7,932	645	8,109	1,217

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

24 Financial risk management
The Group's principal financial instruments comprise cash and short-term deposits, treasury deposits and forward foreign exchange contracts The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations

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

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

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

a) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, 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 and treasury deposits The Group's overall objective with respect to holding these deposits is to maintain a balance between accessibility of funds and competitive rates of return During the year the treasury policy was amended to enable the Group to put treasury deposits in place with a maturity of up to six months

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

A 1% decrease in the Sterling and US Dollar interest rate would have reduced interest income by approximately £670,000 (2009 – £1,033,000) and profit after tax by £480,000 (2009 – £738,000)

Notes to the consolidated financial statements continued

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

The Group manages these exchange risks, where possible, by using currency exchange contracts and currency options for the sale of US Dollar and Euro as appropriate During the year the Group has started to use forward exchange contracts for Japanese Yen 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 2010, the Group had outstanding currency exchange contracts to sell $24 5 million (2009 - $23 5 million), €12 8 million (2009 - €15 2 million) and JPY 120 million (2009 - JPY nil) In addition, in previous periods, the Group has utilised option instruments which included various provisions that, depending on the spot rate at maturity, give either the Group or the counterparty the option to exercise At 31 March 2010, the Group had outstanding currency options under which the Group may, under certain circumstances, be required to sell up to $nil million (2009 - $10 5 million)

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

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

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

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

A 10% change in the US Dollar against Sterling, Euro against Sterling and Swedish Krona against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown In management's opinion, this is a reasonably possible change given current market conditions This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant The analysis is performed on the same basis for 2008/09

31 March 2010	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
US Dollar	10%	(88)	(88)
	(10%)	97	97
Euro	10%	295	295
	(10%)	(324)	(324)
Swedish Krona	10%	115	115
	(10%)	(127)	(127)

31 March 2009	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
US Dollar	10%	86	86
	(10%)	(94)	(94)
Euro	10%	865	865
	(10%)	(951)	(951)
Swedish Krona	10%	861	861
	(10%)	(948)	(948)

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

24 Financial risk management continued

b) Credit risk

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

Counterparties for cash and cash equivalents and treasury deposits are governed by the treasury policy, which has been approved by the Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies The amount of exposure to any individual counterparty is subject to a limit of £50 million as set out in the Group's treasury policy

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

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

Disclosures relating to the credit associated with trade receivables are in note 19

c) Liquidity risk

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

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

	Less than three months £000	Between three months and six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2010				
Trade and other payables	21,932	—	—	—
As at 31 March 2009				
Trade and other payables	25,510	—	—	—

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 2010			
Forward foreign exchange contracts (Euro)			
Outflow	€3,750	€3,500	€5,500
Inflow	£3,284	£3,085	£4,962
Forward foreign exchange contracts (US Dollar)			
Outflow	$7,500	$6,000	$11,000
Inflow	£4,808	£3,651	£6,848
Forward foreign exchange contracts (Yen)			
Outflow	JPY30,000	JPY30,000	JPY60,000
Inflow	£205	£209	£441
As at 31 March 2009			
Forward foreign exchange contracts (Euro)			
Outflow	€4,500	€4,500	€6,250
Inflow	£3,920	£3,814	£5,505
Forward foreign exchange contracts (US Dollar)			
Outflow	$4,000	$6,000	$13,500
Inflow	£2,138	£3,314	£9,039
Forward foreign exchange options (US Dollar)			
Outflow	$9,000	$1,500	—
Inflow	£4,780	£904	—

24 Financial risk management continued

d) Interest rate profile of financial assets and liabilities

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

Year ended 31 March 2010

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

Year ended 31 March 2009

Fixed rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Cash and short-term deposits	82,822	—	—	82,822
Floating rate				
Cash and short-term deposits	43,342	—	—	43,342

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £43,169,000 (2009 – £126,164,000) and treasury deposits of £106,555,000 (2009 - £nil) The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values

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

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

At 31 March 2010 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition The estimation of the fair value of the liability in respect of foreign exchange contracts is £1,033,000 at 31 March 2010 (2009 – liability of £4,643,000)

The resulting gain of £3,610,000 (2009 - loss of £3,737,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement under administrative expenses

f) Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares No changes were made in the objectives, policies or processes during the years ended 31 March 2009 or 2010

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

25 Deferred tax

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

	Accelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2009	(58)	(213)	2,135	(2,215)	214	4,062	3,925
Credit/(charge) to Income statement	95	6	(202)	349	78	(2,183)	(1,857)
Credit/(charge) to other comprehensive income	—	—	1,342	(40)	—	—	1,302
Credit to equity	—	—	—	—	250	—	250
Exchange adjustment	2	—	—	—	—	(32)	(30)
At 31 March 2010	39	(207)	3,275	(1,906)	542	1,847	3,590

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

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

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

	2010 £000	2009 £000
Deferred tax liabilities	(1,426)	(1,589)
Deferred tax assets	5,016	5,514
	3,590	3,925

At the Balance sheet date, the Group has unused tax losses of £5,072,000 (2009 – £3,810,000) available for offset against future profits Of the total deferred tax asset of £1,584,000 (2009 – £1,287,000), £nil (2009 – £580,000) has been recognised and is included in 'other' above No deferred tax asset has been recognised in respect of the balance due to the unpredictability of future profit streams, these losses may be carried forward indefinitely

At the Balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was approximately £23,300,000 (2009 – £38,800,000) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future It is likely that the majority of the overseas earnings would qualify for the UK dividend exemptions but may be subject to foreign withholding taxes

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

26 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 2008	669	539	384	1,592
Current service cost	1,093	31	188	1,312
Interest on pension scheme liabilities	2,251	33	—	2,284
Expected return on pension scheme assets	(2,031)	—	—	(2,031)
Actuarial loss	7,517	6	—	7,523
Employer contributions	(1,877)	(76)	(60)	(2,013)
Exchange adjustment	—	91	6	97
At 31 March 2009	7,622	624	518	8,764
Current service cost	834	31	154	1,019
Interest on pension scheme liabilities	2,428	51	—	2,479
Expected return on pension scheme assets	(1,747)	—	—	(1,747)
Actuarial loss	4,794	113	—	4,907
Employer contributions	(2,239)	(81)	(78)	(2,398)
Exchange adjustment	—	(35)	93	58
At 31 March 2010	11,692	703	687	13,082

Notes to the consolidated financial statements continued

26 Retirement benefit obligations continued

a) UK defined benefit scheme

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

Contributions to the scheme are made in accordance with advice from an independent professionally qualified actuary, BDO Stoy Hayward Investment Management Limited, at rates which are calculated to be sufficient to meet the future liabilities of the scheme using the projected unit credit method The employees' contributions are fixed as a percentage of salary, the balance being made up by the employer Scheme assets are stated at their market values at the respective Balance sheet dates

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

	2010 %	2009 %
Main assumptions		
Rate of salary increases	5 70	5 10
Rate of increase of pensions in payment	3 40	3 00
Rate of increase of pensions in deferment	3 70	3 10
Discount rate	5 50	6 60
Inflation assumption	3.70	3 10
Expected rate of return on scheme assets		
Equities	6 65	7 15
Bonds	4.00	3 70
Other	0 50	0 50

For the years ended 31 March 2010 and 2009, the following weighted average life expectancy at age 65 for mortality has been used

	2010 Years	2009 Years
Male pensioners	24.1	23 8
Female pensioners	26 6	26 4
Non-retired males	27 0	26 7
Non-retired females	28 9	28 5

Member contributions were 7 5% (2009 – 7 5%) of pensionable salary and Company contributions were £2,239,000 (2009 – £1,877,000) The total contributions in 2011 are expected to be approximately £2,069,000

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

	Impact on deficit increase/(decrease)	
	2010 £000	2009 £ 000
0 25 percentage point increase to		
– discount rate	(2,227)	(1,475)
– inflation (including pension increases linked to inflation)	1,332	845
Additional one year increase to life expectancy	860	586

The assets and liabilities of the scheme at 31 March 2010 and 2009 were as follows

	2010 £000	2009 £000
Equities	30,189	18,379
Bonds	9,298	6,976
Other	1,249	3,336
Total fair value of assets	40,736	28,691
Present value of scheme liabilities	(52,428)	(36,313)
Net pension liability	(11,692)	(7,622)

26 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

	2010 £000	2009 £000
Recognised in the Consolidated income statement		
Current service cost		
Cost of sales	534	715
Selling and distribution costs	170	196
Administrative expenses	130	182
Total operating charge	834	1,093
Finance revenue		
Expected return on pension scheme assets	(1,747)	(2,031)
Finance costs		
Interest on pension scheme liabilities	2,428	2,251
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	10,253	(6,012)
Less expected return on pension scheme assets	(1,747)	(2,031)
	8,506	(8,043)
Changes in assumptions and experience adjustments on liabilities	(13,300)	526
Actuarial loss recognised in Consolidated statement of comprehensive income	(4,794)	(7,517)

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

	2010 £000	2009 £000
At 1 April	36,313	33,600
Current service costs	834	1,093
Contributions by employees	418	469
Interest on pension scheme liabilities	2,428	2,251
Benefits paid	(812)	(551)
Premiums paid	(53)	(23)
Actuarial loss/(gain)	13,300	(526)
At 31 March	52,428	36,313

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

Changes in the fair value of plan assets are as follows

	2010 £000	2009 £000
At 1 April	28,691	32,931
Expected return	1,747	2,031
Contributions by employer	2,239	1,877
Contributions by employees	418	469
Benefits paid	(812)	(551)
Premiums paid	(53)	(23)
Actuarial gain/(loss)	8,506	(8,043)
At 31 March	40,736	28,691

The history of experience adjustments are as follows

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	40,736	28,691	32,931	32,295	27,767
Present value of defined benefit obligations	(52,428)	(36,313)	(33,600)	(36,368)	(31,227)
Deficit in the scheme	(11,692)	(7,622)	(669)	(4,073)	(3,460)
Experience adjustments on scheme liabilities	1,452	492	56	—	—
Experience adjustments on scheme assets	8,506	(8,043)	(2,793)	(534)	4,513

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised directly within other comprehensive income was a loss of £9,424,000 (2009 – loss of £4,630,000) The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken to the Consolidated statement of comprehensive income of £8,500,000 in the Group is attributable to actuarial gains and losses since inception of the pension schemes Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Consolidated statement of comprehensive income before 1 April 2004

26 Retirement benefit obligations continued

b) German defined benefit schemes

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

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

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

	2010	2009
Rate of increase of pension in payment	1 50%–2 50%	1 75%–2 50%
Discount rate	5 30%–6.20%	5 50%–6 20%
Mortality	13 years	14 years
Rate of salary increases	0%–2 50%	0%–2 50%

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2009 – 60 and 63 years of age)

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

	2010 £000	2009 £000
At 1 April	624	539
Current service cost (included in selling and distribution costs)	31	31
Interest on pension scheme liabilities (included in finance costs)	51	33
Benefits paid	(81)	(76)
Actuarial loss (included in Consolidated statement of comprehensive income)	113	6
Exchange adjustment	(35)	91
At 31 March	703	624

The contributions in 2011 are expected to be approximately £80,000

c) South Korean severance pay

South Korean employees are entitled to a lump sum on severance of their employment equal to one month's salary for each year of service An IAS 19 valuation of the liability has been carried out using the following assumptions

	2010 %	2009 %
Rate of salary increases	5 00	7 00
Discount rate	3.70	4 90
Inflation assumption	2 60	4 40

The retirement age for AVEVA Korea Limited employees is 60 years of age (2009 – 60 years of age)

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

	2010 £000	2009 £000
At 1 April	518	384
Current service cost (included in selling and distribution costs)	154	188
Payment of benefits	(78)	(60)
Exchange adjustment	93	6
At 31 March	687	518

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 2010, Alecta's surplus in the form of collective funding level was 143% (2009 – 122%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies The total cost charged to income was £741,000 (2009 – £545,000)

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 £1,844,000 (2009 – £2,002,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans

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

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

	2010 Number	2010 WAEP Pence	2009 Number	2009 WAEP Pence
Outstanding at start of year	263,399	45 41	488,624	162 06
Granted during year	226,855	2 02	86,481	1 93
Forfeited during year	—	—	(4,157)	3 33
Exercised during year*	(112,034)	103 26	(301,549)	220 26
Expired during year	—	—	(6,000)	159 83
Outstanding at end of year	378,220	2 25	263,399	45 41
Exercisable at end of year	21,528	1 87	42,764	265 33

* The weighted average share price at the date of exercise for the options exercised is £9 72 (2009 – £14 78)

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 2010 Number	Number of options 2009 Number	Exercise price Pence
20 July 2005	Executive Scheme	—	42,764	265 33
28 June 2006	LTIP	12,072	78,648	3 33
2 July 2007	LTIP	55,506	55,506	3 33
7 July 2008	LTIP	50,033	50,033	3 33
15 July 2008	Deferred Share Scheme	33,754	36,448	0 00
27 May 2009	Deferred Share Scheme	89,016	—	0 00
7 July 2009	LTIP	137,839	—	3 33
		378,220	263,399	

The weighted average remaining contractual life for the options outstanding at 31 March 2010 is 5 63 years (2009 – 5 0 years)

The average fair value of options granted during the year was £6 84 (2009 – £14 13) In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

The range of exercise prices for options outstanding at the end of the year was £nil to £0 03 (2009 – £nil to £2 65)

The Group recognised total expenses of £1,184,000 and £940,000 related to equity-settled share-based payment transactions in the years ended 31 March 2010 and 2009 respectively

Details of the share option plans are as follows

a) Long Term Incentive Plan (LTIP)
The following awards have been made under the LTIP The exercise price is equal to the nominal value of the underlying shares, which is 3 33 pence Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant

2009/10 awards
On 7 July 2009, a total of 137,839 share options were awarded to the Executive Directors and senior management under the LTIP The performance conditions are based on average diluted earnings per share over the three years from 2009/10 to 2011/12 All shares under this option shall vest if average diluted earnings per share for the three years ending 31 March 2012 is equal to or above 52 14 pence Should average diluted earnings per share for the period be below 52 14 pence, then no shares will vest and the option will lapse

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 2010

	Year ended 31 March 2010
Dividend yield	1 30%
Expected volatility	52 00%
Risk-free interest rate	2 28%
Expected life of the option	3 years
Weighted average share price	£7 20
Weighted average exercise price	£0 03

27 Share-based payment plans continued

a) Long Term Incentive Plan (LTIP) continued

2008/09 awards

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

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

	Year ended 31 March 2009
Dividend yield	0 45%
Expected volatility	41 00%
Risk-free interest rate	4 97%
Expected life of the option	3 years
Weighted average share price	£14 92
Weighted average exercise price	£0 03

2007/08 awards

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

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

	Year ended 31 March 2008
Dividend yield	0 50%
Expected volatility	31 90%
Risk-free interest rate	5 75%
Expected life of the option	3 years
Weighted average share price	£9 55
Weighted average exercise price	£0 03

2006/07 awards

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

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

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

27 Share-based payment plans continued

b) Employee and executive share option plan

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

2005/06 awards

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

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

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

c) Deferred annual bonus share plan

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

In May 2009, the AVEVA Group Employee Benefit Trust 2008 awarded 89,016 (2009 – 36,448) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2009 (2009 – bonus earned in year ended 31 March 2008)

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

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 2010

	Year ended 31 March 2010
Dividend yield	1 28%
Expected volatility	52 00%
Risk-free interest rate	2 20%
Expected life of the option	3 years
Weighted average share price	£7 04
Weighted average exercise price	£0 00

d) AVEVA Group plc Executive Share Option Scheme 2007

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

28 Share capital and reserves
a) Share capital

	2010 £000	2009 £000
Authorised		
120,000,000 (2009 – 90,000,000) ordinary shares of 3 33 pence (2009 – 3 33 pence) each	4,000	3,000
Allotted, called-up and fully paid		
67,928,208 (2009 – 67,818,868) ordinary shares of 3 33 pence (2009 – 3 33 pence) each	2,264	2,260

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

	2010 Number	2010 £000	2009 Number	2009 £000
At 1 April	67,818,868	2,260	67,517,319	2,250
Exercise of share options	109,340	4	301,549	10
At 31 March	67,928,208	2,264	67,818,868	2,260

Year ended 31 March 2010

Date of issue	Number of shares 2010	Nominal value 2010 £	Share premium 2010 £	Market price £
10 July 2009	10,335	345	–	6 77
18 December 2009	85,352	2,845	112,042	9 91
4 March 2010	13,653	455	–	10 73
	109,340	3,645	112,042	

Year ended 31 March 2009

Date of issue	Number of shares 2009	Nominal value 2009 £	Share premium 2009 £	Market price £
4 June 2008	5,250	175	8,215	12 85
5 June 2008	55,732	1,858	87,202	14 00
11 July 2008	800	27	1,252	13 21
4 August 2008	11,304	377	29,613	15 68
4 August 2008	28,647	955	75,046	15 68
4 August 2008	64,071	2,136	167,845	15 68
4 August 2008	98,745	3,292	258,679	15 68
18 August 2008	27,000	900	–	13 48
12 December 2008	10,000	333	26,200	5 52
	301,549	10,053	654,052	

28 Share capital and reserves continued
b) Other reserves
Other reserves consist of the following

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

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

Own shares held
Own shares held reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan Details of purchases of shares by the EBT are as follows

Date of purchase	Price per share	Number of shares	Total consideration £000
15 July 2008	£13 48	36,448	495
28 May 2009	£7 29	89,016	653
		125,464	1,148

During the year, 2,694 shares (2009 – nil) with an attributable cost of £36,000 were issued to employees in satisfying share options that were exercised

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

Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures In addition to their salaries, the Group also provides non-cash benefits to Directors and contribute to a defined benefit pension plan on their behalf The Directors also participate in the Group's share option schemes and deferred annual bonus share plan Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 44 and 45

	2010 £000	2009 £000
Short-term employee benefits	1,104	1,077
Share-based payments	384	359
	1,488	1,436

30 Acquisition of subsidiary
In the prior year on 24 March 2009, the Group acquired 100% of the issued share capital of iDesign Office Pty Limited for cash consideration of £1,678,000 (£1,664,000 net of cash and cash equivalents acquired) The fair value of net assets acquired was £1,678,000 which included developed technology of £1,622,000 No goodwill arose from the acquisition The Company is involved in software development and marketing of plant instrumentation software products This transaction was accounted for by the purchase method of accounting

Statement of Directors' responsibilities

Statement of Directors' responsibilities in relation to the Company financial statements
The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2010 which comprise the Balance sheet and the related notes 1 to 11 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' responsibilities statement set out on page 80, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2010,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Other matter
We have reported separately on the Group financial statements of AVEVA Group plc for the year ended 31 March 2010

Ernst & Young LLP

Peter Bateson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
26 May 2010

Company balance sheet
31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	5	27,482	27,482
Current assets			
Debtors	6	99,326	69,210
Cash at bank and in hand		512	136
		99,838	69,346
Creditors amounts falling due within one year	7	(20,824)	(13,682)
Net current assets		79,014	55,664
Net assets		106,496	83,146
Capital and reserves			
Called-up share capital	8	2,264	2,260
Share premium account	9	27,288	27,176
Merger reserve	9	3,921	3,921
Profit and loss account	9	73,023	49,789
Shareholders' funds	10	106,496	83,146

The financial statements on pages 82 to 86 were approved by the Board of Directors on 26 May 2010 and signed on its behalf by

Nick Prest
Chairman

Richard Longdon
Chief Executive

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

Notes to the Company financial statements

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

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

a) Basis of accounting
The separate financial statements of the Company are presented as required by the Companies Act 2006 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law

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

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 Company financial statements continued

3 Profit for the year

As permitted by Section 408 (3) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year AVEVA Group plc reported a profit for the financial year ended 31 March 2010 of £29,670,000 (2009 – £18,140,000)

Audit fees of £7,000 (2009 – £5,000) are borne by another Group company

The Company does not have any employees (2009 – nil) Directors' emoluments are disclosed in the Directors' remuneration report on pages 40 to 45

4 Dividends

	2010 £000	2009 £000
Declared and paid during the year		
Interim 2009/10 dividend paid of 3 0 pence (2008/09 – 2 86 pence) per ordinary share	2,034	1,938
Final 2008/09 dividend paid of 6 5 pence (2007/08 – 5 0 pence) per ordinary share	4,402	3,380
	6,436	5,318
Proposed for approval by shareholders at the Annual General Meeting		
Final 2009/10 proposed dividend of 13 9 pence (2008/09 – 6 5 pence) per ordinary share	9,442	4,408

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 30 July 2010 and has not been included as a liability in these financial statements

5 Fixed asset investments

	2010 £000	2009 £000
Cost and net book value		
At 31 March	27,482	27,482

Details of the Company's subsidiary undertakings are set out in note 18 in the Consolidated financial statements of the Group

6 Debtors: amounts falling due within one year

	2010 £000	2009 £000
Amounts owed by Group undertakings	99,326	69,210

7 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Amounts owed to Group undertaking	20,824	13,682

8 Called-up share capital

	2010 £000	2009 £000
Authorised		
120,000,000 (2009 – 90,000,000) ordinary shares of 3 33 pence each	4,000	3,000
Allotted, called-up and fully paid		
67,928,208 (2009 – 67,818,868) ordinary shares of 3 33 pence each	2,264	2,260

	2010 Number	2010 £000	2009 Number	2009 £000
At 1 April	67,818,868	2,260	67,517,319	2,250
Exercise of share options	109,340	4	301,549	10
At 31 March	67,928,208	2,264	67,818,868	2,260

Details of the shares issued during the year are as follows

Year ended 31 March 2010

Date of issue	Number of shares 2010	Nominal value 2010 £	Share premium 2010 £	Market price £
10 July 2009	10,335	345	–	6 77
18 December 2009	85,352	2,845	112,042	9 91
4 March 2010	13,653	455	–	10 73
	109,340	3,645	112,042	

Year ended 31 March 2009

Date of issue	Number of shares 2009	Nominal value 2009 £	Share premium 2009 £	Market price £
4 June 2008	5,250	175	8,215	12 85
5 June 2008	55,732	1,858	87,202	14 00
11 July 2008	800	27	1,252	13 21
4 August 2008	11,304	377	29,613	15 68
4 August 2008	28,647	955	75,046	15 68
4 August 2008	64,071	2,136	167,845	15 68
4 August 2008	98,745	3,292	258,679	15 68
18 August 2008	27,000	900	–	13 48
12 December 2008	10,000	333	26,200	5 52
	301,549	10,053	654,052	

During the year the Company issued 109,340 (2009 – 301,549) ordinary shares of 3 33 pence each with a nominal value of £3,645 (2009 – £10,053) pursuant to the exercise of share options The total proceeds were £115,687 (2009 – £664,105), which included a premium of £112,042 (2009 – £654,052)

Notes to the Company financial statements continued

8 Called-up share capital continued

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

Date of grant	Share option plan	Number of options	Exercise price Pence
28 June 2006	LTIP	12,072	3 33
2 July 2007	LTIP	55,506	3 33
7 July 2008	LTIP	50,033	3 33
15 July 2008	Deferred Share Scheme	33,754	0 00
27 May 2009	Deferred Share Scheme	89,016	0 00
7 July 2009	LTIP	137,839	3 33
		378,220	

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

9 Reserves

	Merger reserve £000	Share premium £000	Profit and loss account £000
At 1 April 2009	3,921	27,176	49,789
Share issues	—	112	—
Dividends paid	—	—	(6,436)
Profit for the year	—	—	29,670
At 31 March 2010	3,921	27,288	73,023

10 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Profit for the financial year	29,670	18,140
Dividends	(6,436)	(5,318)
Share issues	116	664
Net addition to shareholders' funds	23,350	13,486
Opening shareholders' funds	83,146	69,660
Closing shareholders' funds	106,496	83,146

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				
	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Summarised consolidated results					
Revenue	148,334	164,041	127,561	94,906	65,930
Gross profit	117,954	126,429	97,768	67,637	44,416
Adjusted profit before tax*	50,685	66,360	48,823	28,090	13,847
Profit before tax	49,574	59,201	44,967	24,650	11,155
Income tax expense	(16,134)	(17,047)	(10,721)	(6,844)	(3,079)
Profit for the financial year	33,440	42,154	34,246	17,806	8,076
Basic earnings per share	49 36p	62 27p	50 80p	26 59p	12 14p
Adjusted basic earnings per share*	50.92p	69 99p	55 11p	30 76p	15 27p
Total dividend per share	16 90p	9 36p	6 65p	4 18p	2 46p
Summarised consolidated balance sheet					
Non-current assets	42,067	42,219	36,378	35,731	38,245
Cash and cash equivalents and treasury deposits (net)	149,724	126,164	82,849	41,287	23,503
Net current assets	141,663	111,265	73,025	37,757	20,830
Shareholders' funds	169,222	143,131	105,746	65,312	50,860

* Both adjusted profit before tax and adjusted basic earnings per share are stated before amortisation of intangibles, share based payments adjustment to goodwill restructuring costs and past service credit on the defined benefit pension scheme in the relevant years In addition the Group has chosen to adjust for the gain/loss on the fair value of forward foreign currency contracts together with the tax effects of the items adjusted Comparatives have been restated accordingly

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

Group directory

Al Khobar, Saudi Arabia

Busan, South Korea

Beijing, China

Budapest, Hungary

Calgary, Canada

Cambridge, UK

Chesterfield, UK

Dubai, UAE

Frankfurt, Germany

Genoa, Italy

Guangzhou, China

Hamburg, Germany

Hong Kong

Houston, USA

Kuala Lumpur, Malaysia

Madrid, Spain

Malmo, Sweden

Mexico City, Mexico

Melbourne, Australia

Moscow, Russia

Mumbai, India

Oslo, Norway

Paris, France

Perth, Australia

Rio de Janeiro, Brazil

Seoul, South Korea

Shanghai, China

Singapore

St Petersburg, Russia

Stavanger, Norway

Wilmington, USA

Yokohama, Japan

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About the AVEVA Academic Initiative

Skills shortages continue to be a challenge in most engineering companies and it will take some time for the recent increases in the number of engineering students at universities and technical colleges to overcome the generation gap that currently exists in the market.

In recognition of this, and in addition to its own in-house graduate recruitment schemes, AVEVA will continue to work with educational establishments and government bodies around the world to support initiatives aimed at narrowing the skills gap

AVEVA sees this as a vital investment that will bring long-term benefits to the engineering world

Education institutes covered by the AVEVA Academic Initiative include:

- **Brazil** Pontificia Universidade Católica do Rio de Janeiro PUC-Rio, SENAI Brazil, UFF – Universidad Federal Fluminense
- **Bulgaria** Trieste University
- **China** Jiangsu University of Science and Technology, Shanghai Jiaotong University
- **Croatia** FSB Zagreb, Rijeka University
- **Canada** Southern Alberta Institute of Technology (SAIT)
- **Finland** Savonia Ammattikorkeakoulua Kuntayhtyman, Turun ammattikorkeakoulu
- **Germany** Fachhochschule Koln, TU Dresden, Hochschule fur Angewandte Wissenschaften Hamburg, Technische Fachhochschule Berlin
- **Greece** NTUA
- **India** AMET University
- **Ireland** National Maritime College of Ireland
- **Italy** Genoa University, Naples University, Naval Academy of Livorno (Navy), Trieste University, Udine University
- **Korea** Changwon College, Chungnam University, DongEui Institute of Technology, Gyeongnam Provincial Geochang College, Gyeongsang National University, Jeonnam Provincial College, Jinan Industrial High School, Inha Technical College, Inha University, Koje College, Korea Advanced Institute of Science and Technology (KAIST), Kwangwoon University, Mokpo Industrial High School, Mokpo Science College, Seoul National University, Ulsan Science College, Pusan National University, Yeungjin College, Yonam Institute of Digital Technology
- **Malaysia** MICET (MARA Institute of Chemical Engineering Technology) FCET, Universiti Malaysia Pahang, Universiti Teknologi Mara
- **Peru** Universidad Tecnologica del Peru
- **Portugal** Instituto Superior Tecnico – Lisboa
- **Russia** D Mendeleyev University of Chemical Technology of Russia, Far East State Technical University named by V V Kuibisheva, Gubkin Russian State University of Oil and Gas, Petrovskii College, Saint-Petersburg State Institute of Technology, State Marine Technical University of Saint-Petersburg
- **Serbia** University of Belgrade, Institute for Machine Mechanics, Beograd – Serbia
- **Spain** Universidad de Castilla La Mancha, Universidad de Zaragoza
- **Singapore** Singapore Polytechnic, Ngee Ann Polytechnic School of Engineering, Institute of Technical Education
- **Sweden** KTH Aeronautical and Vehicle Engineering in Sweden, Pluskompetens, Vision Education
- **Taiwan** National Cheng Kung University, National Kaohsiung Marine University
- **Turkey** Piri Reis High School
- **United Kingdom** Newcastle University, Teesside University, University College London, Universities of Glasgow and Strathclyde
- **Ukraine** National Technical University of Ukraine, National University of Shipbuilding named by Admiral Makarov
- **United States** Houston Community College, Macomb Community College, Naval Postgraduate School, San Jacinto College, University of Houston, West Virginia University

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