AVEVA™

CONTINUAL PROGRESSION

AVEVA Group plc

Annual report 2013

THE WORLD'S LEADING ENGINEERING SOFTWARE PROVIDER

AVEVA is one of the world's leading engineering, design and information management software providers to the process plant, power and marine industries. Celebrating our 45th anniversary in 2012, we have achieved our long-term success by working in close partnership with leading engineering companies to deliver continual and visionary technical innovation.

Global engineering contractors, Owner Operators and shipbuilders trust AVEVA to help them create and operate the world's most complex assets. We empower our customers to make thousands of accurate and timely design, engineering and business decisions every day, across the entire project and asset lifecycle – improving productivity, minimising risk and reducing costs.

01 OUR VISION

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

02 OUR MISSION

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

CELEBRATING 45 YEARS

The artwork on the front cover was commissioned for AVEVA's 45th anniversary and provided to all of our offices in recognition of this major milestone.

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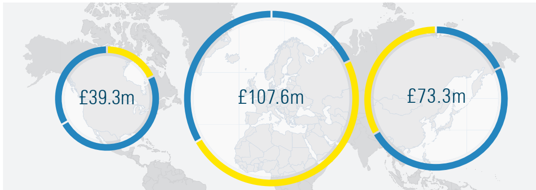
LATEST NEWS AND INVESTOR INFORMATION CAN BE FOUND AT **WWW.AVEVA.COM**

02 FEATURES



Our performance in 2012/13

2012/13 was a milestone year for AVEVA. We successfully launched some of our most innovative technology in the 45 year history of the Company and made two strategic technology acquisitions.

01 OUR HIGHLIGHTS

Our latest technology is targeted at both our existing customers and at capturing market share from our competition. The recent acquisitions also provide cross-selling opportunities into our existing customer base, as well as planting longer-term seeds for future technology development and sales growth.

A INNOVATION

AVEVA Everything3D

The launch of AVEVA Everything3D™ (AVEVA E3D™) sets a new level of performance for major capital engineering projects. AVEVA E3D drives the adoption of Lean Construction concepts by enabling Engineering, Procurement and Construction contractors (EPCs) to break down barriers between design and construction, reducing overall project cost, compressing schedules and mitigating risk.

AVEVA Enterprise Resource Management

A combination of internally developed technology and software from a 2010 acquisition, the AVEVA Enterprise Resource Management™ (AVEVA ERM™) suite brings a comprehensive project execution management capability to the material, planning and production process. EPCs and shipyards benefit from lower material and production/construction costs through improved project efficiency, shortening timescales and increasing project quality and control.

B ACQUISITIONS

Bocad acquisition

In May 2012, AVEVA purchased the Bocad group for its structural steel design software. The new capability is being integrated into the AVEVA Plant™ and AVEVA Marine™ portfolios for the design of plant and offshore assets by EPCs and fabricators. The Bocad acquisition has also enabled AVEVA to establish a new Centre of Excellence for structural steel design to focus on the integration and on-going development of the recently acquired technology.

Global Majic acquisition

In December 2012, AVEVA purchased the advanced visualisation and simulation software assets of Global Majic Software, Inc. The highly skilled team and the new technology have been integrated into AVEVA's simulation development programme that creates world-class 3D interactive virtual environments. This software provides an immersive environment that enables virtual access to plant facilities for the purposes of inspection, training and maintenance review, minimising travel costs and the need to expose staff to on-site hazards.

C RECOGNITION

techMARK – Company of the Year

In recognition of its innovation and business success, AVEVA was presented the coveted techMARK Company of the Year Award in 2012. Hosted by the London Stock Exchange and sponsored by PwC, the techMARK event is the largest annual gathering of quoted technology companies in the UK. It celebrates the best in the sector and highlights the achievements of individuals and companies.

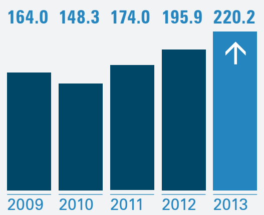
Cambridge News – Business of the Year 2013

Chosen from a list of prestigious Cambridgeshire companies, AVEVA was awarded Business of the Year for 2013 by The Cambridge News. The award recognises a company with outstanding growth performance and diversification, noting the recent release of new AVEVA products and the acquisition of strategic technology to further fuel the Company's success in the future.

02 IN FIGURES

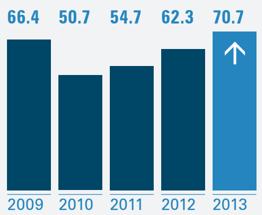
Revenue (£m)

£220.2m +12%



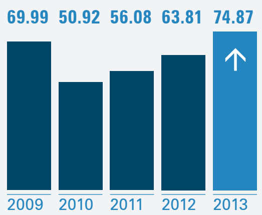
Adjusted* profit before tax (£m)

£70.7m +13%



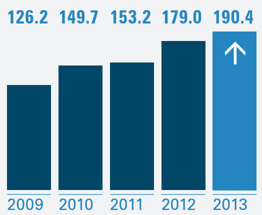
Adjusted* basic earnings per share (p)

74.87p +17%



Net cash and deposits (£m)

£190.4m +6%

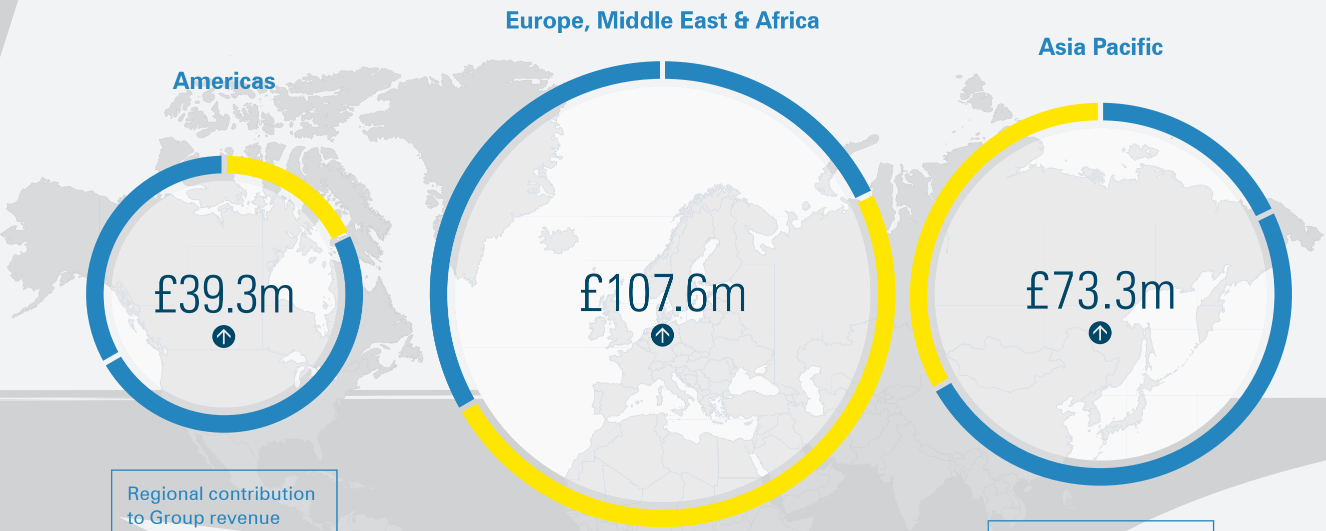


*Adjusted profit before tax is stated before amortisation of intangibles (excluding other software), share-based payments, the gain/loss on the fair value of forward foreign currency contracts and exceptional items. Adjusted basic earnings per share is also adjusted for the tax effect of these items.

MORE INFORMATION ABOUT THIS CAN BE FOUND AT **WWW.AVEVA.COM**

03 BY TERRITORY

Regionally, AVEVA's business is broadly spread – selling into all major territories around the world. One of AVEVA's core strengths lies in being close to the customer and we now have 48 offices around the globe, offering local support wherever our customers operate. We are seeing rapid expansion in the world's fast growing economies, particularly India and China.



	Americas	Europe, Middle East & Africa	Asia Pacific
Regional contribution to Group revenue	17.8%	48.9%	33.3%
Change	+3%	+15%	+14%

Significant opportunity for growth remains

Whilst the overall performance in Americas was affected by project delays in Brazil, the regional growth opportunity remains substantial. We have seen increased activity in North America, where our Canadian presence is expanding rapidly.

Significant growth in Enterprise Solutions sales

We saw continued good growth in EMEA during the year, with strength in our core market selling to our design tools to EPCs and expansion in the Owner Operator market delivering significant growth in Enterprise Solutions sales.

Strong licence growth compared to 2011/12

In Asia Pacific we saw good progress in China, particularly in the second half of the year, with strong growth compared to a year ago – despite the continued weakness in Marine.

Our investment in India during the year has begun to bear fruit, with an acceleration in the volume of deals.

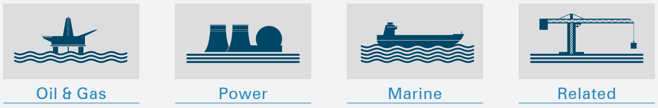
Our business

AVEVA's solutions directly reflect the complex project and operational realities of our EPC, shipyard and Owner Operator customers, delivering different value propositions at multiple stages throughout the lifecycle of a project or asset.

01 HOW WE WORK

To ensure that we meet the needs of our clients and to focus on the different skills, delivery models and business models demanded by our extensive technology portfolio, we have structured the organisation around two lines of business:

WE SERVE THE FOLLOWING INDUSTRIES *detail on pages 06–07*



ENGINEERING & DESIGN SYSTEMS (EDS)

The EDS line of business focuses on the creation of digital plants and ships that are part of a major capital project. Our AVEVA Plant and AVEVA Marine portfolios cover all aspects of engineering and design process. Through our tight product architecture, we deliver Integrated Engineering & Design solutions that allow our customers to compress schedules, eliminate expensive rework and drive efficiency across both major engineering projects and through-life 'in-plant' engineering.

ENTERPRISE SOLUTIONS (ES)

Our Enterprise Solutions line of business is rooted in the creation and management of a digital asset that supports the entire lifecycle of a complex physical asset. Building on the concept of a Digital Information Hub, our AVEVA NET™ technology creates a central repository for all project and asset information; providing the right information to the right people at the right time. This ability enables AVEVA to deliver information intensive solutions that draw upon data from any number of systems that support processes from material management, planning and scheduling, project management, handover, operations and maintenance, through to decommissioning.

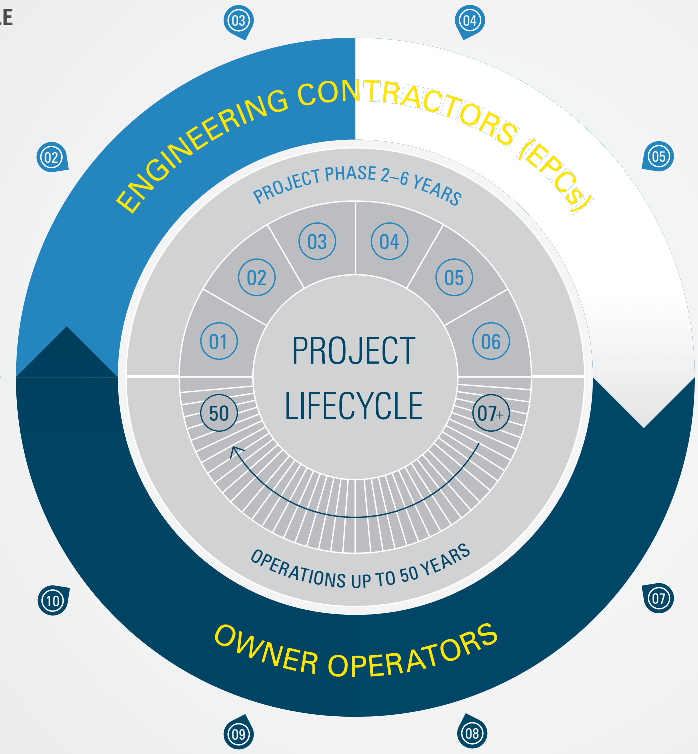
CAPITAL PROJECT AND PLANT OPERATION LIFECYCLE

AVEVA's software solutions play a key role with EPCs, shipbuilders and Owner Operators in the design and construction of major capital projects and throughout the operational lifecycle of their assets.

Engineering Contractors

Major capital projects

01 FEED
02 PROJECT MANAGEMENT
03 ENGINEERING AND DETAILED DESIGN
04 PROCUREMENT
05 MATERIALS MANAGEMENT



Owner Operators

Long-term plant operations

CONSTRUCTION 06
OPERATIONS 07
MAINTENANCE 08
REVAMP 09
DECOMMISSIONING 10

MORE INFORMATION ABOUT
THIS CAN BE FOUND AT
WWW.AVEVA.COM/PRODUCTS

02 OUR CONTINUAL PROGRESSION

AVEVA's tagline of 'Continual Progression' applies to all aspects of our business, including our business model. We are constantly investing in the quality and innovation of our products to drive growth in recurring revenue from existing and new customers.

OUR LICENSING MODEL

We operate a 'right to use' licence model for the software developed by our Enterprise Solutions and Engineering & Design Systems lines of business.

Options:

- Initial fee + annual fee
- Fixed rental
- Licence tokens

Benefits:

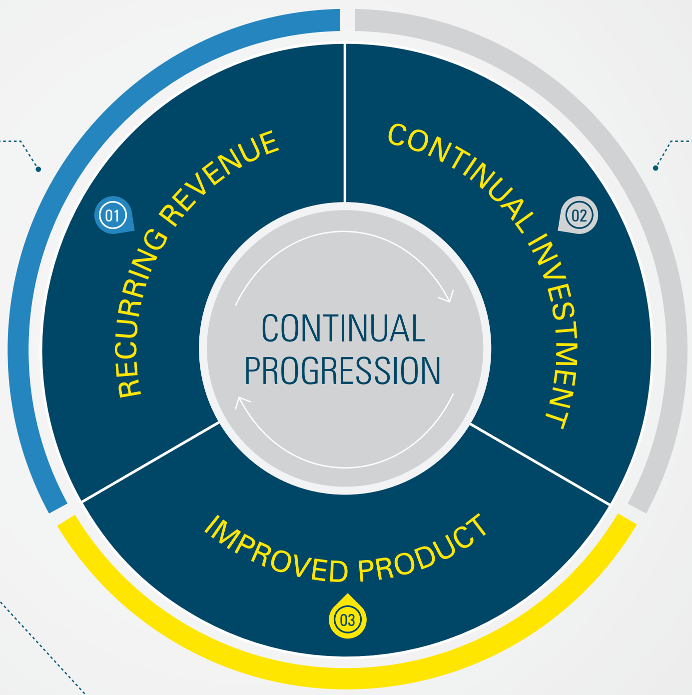
- Recurring revenue base
- On-going commitment
- Flexibility

Under this model, customers license our software 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 have on-going access to the software. This model provides a strong recurring revenue base for AVEVA which allows us to invest in the future development of our products and markets.

In addition, we also offer the concept of licence 'tokens' which allow our customers to gain access to our full portfolio of software solutions subject to a minimum commitment level. This provides greater flexibility in usage while again securing an on-going commitment to AVEVA and recurring revenue stream.

OUR BUSINESS MODEL

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



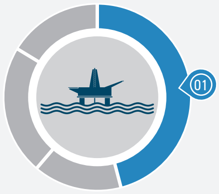
02 We continue to expand the range and capability of industry-leading products and services though focused in-house development and carefully targeted acquisitions that provide compelling business benefits for our current and future customers.

03 We strive to meet the evolving needs of our customers through constant investment in technology innovation and world-class sales and support resources to ensure the long-term success of our business.

Our target markets

AVEVA's products are most applicable in industries where scale and complexity are greatest. As a result, in recent years the principal driver of growth has been the Oil & Gas industry. AVEVA also has a strong market position in the global Power market. The Marine industry is also traditionally a key area of strength although the industry is currently in a cyclical downturn, offset partially by offshore projects. AVEVA also sells into related industries, shown below.

01 OIL & GAS



Revenue contribution

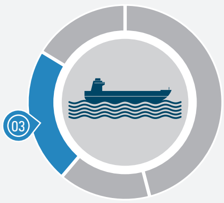
Oil & Gas is a critical industry, with oil and natural gas meeting more than half of the world's primary energy supply, and providing the raw materials used to manufacture many of the essential products we use in our everyday lives. Oil powers virtually all of the world's transportation.

02 POWER

Revenue contribution

Population growth and rising standards of living in the world's developing economies, as well as increasing energy usage in the developed world require a sustained long-term investment in power projects globally. Global energy demand is expected to grow at 36% from 2011–2030 *(BP Energy Outlook, January 2013).*

03 MARINE



Revenue contribution

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

04 NEW GROWTH MARKETS

Revenue contribution

The features that place AVEVA's technology at the heart of these key industry verticals, also make a compelling value case in other capital-intensive industries.

AVEVA has had a long association with the global Oil & Gas industry. Our technology continues to enable many of the most advanced engineering developments, as Oil & Gas reserves become increasingly remote and difficult to extract, particularly in challenging offshore environments where AVEVA has a dominant presence.

With rising global energy demands and steadily growing levels of investment from oil operating companies to build and maintain the complex infrastructure required to meet these needs, AVEVA is in a good position to benefit from the expected continued growth in Exploration & Production (E&P) activity.

Market drivers

- **Growing demand from emerging markets**
- **Tight supply/demand balance**
- **Trend towards higher oil prices**
- **Increased complexity of production**
- **Multi-year engineering projects backlog**
- **Health and safety, regulatory and compliance need for consistent information**

It is generally accepted that renewable energy sources are unable to meet growing demand, and hence fossil fuels and nuclear energy will continue to be the dominant form of power generation over the long term.

AVEVA is already a preferred supplier to the world's nuclear industry and expects long-term growth in infrastructure investment, particularly in China and India. AVEVA is also well-established in a wide range of other power generation markets.

Market drivers

- **Long-term secular growth in world energy consumption, growing 40% 2013–2035**
- **Fossil fuels will continue to drive energy production**
- **Further investment in alternative forms of energy production**
- **China and India investment in nuclear power**
- **Health and safety, regulatory and compliance**

The industry is highly cyclical and following a multi-year boom in recent years the market is currently depressed. Within this there are some buoyant areas, for example in the production of complex specialist (FPSO, LNG, FLNG) and naval vessels, to which AVEVA's products are particularly suited. The majority of the world's largest shipyards use AVEVA's technology, which provides the greatest productivity advantage of any product on the market. Our Enterprise Solutions tools help customers streamline their processes and optimise their operations for the greatest efficiency.

Market drivers

- **Expectations are for the Marine industry to remain flat over the medium term**
- **Overcapacity in shipping continues to stifle new orders**
- **Specialist sectors remain buoyant, for example offshore and naval**
- **Increasing interest in efficiency of ship design to save costs**

Among these are Chemicals, Pharmaceuticals, Metals & Mining Processing, Pulp & Paper and other specialist manufacturing sectors. Many of these industries are concentrated in specific geographic regions of the world, for example South America, South Africa and Australia for Metals and Mining Processing, and Central Europe for Chemicals.

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

Market drivers

- **Project complexity, process-related plant design and construction**
- **Industry adoption of 3D engineering design and information management technologies**
- **Health and safety, regulatory and compliance**

Our difference

At AVEVA, we have long recognised that our people are our most important asset. The talent, skills and experience they bring to the development and delivery of our software and services is key to maintaining our leadership position across the industries we serve.

01 OUR PEOPLE

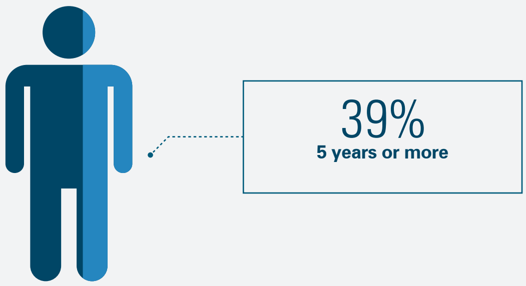
We are committed to strengthen our employee asset by continually working to recruit, retain and motivate our staff in-line with our five AVEVA Values of Trustworthy, Flexible, Inspiring, Accessible and Innovative. This is a proven and effective process and we are proud of how our colleagues demonstrate their commitment back to AVEVA through high retention, longevity and engagement in development programmes.

FACTS

__93.2%__ of all employees have stayed with AVEVA throughout 2012/13

2012/13 saw a large number of new employees for AVEVA, a 25% increase on the previous year.

Despite the rapid growth in our employee numbers, __39%__ of our staff have been with AVEVA for more than five years



In 2012/13 AVEVA conducted __more than 300__ development and training courses

- Graduate Development Programme
- Grads & Stars Personal Development Scheme
- Management Development Programmes
- Advanced Leadership Programme
- Personal and Skills Development Workshops
- Mentoring Programmes
- eLearning Modules
- Technical Training

In 2012/13 more than 1,000 employees participated in development and training programmes.

MORE INFORMATION ABOUT THIS CAN BE FOUND AT WWW.AVEVA.COM

02 OUR INNOVATION

AVEVA continues to deliver world-class, industry-leading products to its customers in order to help them remain competitive and take advantage of new technology trends which can deliver increasing efficiencies in their businesses.

INVESTING IN R&D

During the past five years, AVEVA has invested almost £150 million in innovation:

2012/13	£35.5m
2011/12	£32.1m
2010/11	£28.1m
2009/10	£20.9m
2008/09	£27.3m

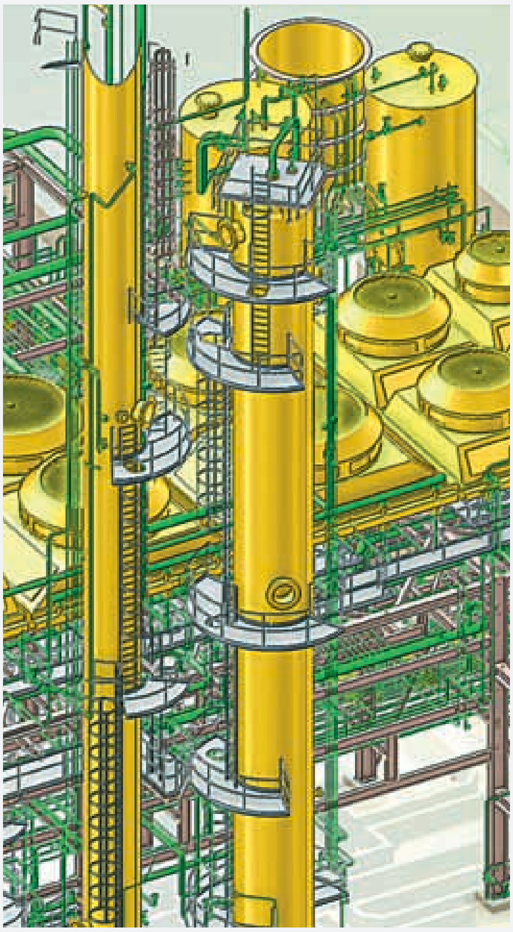
*A key focus has been to **build our presence in India,** a rapidly growing market. Over the past twelve months, R&D headcount has expanded more than 120%, located in state-of-the-art new facilities in Hyderabad*

There was a great deal of excitement surrounding the launch of AVEVA E3D at the AVEVA World Summit in Paris. Delegates were also shown a glimpse of future applications which utilise the latest tablet computing technology, and could lead to a new frontier in cloud computing for Engineering and Design as well as operational information management.

TO READ MORE ABOUT OUR NEW PRODUCT AVEVA E3D SCAN THE QR CODE OR GO TO WWW.AVEVA.COM/FOPD

LAUNCHING OUR NEW PRODUCT: AVEVA E3D

The launch of AVEVA E3D represents a major milestone and a significant step-change in our industry, and as a platform it is shaping the direction of our future development efforts, many of which are now focused on exciting new areas such as the opportunities that the cloud and mobile computing promise to deliver.



Our strategy

For 45 years AVEVA has been a consistent leader in the markets we serve, but we cannot afford to rest on our past success.

OUR STRATEGIC PRIORITIES

We have challenging ambitions to build on our core competencies and expand our business in the years ahead. To achieve this goal, we have six Strategic Growth Themes that we promote throughout our organisation. These themes are tied directly to the goals and targets of departments and individuals, providing a framework upon which we define strategies and priorities and set out the roadmaps that will ensure our future success.

- Emerging Markets
- Plant Operations
- Global Accounts
- Enterprise Solutions
- Extending Design Footprint
- New Business Models

A PRIORITY AND OBJECTIVE	B OPPORTUNITY
01 EMERGING MARKETS **We will invest in focused solutions and local presence to become the dominant supplier to the Emerging Markets**	High growth markets offer a significant business opportunity for AVEVA. Companies in these areas of the world are looking for a trusted partner to provide a complete portfolio of solutions. With the right focus and investment on the ground, AVEVA is ideally positioned to respond to the technology and support requirements of these exciting markets.
02 PLANT OPERATIONS **We will grow our Plant Operations business to become as large as our design and engineering base**	By creating a stronger relationship with Owner Operators, AVEVA taps into a long-term market opportunity. We have the expertise and technology to bring tremendous value to these customers through the efficient support of operational processes and execution of in-plant engineering projects. Success in this market will allow us to extend our business engagement across the entire lifecycle of an asset.
03 GLOBAL ACCOUNTS **We will continue to strengthen our relationships with Global Accounts and support their global co-ordination and standardisation efforts**	Global EPCs are extremely influential in determining the software tools deployed on major capital projects. To embed our solutions within the entire project ecosystem and be responsive to the changing environment, it is important for AVEVA to establish strong global relationships with the industry's leading EPCs.

MORE INFORMATION ABOUT
THIS CAN BE FOUND AT
WWW.AVEVA.COM/INVESTORS

Richard Longdon | Chief Executive Officer

"Accelerating sales of our Enterprise Solutions is key to our objective in positioning AVEVA as a strategic partner to our customers. We aim to further expand our presence in the Owner Operator market in the near term."

TO READ MORE, TURN TO PAGE 14

A PRIORITY AND OBJECTIVE

B OPPORTUNITY

04 ENTERPRISE SOLUTIONS

We will continue to accelerate the adoption of our Enterprise Solutions to become a strategic partner to our customers and secure our position across the entire project and asset lifecycle

The design, construction and operation of complex assets is highly competitive and subject to increasingly strict reporting requirements. It is driven by a business imperative to constantly achieve more with less resource. AVEVA's Enterprise Solutions is helping our customers effectively manage their businesses and react to changing legislation by providing timely access to accurate project and asset information.

05 EXTENDING DESIGN FOOTPRINT

We will extend our existing Design Footprint with new products and solutions that bring enhanced value to our customers and shareholders

Using our extensive domain knowledge and market leading position, we have the opportunity to develop and integrate advanced new products which complement our existing portfolios. This allows us to extend our reach and influence within the existing customer base while providing a more compelling offering to new customers, increasing our revenue and market penetration.

06 NEW BUSINESS MODELS

Explore new and innovative Business Models to better serve our customers and enhance revenue growth

As technology and markets evolve, opportunities will arise for AVEVA to rethink the way we operate different aspects of our business. By actively exploring alternative business models we can create dramatic new possibilities for AVEVA and our customers. As an example, we are currently working to examine different ways of making our products more easily accessible to the widest possible audience, improving AVEVA's efficiency and providing a more flexible service to our customers.

Chairman's statement

Philip Aiken | Chairman

"We delivered a record set of results, both in terms of revenue and profit, by continuing to provide world-class engineering software and solutions to our global customer base."

SUMMARY OF REVIEW

I am delighted to be involved with such an exciting, world-class company which continues to benefit from a global platform, exposure to developing markets and world-beating technology and innovation

In Enterprise Solutions we set clear targets for the year to deliver both growth and profitability, and we were very pleased to report success on both fronts

From a technology perspective it has been a most exciting year and we continue to build on our leadership position. We have delivered the successful commercial launch of AVEVA E3D

The Board is proposing to return £100 million to shareholders in the form of a special dividend, subject to approval at the AGM

REVIEW

OVERVIEW

In my first year as Chairman, I am pleased to report another strong performance for AVEVA during 2012/13, reflecting our market leading position in engineering design and information management solutions for the Oil & Gas, Power and Marine industries worldwide. I joined AVEVA at the beginning of the 2012/13 financial year and I am delighted to be involved with such an exciting, world-class company which continues to benefit from a global platform, exposure to developing markets and world-beating technology and innovation.

These results are a testament to the hard work of all AVEVA employees around the world. In particular, a notable milestone was achieved during the year as our Enterprise Solutions business grew more than 30% and moved into profitability for the first time.

Another major achievement for the Group was the launch of AVEVA Everything3D (AVEVA E3D) in October 2012, the most significant new product release that AVEVA, or the engineering design industry as a whole, has seen for many years.

Our Engineering & Design Systems business also delivered good growth, and we were able to expand the breadth of our product offering, both organically and through the strategic acquisitions of Bocad in May 2012 and Global Majic in December 2012, further deepening our relationships with our customers, in line with our long-term strategy.

KEY FINANCIALS

AVEVA delivered record revenue for the year in 2012/13 of £220.2 million (2012 – £195.9 million), up 12% on the same period a year ago. This was driven by strong revenue growth and excellent execution in Enterprise Solutions and further expansion in Engineering & Design Systems.

Adjusted profit before tax grew by 13% to £70.7 million (2012 – £62.3 million) and we achieved an adjusted profit margin of 32% (2012 – 32%), whilst still maintaining our investment in the business as planned. Profit before tax for the year was £63.6 million (2012 – £57.7 million). Adjusted basic earnings per share amounted to 74.9 pence, an increase of 17% over the prior year (2012 – 63.8 pence). Basic earnings per share was 67.0 pence (2012 – 58.9 pence).

AVEVA continues to maintain a strong balance sheet and remains highly cash generative. We closed the year with more than £190 million of cash (2012 – £179.0 million) and no debt. This was after investing £12.5 million on the acquisitions of Bocad and Global Majic and after paying £14.6 million in dividends.

OPERATIONS

In our core Engineering & Design Systems division, revenue grew 10% to a record £189.5 million (2012 – £172.5 million) – driven by sustained demand from our Engineering, Procurement and Construction (EPC) customers where we continue to expand our footprint within key accounts.

In Enterprise Solutions we set clear targets for the year to deliver both growth and profitability, and we were very pleased to report success on both fronts. Revenue increased by 31% to £30.7 million (2012 – £23.5 million) which delivered a contribution of £2.0 million (2012 – loss of £4.4 million).

TECHNOLOGY

From a technology perspective it has been a most exciting year and we continue to build on our leadership position. We have delivered the successful commercial launch of AVEVA E3D, a major new platform focused on Plant Design for 'Lean Construction', which we believe will create significant efficiencies for our customers and raise the competitive benchmark for the plant design industry. In addition to this, we have released a number of other exciting new products in the Schematics and Enterprise Solutions portfolios. We also continue to add to our technology capabilities through acquisition, with Bocad and Global Majic both being acquired during the year.

DIVIDENDS

The Board is recommending a final dividend of 19.5 pence (2012 – 17.0 pence), an increase of 15% over the prior year. This gives a full year dividend of 24 pence (2012 – 21.0 pence) when combined with the interim dividend of 4.5 pence announced earlier in the year, gives an increase of 14% over last year. Subject to approval at the Annual General Meeting (AGM), the final dividend will be paid on 26 July 2013 to shareholders on the register on 21 June 2013.

RETURN OF CAPITAL

AVEVA is committed to generating returns for our shareholders whilst maintaining a strong balance sheet to provide adequate resources for future investment and growth. In light of the Group's strong performance and strong cash generation over many years, the Board is proposing the return of cash to shareholders of approximately £100 million in the form of a special dividend which is expected to be paid in August 2013. The Board is also recommending the special dividend is accompanied by a share consolidation to maintain, as far as possible, the comparability of the share price before and after the special dividend. The special dividend and share consolidation will be subject to shareholder approval at the AGM on 9 July 2013. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be set out in the AGM circular for shareholders.

PEOPLE

AVEVA continues to have a team of highly skilled and dedicated employees who are the driving force behind the success of the Group and the strong performance in 2012/13. On behalf of the Board I would like to thank everyone at the Company for their excellent contribution and commitment.

ROLE OF THE BOARD

We have revamped our Board agenda to put more emphasis on the Group's key areas of focus such as our technology plan, strategy and people. AVEVA has grown significantly in recent years and has a great future and I see the role of the Board as supporting and reviewing our growth strategy. The balance between delivering short-term performance and investing for future growth is a challenge for any organisation and one where I believe the Board has a significant role to play in working with and supporting the Executive team.

PROSPECTS

AVEVA has world-beating technology and products, strong underlying market drivers, a truly international breadth of operations, long-term customer relationships, as well as a highly dedicated and expert team. The Group has significant opportunities to continue to deliver strong growth in the future.

PHILIP AIKEN
Chairman
23 May 2013

Chief Executive's review

Richard Longdon | Chief Executive Officer

"The success of the Group is founded on its world-leading technology and global platform. We achieved another major milestone during the year with the launch of our ground-breaking new product, AVEVA E3D."

SUMMARY OF REVIEW

By selling world-leading technology into global industries we have been able to benefit from the positive fundamentals in many of the vertical and regional end markets

We saw particularly strong demand from the Oil & Gas market, with customers involved in increasingly complex projects, some of which are the largest ever undertaken, necessitating additional design hours and more licences of our 3D design software tools

Our Enterprise Solutions division achieved a major milestone as the business grew by more than 30% in the year and moved into profitability for the first time

Our new product, AVEVA E3D, has been seen by industry watchers as the most significant new product to be launched in the plant design market for many years and is potentially a true game changer

REVIEW

OVERVIEW

AVEVA delivered another excellent year of growth in 2012/13. As a truly international company selling world-leading technology into global industries, we have been able to benefit from the positive fundamentals in many of our markets.

This growth has enabled us to continue to make significant investment in both innovation and the development of our global platform. In particular, we successfully launched AVEVA Everything3D (AVEVA E3D), one of the industry's most significant new product releases in many years, which strengthens our technology leadership and delivers enhanced efficiencies for our customers.

Our Engineering & Design Systems business, which provides software solutions for the design and construction of assets in the Plant, Power and Marine industries, continued to benefit from global growth trends in Oil & Gas and Power, whilst as expected the Marine segment remained subdued.

Our Enterprise Solutions division, which provides software and support for ongoing information management throughout an asset's lifecycle, achieved a major milestone as the business grew by more than 30% in the year and moved into profitability for the first time. This was achieved as a result of increased management and internal focus, and is now benefitting from the returns on investment we have made to build our service delivery infrastructure and sales organisation.

GLOBAL GROWTH MARKETS

One of AVEVA's core strengths is our global presence, enabling us to be close to our customers. During the year we continued to develop our international reach, targeting and investing in high growth markets with new offices in Mumbai and Hyderabad in India and by establishing, through the acquisition of Bocad, a new Centre of Excellence for Structural Design in Germany.

Demand for AVEVA's products remained strong in the Oil & Gas and Power markets during the year whilst activity levels in Marine remained flat. The trends driving demand in Oil & Gas continued with an increase in the number, size and complexity of projects worldwide. Global energy demand is expected to grow at 36% from 2011–2030

(BP Energy Outlook 2030, Jan 2013) with an increasing proportion of the supply to be satisfied by difficult to exploit deep-water fields. This drives up design hours and the use of AVEVA's software tools for ever more complex engineering and design.

Power also has long investment cycles and AVEVA serves a wide variety of customers around the world involved in all types of power generation. We are strongly positioned to benefit from new nuclear projects in China, where the nuclear build programme has recently recommenced, and in India, where nuclear is a key part of the government's long-term power infrastructure build programme. The World Nuclear Association report that over half of the 480 proposed or planned new builds will be located in China and India by 2030. Whilst there remains some hesitancy around new-build nuclear projects in Europe, the building of additional conventional power stations further drives demand for AVEVA's design tools.

In Marine, the industry is in the midst of a cyclical downturn and hence sales of our design software have remained subdued, particularly in China where the shipyards have been more focused on conventional shipbuilding. This is in contrast to Korea where an increasing amount of the shipyard's work is now related to offshore Oil & Gas projects. We anticipate the Marine market conditions will remain for another two years. Meanwhile we are focused on selling our other products, such as Enterprise Resource Management which helps shipyards become more efficient through streamlining and improving their planning and construction.

INNOVATION

In October we launched AVEVA E3D, a next generation product for 'Lean Construction' in the plant design industry. AVEVA E3D was previewed at the Achema trade fair in Frankfurt during the summer followed by a working demo at the AVEVA World Summit in October and first customer shipments were made in January 2013. AVEVA E3D has been seen by industry watchers as the most significant new product to be launched in the plant design market for many years and is potentially a true game changer. AVEVA E3D is the result of years of development and incorporates much of the functionality of our acquisitions over recent years. AVEVA E3D has been designed to be fully compatible with our existing 3D applications. As a result we believe AVEVA E3D will deliver enhanced efficiencies to customers seeking to maintain competitive advantage.

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RUSGAZ ENGINEERING – RUSSIA
DELIVERS FASTER PROJECTS AND RAPID GROWTH

AVEVA PDMS model of a heat exchanger unit for the Beregovoye gas condensate field project.
Image courtesy of RGE.

In the space of a few years, the RuzGaz Engineering Group of Companies (RGE) has become a leader in the design and construction of complete Oil & Gas and chemical turnkey field facilities in Russia and the rest of the world.

AVEVA'S ROLE

In addition to AVEVA's design and engineering software, RGE deployed AVEVA NET, a web-based solution for system consolidation and the management of engineering data. The principal advantage for project leaders and members is the ability to quickly locate critical information and they now have a consistent, full picture of all their projects.

WORKING WITH RGE

"Like many of our customers, RGE has grown rapidly as the energy market has expanded and at the same time the complexity of projects is increasing dramatically. These circumstances demand a new way of managing and understanding information. Our Integrated Engineering & Design strategy ensures consistency across disciplines and in conjunction with Enterprise Solutions we are helping customers increase productivity and reduce risk by providing a complete view of the entire project regardless of where information is authored."

Derek Middlemas
COO and Head of Enterprise Solutions

Ilshat Valiullin
President of RGE

"AVEVA's Integrated Engineering & Design capabilities provide powerful management tools and we've been able to scale our system implementation in line with the Company's rapid growth."

SCAN THE QR CODE TO READ THE FULL CASE STUDY

Chief Executive's review

Continued

DIVISIONAL PERFORMANCE AT A GLANCE

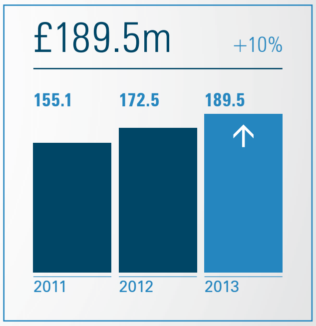
Engineering & Design Systems

£189.5m **revenue**

Our EDS business performed well during the year, delivering constant currency growth of 9% over 2011/2012.

- Demand sustained
- Further competitive wins with major EPCs
- AVEVA E3D launch very positively received
- H2 weighting due to the phasing of rental contracts
- Bocad integration progressing well, mitigating risk

Divisional revenue (£m)



"The quality of the people is a major determinant of AVEVA's continued innovation and success. This can be seen through the continual progression of our world-leading products, as well as our ability to deliver new solutions based upon our customers' needs."

INNOVATION continued

Customers will be able to transition easily to AVEVA E3D and will find a range of new features, such as fully integrated 2D drafting, laser scanning and enhanced visualisation, allowing them to perform many functions within a fully integrated engineering environment.

Early feedback from customers has been positive and the prospects for AVEVA E3D are encouraging as Engineering, Procurement and Construction companies (EPCs) seek to further improve design efficiency, reduce time to start-up and remove costly rework in fabrication and construction. Nonetheless, our customers are highly conservative and it will take some time to convert them all from PDMS™ to AVEVA E3D.

We are particularly excited about the new directions that the AVEVA E3D platform promises for future innovation, including in the areas of mobile and cloud computing. During our World Summit in October 2012, we provided customers with a preview of some new mobile applications, which were met with great enthusiasm. We plan to release the first of these new tablet-based applications later in 2013/14. Our customers are rightly cautious in their approach to new technologies and thus our approach is to follow AVEVA tradition and deliver such solutions through working in partnership with our customers. We are fortunate in that the introduction of mobile and cloud technology is far less of a technology disruption than for many of our peers.

Elsewhere, AVEVA further broadened its product portfolio during the year with the release of a powerful new version of AVEVA Instrumentation and a brand new product, AVEVA Electrical™. We believe there is a major opportunity to extend our design solution footprint with our existing customers.

AVEVA has always been a leading innovator in using advanced visualisation techniques to bring engineering data to life. The acquisition of Global Majic and the subsequent establishment of a Centre of Excellence for Visualisation in Huntsville, Alabama will see the Global Majic visualisation technology introduced across the AVEVA product range to enhance the value of engineering data to a wider audience.

REGIONAL SUMMARY

EMEA once again delivered good growth with revenue up 15% over the prior year with expansion within the larger global EPCs and Owner Operators being the key drivers together with strong regional performance in UK, Russia and Middle East. Revenue growth in the Americas was 3% and was negatively affected by a slowdown in Brazil, where demand was impacted by delays in project awards to our customers. We do expect the situation to improve in 2013/14 and see the long-term market opportunity as undiminished. In Asia Pacific, we were pleased to see our China operations continue to make progress, with strong licence growth over the previous year despite the continued subdued demand in Marine across the region.

As a part of our strategy to expand significantly our presence in the emerging markets, we invested in a new office in Mumbai as well as a new Research and Development centre in Hyderabad. Our headcount in India materially increased during the period and as a result of this planned investment, we will have the capability to carry out the majority of our offshore Research and Development activities within our own facilities in India. This will reduce our dependency on outsourced development partners while improving knowledge retention.

ENGINEERING & DESIGN SYSTEMS (EDS)

Our EDS business performed well during the year, delivering constant currency growth of 9% over 2011/12. Again, we saw particularly strong demand from the Oil & Gas market, with customers involved in increasingly complex projects, some of which are the largest ever undertaken, necessitating additional design hours and more licences of our 3D design software tools. We also released a number of new products to broaden our design footprint, for example with AVEVA Electrical and AVEVA Instrumentation™. In addition, these solutions have been designed to meet the needs of operations and in-plant engineering and are contributing to revenue growth, particularly with the Owner Operators. We further extended our capabilities through the acquisitions of Bocad and the software assets of Global Majic, which added market-leading structural steel detailing and visualisation software to the AVEVA solution.

The overall revenue performance for the EDS division was affected by the difficult situation in Brazil but despite this, strength elsewhere enabled the EDS business to deliver a record result.

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PROJECTUS – BRAZIL

OUT OF THE BOX PRODUCTIVITY WITH AVEVA PLANT

A pipe rack for the COMPERJ refinery project. Photograph courtesy of Petrobras and CPPR.

Founded in 1990, Projectus is one of the leading Brazilian engineering companies in the Oil & Gas and Petrochemical industries. It currently uses AVEVA Plant as its engineering toolset on several Oil & Gas projects in Brazil.

AVEVA'S ROLE

The rapid expansion of Brazil's Oil & Gas industry has created a demand for many complex, large-scale projects. To meet this challenge, Projectus has extended its use of AVEVA PDMS with the addition of AVEVA Steel and AVEVA Global. These solutions help the company to maintain its high quality, reliability and productivity performance while executing their increasingly complex projects.

WORKING WITH PROJECTUS

"AVEVA is committed to supporting high growth emerging markets as a key component of our growth strategy. Working with highly professional and ambitious companies like Projectus in Brazil allows us to continually focus our solutions to the changing landscape of major capital projects. Combined with our investment in local support and services, we are positioning AVEVA to best support high growth investment centres across the globe."

Mat Truche-Gordon
Executive Vice President Business Strategy and Marketing

Gustavo Dessotti Pinto
PDMS Administrator at Projectus

"AVEVA has enabled Projectus to increase efficiency in the design process by allowing concurrent working between different design disciplines. Perhaps most important is the ability to generate completely clash-free designs. This saves both time and money by avoiding costly modification at the construction site."

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Chief Executive's review

Continued

DIVISIONAL PERFORMANCE AT A GLANCE

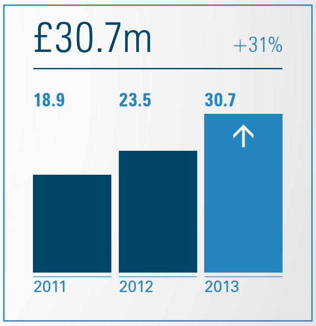
Enterprise Solutions

£30.7m revenue

We achieved against challenging targets in ES during the year, and now the division is positioned for profitable growth in a rapidly expanding market.

- Progress with the oil super majors, AVEVA NET mandated by Owner Operators for data handover
- Extending sales into the engineering companies
- Regulatory/compliance a major driver
- Improved revenue mix; total backlog +16% mitigating risk

Divisional revenue (£m)



"AVEVA's goal is to deliver sustainable, strong long-term earnings growth. Our proven management team, technology leadership and global platform have been key to growing the business, even during a period of severe global economic uncertainty."

MORE INFORMATION ABOUT THIS CAN BE FOUND AT WWW.AVEVA.COM/PRODUCTS

ENGINEERING & DESIGN SYSTEMS (EDS) continued

We invested in additional headcount in EDS, particularly in the area of technical sales and product strategy. As AVEVA has expanded its design footprint by selling a broader solution to our customers, the requirement has evolved for a more specialist sales approach with an even greater depth of technical and domain expertise. Due to the fragmented nature of the acquired group of companies, the integration of Bocad into AVEVA took longer than normal and as a result the revenue was slightly behind our expectations for the year. The necessary restructuring to integrate Bocad was completed in April 2013 and this, combined with the upfront investment in sales during the year, has positioned us well to realise new growth opportunities in 2013/14.

ENTERPRISE SOLUTIONS (ES)

We set ourselves challenging revenue targets for the ES business at the beginning of the year. We also had the goal to further improve service delivery and manage costs of sale. We grew revenue by more than 30% and moved into profitability for the first time. Accelerating ES is key to our objective in positioning AVEVA as a strategic partner to our customers. The market opportunity continues to develop and we were particularly encouraged to see further inroads into the Oil & Gas Owner Operators including the largest Independent Oil Companies (IOCs). In addition we have seen growing sales of AVEVA NET to our traditional EPC customers as Owner Operators demand our technology for project execution and data handover and throughout the project lifecycle.

ORGANISATION AND PEOPLE

The quality of our people is a major determinant of AVEVA's continued innovation and success. This can be seen through the continual progression of our world-leading products, as well as our ability to deliver new solutions based upon our customers' needs. AVEVA invests in its workforce in multiple ways, with an extensive range of human resources development and training programmes, central induction and leadership development for future senior staff.

We have invested during the year in growing our headcount, particularly within Research and Development and Sales and Marketing. We also welcome the teams joining through Bocad, in Belgium and Germany, and Global Majic, in Huntsville, Alabama.

My thanks go to the AVEVA team for the efforts they have made to help us achieve our financial targets and position the Group for another phase of strong growth.

OUTLOOK

AVEVA's goal is to deliver sustainable, strong, long-term earnings growth. Our proven management team, technology leadership and global platform have been key to growing the business, even during a period of severe global economic uncertainty. During 2012/13 we built upon our market-leading position through delivering one of the most significant new products in the Company's history, AVEVA E3D, and further extending our product portfolio through Research and Development and selective acquisitions. As a result we are well placed to extend our leadership position through providing unrivalled engineering design and information management solutions to our global blue chip customer base.

We expect to see further growth in the Oil & Gas industry in coming years and a solid demand backdrop in Power, underpinned by nuclear new-build in China and India in particular.

The move to profitability within the ES division is an important milestone and we aim to build on this in 2013/14. We anticipate a return to growth in Latin America as project delays subside and the spending freeze unwinds. China and South East Asia are well positioned to deliver further good growth and we will continue to invest in growing our presence in the world's developing economies. Against this backdrop we view the outlook for 2013/14 with confidence.

RICHARD LONGDON
Chief Executive Officer
23 May 2013

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EDF – FRANCE

WORLD'S LEADING LOW-CARBON ENERGY COMPANY INCREASINGLY RELIES ON AVEVA TECHNOLOGY

Flamanville construction site. Image courtesy of EDF. © Copyright EDF – Alexis MORIN.

Electricité de France (EDF) is a global player in energy technology, whether for nuclear, hydro, wind or solar power, leading the drive toward carbon-free energy.

AVEVA'S ROLE

AVEVA Plant has played an integral part in EDF's design and construction activity since the 1980s. Recently EDF has added a number of AVEVA's schematic applications which allow effective management of the flow of engineering schematic data and 3D design between all participants throughout a project. With hundreds of engineers working concurrently across globally distributed projects, there could be many opportunities for errors and inconsistencies were it not for the robust control provided by AVEVA's software.

WORKING WITH EDF

"Now into the fourth decade of leadership using our 3D technology, EDF continues to extend the range of AVEVA applications deployed across their Engineering & Design teams. It is an example of how we are extending our traditional design footprint by providing an expanding suite of tightly integrated software that adds increasing value to our customers' business."

Dave Wheeldon
CTO and Head of Engineering & Design Systems

Bruno Pentori
Head of CAD Department, EDF

"Our AVEVA deployment provides many benefits. One of the most valuable is the ease of design reuse, which not only reduces project cost and timescales, but also eliminates a great deal of technical risk."

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Finance review

James Kidd | Chief Financial Officer

"AVEVA's high recurring revenues and profitability have enabled us to continue to grow the business and invest in innovation, while maintaining a strong balance sheet."

SUMMARY OF REVIEW

Our business model continued to drive recurring revenue with an increase of 11% to £153.2 million (2012 – £137.9 million) representing 70% (2012 – 70%) of total revenue

The adjusted profit margin was 32.1% compared to 31.8% for last year. Reported profit before tax was £63.6 million (2012 – £57.7 million)

The Board is declaring a final dividend of 19.5 pence per share (2012 – 17.0 pence per share), an increase of 15%. In addition, a special dividend of £1.46 is being proposed, subject to approval at the AGM

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

REVIEW

AVEVA continued to deliver a strong financial performance in 2012/13 across the business with total revenue increasing 12% in the year to £220.2 million, adjusted profit before tax up 13% to £70.7 million and operating cash inflows of £40.8 million resulting in the year-end cash balance being just over £190 million.

REVENUE

AVEVA's revenue increased 12% in the year to £220.2 million (2012 – £195.9 million). Our business model continued to drive recurring revenue with an increase of 11% to £153.2 million (2012 – £137.9 million) representing 70% (2012 – 70%) of total revenue.

Foreign currency exchange rates had a negative impact on revenue in the year of £3.8 million, mainly due to the weakening of Euro against Sterling. After adjusting for this, the constant currency growth rate was 14% (2012 – 13%).

Revenue from the acquisition of Bocad contributed £5.1 million in the ten-month period since the acquisition, with £2.7 million from annual fees, £1.7 million from initial licence fees, £0.1 million from rental licence fees and £0.7 million in services.

Underlying revenue growth after adjusting for the Bocad acquisition and currency effects was 12% (2012 – 12%).

During the year, EMEA revenue grew by 15% (2012 – 21%), Asia Pacific grew by 14% (2012 – down 3%) and Americas 3% (2012 – 24%).

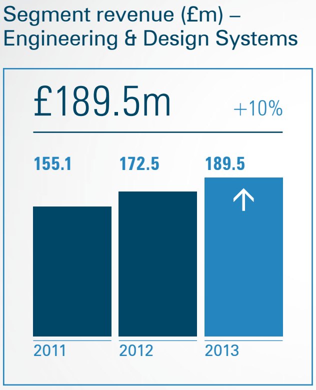
Total revenue from end user markets remained in line with previous periods with Oil & Gas accounting for approximately 45–50%, Marine 20–25%, Power 15% and Other, consisting of Mining, Petrochemical, Chemical and Paper and Pulp, 10–20%.

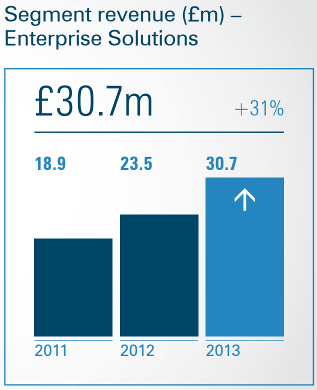
ENGINEERING & DESIGN SYSTEMS (EDS)

Revenue was £189.5 million, up 10% on the previous year. Excluding the contribution in the period from the acquisition of Bocad, the underlying constant currency growth rate was 9% (2012 – 10%). We continued to see good licence growth with rental licences up 7% and initial licence fees up 9% over the previous year. Growth in rental licences was impacted by the delays in project

"Revenue from end user markets remained in line with previous periods with Oil & Gas accounting for approximately 45–50%, Marine 20–25%, Power 15% and Other, consisting of Mining, Petrochemical, Chemical and Paper and Pulp, 10–20%."

IN FIGURES





awards to Engineering, Procurement and Construction customers (EPCs) in Brazil and the timing of rental renewals. This was offset by continued expansion within the large engineering contractors and customers in Europe and North America. In Asia Pacific we did see an increase in rental licences within India and South East Asia. Initial licences growth was driven by growth in Oil & Gas and Power in Asia but offset by weaker conditions generally in Marine and particularly in China.

EDS costs increased by 16% to £45.4 million (2012 – £39.0 million). This included £3.2 million from the acquisition of Bocad, without which the increase would have been 8%. This increase was due to the development and launch of the new products, AVEVA Everything3D™ (AVEVA E3D) and AVEVA Electrical, and further investment in sales technical resources in our sales areas to support selling our specialist products within the Schematics portfolio. In addition, we continued to invest in developing our existing products and in product strategy and marketing to help launch our products with improved marketing campaigns, training and collateral.

EDS had a segment contribution of £144.1 million (2012 – £133.4 million), up 8% on the previous year and representing a contribution margin of 76% (2012 – 77%).

ENTERPRISE SOLUTIONS (ES)

We saw a strong performance in the second half of the year resulting in annual growth of 31%, which delivered revenue of £30.7 million for the year (2012 – £23.5 million). At the start of the year we invested in a dedicated team focused on selling both EDS and ES solutions to the Owner Operators and independent oil companies. It is pleasing that this has delivered positive benefits during the year with progress made with many of the oil super majors and Owner Operators such as Lundin Norway AS. We have also continued to make progress with the EPCs, with AVEVA NET being deployed across many projects as the preferred tool to assist with project execution and data handover.

We also monitor revenue backlog, which we define to include all contracted ES revenue (including software licences and services) that has not yet been recognised but which is expected to be recognised in the next twelve months. Revenue backlog also includes twelve months of annual fees. The backlog in ES at 31 March 2013 was £14.7 million, up 16% from £12.7 million at 31 March 2012.

ES costs were £28.7 million compared to £27.9 million in the prior year, an increase of 3%. At the start of the financial year there was a lot of focus put on the ES cost base both in terms of business capture and on improving the efficiency of service delivery. This was achieved by careful cost control and expanding our existing Indian Research and Development team and establishing a service and support team in Hyderabad to assist with service delivery globally.

ES delivered a segment contribution of £2.0 million compared to a segment loss of £4.4 million in the previous year, which reflects the strong organic revenue growth and careful cost management during 2012/13.

SHARED OPERATING COSTS

Shared selling and distribution expenses increased by 18% to £55.0 million (2012 – £46.7 million). The increase is due to the investment in India, China and Latin America in sales resources to expand our business in these fast developing geographies, the establishment of a dedicated team focused on the Owner Operators and the sales and support organisation inherited from Bocad. The increase was also partly due to the bad debt provision in China of approximately £2.0 million, which is explained in the balance sheet section.

Other shared operating expenses increased by 2% to £21.7 million (2012 – £21.3 million).

HEADCOUNT

Total headcount at 31 March 2013 was 1,317 (2012 – 1,055), a net increase of 262 from the previous year which includes 97 employees acquired through the Bocad and Global Majic acquisitions. The average headcount during the year was 1,238 (2012 –1,053) with 407 (2012 – 347) in Research and Development and product support, 597 (2012 – 515) in sales, marketing and customer support and 234 (2012 – 191) in administration.

The staff costs for the year were £92.8 million (2012 – £81.8 million), an increase of 13% due to the increased headcount, annual salary increases and higher bonus and commission payments.

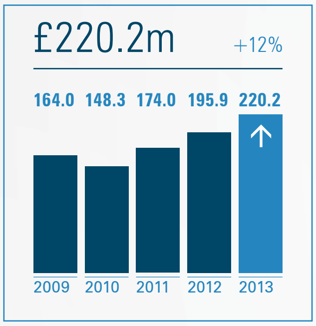
Finance review

Continued

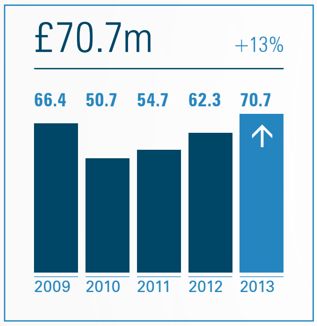
"The adjusted profit margin was 32.1% compared to 31.8% for last year."

IN FIGURES

Revenue
(£m)



Adjusted* profit before tax
(£m)



PROFIT BEFORE TAX AND MARGINS

The adjusted profit before tax (as disclosed and defined within the income statement) for the year was £70.7 million (2012 – £62.3 million), an increase of 13%, which consisted of £71.1 million from the organic business and an adjusted loss of £0.4 million from Bocad. Reported profit before tax was £63.6 million (2012 – £57.7 million).

The adjusted profit margin was 32.1% compared to 31.8% for last year. Reported profit margin was 28.9% (2012 – 29.5%).

TAXATION

The Group's effective tax rate for the year was 28.5% (2012 – 30.8%) which is higher than the underlying UK tax rate of 24% because of profits earned in higher tax jurisdictions as well as non-deductible expenses.

The UK government has substantively enacted a 1% reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013. It has further proposed reducing the UK rate by a further 2% to 21% from 1 April 2014 and a further 1% to 20% from 1 April 2015. These changes have no material impact on the tax charge in 2012/13 but the Group expects to benefit from these reductions in future periods as future UK profits are earned and subject to the lower rates of corporation tax.

EARNINGS PER SHARE AND FINAL DIVIDEND

Basic earnings per share were 67.0 pence (2012 – 58.9 pence), an increase of 14%, and diluted earnings per share were 66.8 pence (2012 – 58.7 pence). Adjusted basic earnings per share were 74.9 pence (diluted adjusted basic earnings per share 74.7 pence), an increase of 17% over the same period in 2011/12 (2012 – adjusted basic earnings per share 63.8 pence, adjusted diluted earnings per share 63.7 pence).

The Board is declaring a final dividend of 19.5 pence per share (2012 – 17.0 pence per share), an increase of 15%. The dividend will be payable on 26 July 2013 to shareholders on the register on 21 June 2013.

RETURN OF CAPITAL

The Board is proposing to return £100 million to shareholders in the form of a special dividend. The Board is also recommending that the special dividend is accompanied by a share consolidation in order to maintain, as far as possible, the comparability of the share price before and after the special dividend. The special dividend and share consolidation will be subject to shareholder approval at the Annual General Meeting on 9 July 2013.

BALANCE SHEET AND CASH FLOWS

AVEVA continues to maintain a strong balance sheet supported by net assets at 31 March 2013 of £251.6 million (2012 – £221.5 million).

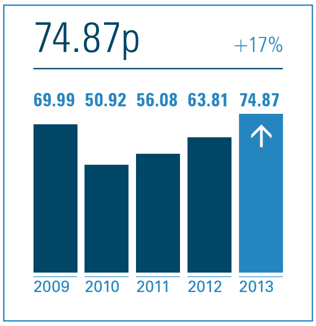
In May 2012, we completed the acquisition of Bocad for consideration of £14.0 million on a debt-free/cash-free basis. The acquisition resulted in additions of developed technology and customer relationships of £7.0 million and £0.4 million respectively. In addition, goodwill of £8.1 million arose on the acquisition. In December 2012, we acquired the developed technology and staff from Global Majic Software Inc for cash consideration of £1.0 million.

Gross trade receivables at 31 March 2013 were £78.8 million (2012 – £67.1 million). We have increased the bad debt provision to £4.8 million (2012 – £3.4 million) to cover the risk of non-payment of certain debts. We experienced delays in payment of debts from some Chinese customers during the course of the year which, as noted above, has triggered a net bad debt provision charge of approximately £2.0 million, of which £1.0 million was incurred in the first half. We consider that this exposure has been fully provided for.

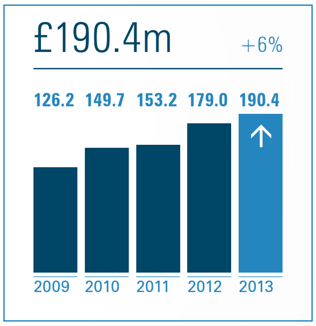
Deferred revenue increased by 9% to £36.6 million at 31 March 2013 compared to £33.5 million in the prior year, reflecting the continued growth in rental and annual licences.

Net cash (including treasury deposits) at 31 March 2013 was £190.4 million, an increase of £11.4 million from 31 March 2012. During the year we have paid £12.5 million for the acquisition of Bocad and Global Majic, £14.6 million for dividends (2012 – £12.8 million) and corporate tax payments of £19.6 million

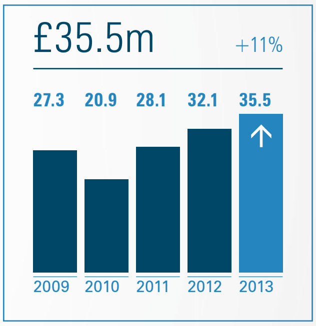
Adjusted* basic earnings per share (p)



Net cash and deposits (£m)



Research and Development expenditure (£m)



Average monthly number of employees

(2012 – £16.9 million). Total cash and treasury deposits held in the UK represented 80% of the total balance held (2012 – 79%). The Group continues to have no debt.

Non-current liabilities include retirement benefit obligations of £17.0 million (2012 – £9.9 million) which relate to defined benefit pension obligations in the UK and Germany and the South Korean severance pay provision. The UK defined benefit pension liability increased from £7.8 million to £13.2 million is due mostly to a decline in the discount rate applied to the scheme liabilities. In addition, as part of the acquisition of Bocad, we inherited certain defined benefit pension liabilities in Germany.

Cash generated from operating activities before tax was £40.8 million compared to £47.8 million last year which is due to higher tax payments during the course of the year and timing of working capital. Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 97% compared to 115% in the previous period. This mainly reflects timing differences in working capital.

CAPITAL STRUCTURE

The issued share capital at 31 March 2013 was 68.1 million (2012 – 68.0 million) ordinary shares of 3.33 pence each. During the year the AVEVA Group Employee Benefit Trust 2008 purchased 36,345 ordinary shares in the Company in the open market at an average price of £16.90 per share for total consideration of £615,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2012, the Trust owned 81,420 ordinary shares in the Company.

TREASURY POLICY

The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board. These policies are designed to reduce the financial risk arising from the Group’s normal trading activities, which primarily relate to credit, interest, liquidity and currency risk. The Group is, and expects to continue to be, cash positive and currently holds net deposits. The treasury policy includes strict counter-party limits.

INVESTOR COMMUNICATIONS CALENDAR

In 2013/14, the Group plans to provide updates to investors as follows:

July 2013	→ Interim Management Statement
November 2013	→ Interim results for the six months ended 30 September 2013
January 2014	→ Interim Management Statement
May 2014	→ Preliminary results for the year ended 31 March 2014

JAMES KIDD
Chief Financial Officer
23 May 2013

Key performance indicators

The Group's key financial and non-financial performance indicators for the year ended 31 March 2013 are summarised below.

KEY PERFORMANCE INDICATORS 2012/13

KPI and definition	2012/13 Achievement	Comment
REVENUE (£m) The total revenue that the Group has recognised in respect of both software and services delivered to customers during the year.	£220.2m ↑ 12% 2011/12: £195.9m	*Another year of strong growth driven by strong activity in the Oil & Gas end user market driving high activity amongst our EPC customers.*
RECURRING REVENUE (£m) The total of revenue from annual fees and rental fees, which the Group feels is highly probable to recur.	£153.2m ↑ 11% 2011/12: £137.9m	*Strong increase year on year in recurring revenue. Annual fees increased 14% despite adverse foreign currency exchange rate movements.*
ENGINEERING & DESIGN SYSTEMS REVENUE (£m) The total revenue recognised during the year by the EDS line of business.	£189.5m ↑ 10% 2011/12: £172.5m	*Double-digit growth in AVEVA's largest line of business despite adverse foreign currency exchange rate movements.*
ENTERPRISE SOLUTIONS REVENUE (£m) The total revenue recognised during the year by the ES line of business.	£30.7m ↑ 31% 2011/12: £23.5m	*This demonstrates the Group's success in growing this strategically important line of business.*
ENGINEERING & DESIGN SYSTEMS CONTRIBUTION (£m) The contribution to Group profit made by the EDS line of business before any allocation of shared costs.	£144.1m ↑ 8% 2011/12: £133.4m	*Another year of strong growth in revenue. The contribution margin % has slightly reduced following the first year impact of the Bocad acquisition.*
ENTERPRISE SOLUTIONS CONTRIBUTION (£m) The contribution to Group profit made by the ES line of business before any allocation of shared costs.	£2.0m ↑ 2011/12: £(4.4)m	*This demonstrates the Group's success in growing this strategically important line of business.*
RESEARCH AND DEVELOPMENT EXPENSES (£m) The amount the Group has invested in future technologies and the continuing development of existing products.	£35.5m ↑ 11% 2011/12: £32.1m	*Continuing investments in new technologies. Includes the impact of two strategically important technology acquisitions in Bocad and Global Majic.*

KPI and definition	2012/13 Achievement		Comment
ADJUSTED* PROFIT BEFORE TAX (£m) The profit that the Group has recorded for the year before tax. This adjusted measure of profit is considered by the Board to provide a reliable and more consistent measure of the Group's underlying performance.	£70.7m 2011/12: £62.3m	↑ 13%	*Following a 14% increase last year, in 2012/13 profit increased again by 13%.*
ADJUSTED* PROFIT BEFORE TAX MARGIN (%) The profit that the Group has recorded for the year before tax as a percentage of total Group revenue.	32.1% 2011/12: 31.8%	↑ 1.0%	*As revenue and profits grow, the Group is benefiting from improving profit margins.*
EFFECTIVE TAX RATE (%) The proportion of profit paid in tax.	28.5% 2011/12: 30.8%	↓ -7%	*The rate at which the Group has paid tax has declined in line with the reduction in the UK rate of Corporation Tax.*
ADJUSTED* BASIC EPS (p) The value earned for shareholders during the year on a per share basis.	74.87p 2011/12: 63.81p	↑ 17%	*AVEVA continues to deliver very strong shareholder returns.*
DIVIDEND PER SHARE (p) The total of dividends declared during the year.	24.0p 2011/12: 21.0p	↑ 14%	*Dividend per share increased in line with growth in adjusted* profit.*
CASH GENERATED FROM OPERATING ACTIVITES (£m) The cash that the Group has generated before consideration of investment activities and before financing activities.	£40.8m 2011/12: £47.8m	↓ -15%	*The Group continues to generate significant cash inflows.*
CASH CONVERSION (%) Measured by cash generated from operating activities before tax as a percentage of profit from operations.	97% 2011/12: 115%	↓ -16%	*Strong conversion of profit into cash. 2011/12 was unusually high due to movement in working capital balances.*
ENTERPRISE SOLUTIONS REVENUE BACKLOG (£m) Contracted Enterprise Solutions revenue that has not yet been recognised but which is expected to be recognised in the next 12 months. Also includes 12 months of annual fees.	£14.7m 2011/12: £12.7m	↑ 16%	*The increase in ES revenue and backlog demonstrates the increasing traction with customers.*

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

Risks and uncertainties

As with any organisation there are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance. The principal risks and uncertainties faced by the Group are as follows:

Key: Risk change from previous year

RISK DECREASE | RISK UNCHANGED | RISK INCREASE

01 STRATEGIC AND MARKET RISKS

Risk	Risk change	Mitigation
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. World economic conditions or funding constraints for new capital projects may adversely affect our financial performance.	Risk unchanged	*AVEVA already has a broad spread across existing and new market segments. It is central to our strategy to diversify our customer offerings into Enterprise Solutions and Plant operations. This will help secure a longer term income stream that extends beyond the design/build phase of these capital projects. In addition, our expanding global presence provides some mitigation from over-reliance on key geographic markets.*
COMPETITION AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. 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. A further threat is posed by the entrance, into AVEVA's markets, of a much larger technology competitor.	Risk unchanged	*We carefully monitor customers and other suppliers operating within our chosen markets. We stay close to our customers and ensure we have a strong understanding of their needs and their expectations from the AVEVA product development roadmap.* *During FY13 we launched AVEVA E3D and our vision for the future of plant design. This together with a number of other new products will help cement our relationships with our customers and reinforce barriers to competition.*
ENTERPRISE SOLUTIONS The development of the Group's Enterprise Solutions business represents a significant opportunity for the Group. This is a relatively new market with different characteristics compared to our traditional Engineering and Design business. This brings different challenges and opportunities for the Group which we believe we are well positioned to manage and exploit. However, there remains a risk that our investment in this area does not produce the financial returns as quickly as expected.	Risk decrease	*We have managed our investment into Enterprise Solutions carefully: employing experienced industry professionals; building commercial partnerships with third party systems integrators; and carefully selecting our target markets and customers. In FY13, Enterprise Solutions financial results improved and this line of business recorded a positive contribution for the first time.*
IDENTIFICATION AND SUCCESSFUL INTEGRATION OF ACQUISITIONS During the year, the Group successfully completed two acquisitions and expects to continue to review acquisition targets as part of its strategy. The integration of acquisitions involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition and successful integration of the acquired intellectual property.	Risk unchanged	*While each acquisition and integration is unique, AVEVA now has an experienced team to appraise and complete acquisitions. The Group's experience of previous 'bolt-on' acquisitions provides a good understanding of potential integration risks and as a result we feel well placed to manage these risks successfully.*

02 OPERATIONAL RISKS

Risk	Mitigation
PROTECTION OF INTELLECTUAL PROPERTY The Group's success has been built upon the development of its substantial intellectual property rights and the future growth of the business requires the continual protection of these tools.	*The protection of the Group's proprietary software products is achieved by licensing rights to use the application, rather than selling or licensing the computer source code. The Group uses third party technology to encrypt, protect and restrict access to its products. Access limitations and rights are also defined within the terms of the software licence agreement. The Group seeks to ensure that its intellectual property rights are appropriately protected by law and seeks to vigorously assert its proprietary rights wherever possible.*
RESEARCH AND DEVELOPMENT The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products and must effectively appraise its investment decisions and ensure that we continue to provide class-leading solutions that meet the needs of our markets. Our software products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers.	*AVEVA continually reviews the alignment of the activities of its Research and Development teams to ensure that they remain focused on areas that will eet the demands of customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. Products are extensively tested prior to commercial launch.*
INTERNATIONAL OPERATIONS The Group now operates in over 40 countries globally and must determine how best to utilise its resources across these diverse markets. Where necessary the business must adapt its market approach to best capitalise on local market opportunities, particularly in the strategically key growth economies. In addition, the Group is required to comply with the local laws, regulations and tax legislation in each of these jurisdictions. Significant changes in these laws and regulations or failure to comply with them could lead to additional liabilities and penalties.	*The Group manages its overseas operations by employing locally qualified personnel who are able to provide expertise in the appropriate language and an understanding of local culture, custom and practice. Local management are supported by local professional advisers and further oversight is maintained from the Group's corporate legal and finance functions.*
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 in their work and there are regular appraisals, with staff encouraged to develop their skills.* *Annually there is a Group-wide salary review that rewards strong performance and ensures salaries remain competitive.* *Commission and bonus schemes help to ensure individual success is appropriately rewarded.*

03 FINANCIAL RISKS

Risk	Mitigation
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 the 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. In recent months, world currencies have become more volatile.*

Corporate responsibility

As a global organisation, we strive to be socially responsible and to operate with the highest ethical standards. We look to achieve these objectives through the cultivation of positive, long-term working relationships with our colleagues, partners and communities across all areas of our business.

OUR CSR FRAMEWORK FOR THE FUTURE

Last year's annual report segmented our CSR activities into four distinct areas: External Stakeholders, Internal Stakeholders, the Environment and our Community. Over the last year this format has provided a framework for how we have developed our corporate responsibility practices. As we move into the next fiscal year it will remain pivotal in how we engage with our colleagues and external stakeholders.

Reporting on each of the four areas, this section of the report emphasises our continued efforts to operate ethically and responsibly in all areas of the business and community.

EXTERNAL STAKEHOLDERS

Maintaining our dedication to be honest and fair in our relationships with our customers and suppliers is fundamental to how we build trusted relationships and increase our reputation as an organisation with high ethical practices.

We have a clear corporate policy against accepting payment or bribes. We are 100% committed to conducting our business with honesty and integrity. We expect all staff, suppliers and customers to share these high standards of ethical behaviour and foster a culture of openness and accountability.

Our anti-piracy and compliance team have made further steps to protect our software and our customer's interest by continuing to seek out illegal use of AVEVA software, and enforcing compliance of our terms and conditions.

Dedicated to meeting our customer's needs, we continue to develop the skills within our Training and Product Support teams to provide a high level of customer service to our customers and ensure they are using their AVEVA products to maximum benefit.

2013/14 CSR MISSION STATEMENT

Our mission for the coming financial year is to develop our CSR practices further by providing a global structure to our activities. This will include:

- **Engaging globally with colleagues on all aspects of CSR**
- **Introduce a global strategy and purpose to our CSR activity**
- **Creating a central location for colleagues to access information on CSR**
- **Sharing local CSR practices globally**
- **Continual Progression with our CSR practices**

Following the CSR review that took place over the last year, it was recommended that we increase the visibility of the practices supporting our activities in this field. As a result, we have moved the CSR web page on our external website and internal portal to a location of greater prominence and updated our policies and procedures.

INTERNAL STAKEHOLDERS

We now have over 1,300 colleagues globally, an increase of nearly 300 people since last year's reporting. This number has increased through organic growth and by two corporate acquisitions. Despite this significant growth, we continue to maintain our focus on our internal stakeholders, our people.

Our processes to recruit, retain, educate and motivate staff are proving to be a continued success with high retention rates and development programme participation.

In June 2012 AVEVA celebrated its 45th anniversary. We attribute reaching this milestone to the talent and success of our people and celebrated this achievement with the entire AVEVA team throughout each of our 48 offices.

Communication

The introduction of the AVEVA Internal Communications team was announced in last year's annual report and they have created a multi-phase communication plan that has already delivered major improvements in the effectiveness of our communication programmes.

The biggest area for focus this year is the development of our new intranet, named 'OneSpace'. The name was selected through an internal competition inviting colleagues to submit their proposals. The OneSpace name represents all of our information that colleagues will ever need in one place, in OneSpace.

OneSpace has allowed us to become much more interactive in how we communicate with our colleagues, with capabilities that enable the Communication team to share news items in a timelier manner. OneSpace has also provided an opportunity to become much more social through functions such as an executive blog and integration with our twitter and flickr accounts.

Development

Our four major development programmes continue to attract prospective and current employees:

- The 2013 graduate recruitment campaign saw over 500 applicants apply.
- The 'Grads & Stars' development programme, which opened the graduate personal development scheme to existing colleagues had a record number of 'Stars' join this year.
- Due to the success of AVEVA's management development programme, some of the modules are now being offered as independent 'workshop' development sessions.
- Into its second year, the Advanced Leadership Programme is proving to be a success with the identification of future AVEVA leaders.

The Job Level structure introduced in 2011 is now fully embedded into our internal processes and is enhancing our performance management process by comparing individual and organisational training needs against career development opportunities.

Benefits

We continue to be competitive with our benefits package and have a stringent process to review each individual's financial rewards through a global annual review. In January 2013, we launched our global Recognition Programme, which supports our financial reward practices by encouraging a culture of both informal and formal recognition. Through this programme colleagues are encouraged to give feedback, thanks and congratulations on a job well done to anyone within that organisation that they choose.

Wellness

Our dedication to employee wellbeing was covered under the benefits section last year. This year, however, we feel the steps we have made in this field warrant a section to showcase our wellness initiatives. The introduction of wellness programmes has extended to more offices where we offer activities such as meditation, health checks and free fruit to all employees. In May 2012 we invested in the Global Corporate Challenge, a health and well-being initiative which encourages colleagues to form teams and get active! AVEVA had 343 colleagues take part in the 16 week fitness challenge. As an organisation we did fantastically well and were recognised as the Top Science and Technology organisation across the globe, by collectively covering over 176,000 miles.

ENVIRONMENT

With no manufacturing facilities, AVEVA is classed as a 'low impact' environmental organisation, with the majority of software delivered electronically to our customers.

As a global organisation operating in over 40 offices, we faced the challenge of reducing our travel and impact on the environment. We are tackling this by defining a travel target reduction goal each year and creating strategies to achieve this target. Our investment in video conferencing over the last year has also enabled us to make a positive reduction in the amount of international and domestic travel, and we intend to make further steps in this area by providing this technology to more of our offices.

COMMUNITY

We are committed to the development of our global and local communities, and continually extend our involvement in educational partnerships and charitable giving.

Education partnerships

The AVEVA Academic Initiative is a strategic investment that provides benefits to AVEVA, Universities, and the broader engineering discipline.

CHARITABLE GIVING AT BYTE NIGHT

In October 2012, AVEVA entered into Byte Night, an IT industry charity event raising money for Action for Children.

With a target of £500 per person, the team of ten worked hard to raise money for this cause through activities such as a silent auction and a charity quiz. AVEVA colleagues were highly supportive of this fundraising event, with people offering their time and skills for auction. The team did fantastically and raised £7,107, 142% of the target.

The three key objectives for the AVEVA Academic Initiative are:

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

This year we have also increased our involvement with Young Enterprise which is a business and enterprise educational charity. AVEVA's involvement consists of colleagues volunteering to be Business Advisors or Coaches to students studying for a range of qualifications, providing insight into the commercial world for these young people.

Charitable giving

We continue to sponsor a range of charities, with AVEVA donating over £50,000 in charitable contributions last year, including making considerable donations to the Outward Bound Trust and Macmillan Cancer Support.

Our colleagues continue to inspire AVEVA with their individual and team commitment to events such as the Cambridge Dragon Boat Festival and Chariots of Fire supporting East Anglia Children's Hospice as was as charitable activities around the world.

In October 2012, AVEVA entered into Byte Night, an IT Industry charity event raising money for Action for Children. For this event AVEVA had a team of 10 colleagues who slept out for the night, and through an incredible range of fundraising activities raised over £7,000.

This event, also encouraged the creation of our AVEVA Just Giving web page, and in 2013, we were recognised by justgiving.com as one of the top mid-sized companies for fundraising.

Corporate governance statement

Philip Aiken | Chairman

AVEVA is committed to the principles contained in the UK Corporate Governance Code. We aim to follow current best practice guidance wherever possible and each year we try to report as fully and transparently as possible on our methods of governance and our compliance with the Code.

INTRODUCTION

I am pleased to introduce the 2013 Corporate Governance statement. The Company is committed to the principles of Corporate Governance contained in the UK Corporate Governance Code provided by the Financial Reporting Council and for which the Board is accountable to shareholders. The Company has complied with the provisions of the UK Corporate Governance Code throughout the year and to the date of this report.

Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Remuneration Committee report on pages 40 to 49.

BOARD MEETING ATTENDANCE

	No. of meetings
MEETINGS HELD	9
MEETINGS ATTENDED	
PHILIP AIKEN (100% after appointment)	7
NICK PREST (100% up to retirement)	2
JONATHAN BROOKS	9
PHILIP DAYER	9
HERVÉ COUTURIER	8
RICHARD LONGDON	9
JAMES KIDD	9

COMPOSITION OF THE BOARD

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

As announced in April 2012, Nick Prest indicated that he wished to step down from the Board at the July 2012 AGM. Philip Aiken, who was appointed to the Board in May 2012, succeeded Nick Prest as Chairman following his appointment at the July 2012 AGM.

Further details of the process for the appointment of Mr Aiken are contained in the Nominations Committee report on page 36.

Brief biographical details of all Board members are set out on pages 32 and 33. The membership of all Board Committees is set out on pages 36 and 37.

OPERATION OF THE BOARD

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

- The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Limited, the main operating company in the Group which owns all the Group's trading subsidiaries. The AVEVA Solutions Limited Board includes as members the CTO and Head of Engineering & Design Systems and the COO and Head of Enterprise Solutions as well as all the members of the Group Board. This ensures that the AVEVA Group Board is well informed on technical and market factors driving the Group's performance as well as on financial outcomes.
- The Board met nine times during the year. These meetings, together with any Committee meetings, are generally held at the Group's Head Office in Cambridge or in London.
- The Board aims that once per year a Board meeting will be held outside the UK at one of the Group's overseas offices. During 2012/13, the October Board meeting was held in Paris, France.
- In addition, the Board holds a full day strategy meeting every year which is generally held at an off-site location at which Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- The Board delegates the day to day responsibility for managing the Group to the Executive Directors.

GROUP STRUCTURE 2012/13

THE BOARD

EXECUTIVE DIRECTORS
Richard Longdon
James Kidd

NON-EXECUTIVE DIRECTORS
Philip Aiken (Chairman)
Jonathan Brooks
Philip Dayer
Hervé Couturier

COMPANY SECRETARY
Helen Barrett-Hague

EXECUTIVE MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER
Richard Longdon

CHIEF FINANCIAL OFFICER
James Kidd

COO AND HEAD OF ENTERPRISE SOLUTIONS
Derek Middlemas

CTO AND HEAD OF ENGINEERING & DESIGN SYSTEMS
Dave Wheeldon

EXECUTIVE VICE PRESIDENT – GLOBAL SALES
Hans Van Der Drift

EXECUTIVE VICE PRESIDENT – BUSINESS STRATEGY
Mat Truche-Gordon

EXECUTIVE VICE PRESIDENT – HUMAN RESOURCES
Hilary Wright

- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each Executive are distributed to the Board on a monthly basis.
- Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.
- The Chairman ensures that the Directors take independent professional advice, at the Group's expense, where they judge it necessary to discharge their responsibilities as Directors. All members of the Board have access to the advice of the Company Secretary.
- Non-Executive Directors and Executive Directors are encouraged annually to undertake training in furtherance of their specific roles and general duties as a Director.

The attendance of individual Directors at Board meetings during the year is set out in the table on page 30.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS AND SEGREGATION OF DUTIES

The Board has considered the independence of the Chairman and the Non-Executive Directors and believes that all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement. Their biographies on pages 32 and 33 demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

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

MATTERS RESERVED FOR THE BOARD

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

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

Corporate governance statement

Continued

BOARD OF DIRECTORS

During the year the Board comprised the Chairman, three Non-Executive Directors (including the Senior Independent Director) and two Executive Directors (being the Chief Executive and Chief Financial Officer). As announced in April 2012, Nick Prest indicated that he wished to step down from the Board at the July 2012 AGM. Philip Aiken, who was appointed to the Board in May 2012, succeeded Nick Prest as Chairman following his appointment at the July 2012 AGM.

A CHAIRMAN AND EXECUTIVE DIRECTORS

Philip Aiken | Chairman

(appointed 1 May 2012)

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

Richard Longdon | Chief Executive

(appointed 16 August 1994)

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

James Kidd | Chief Financial Officer

(appointed 1 January 2011)

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

BALANCE OF EXECUTIVE AND NON-EXECUTIVE

LENGTH OF TENURE

B NON-EXECUTIVE DIRECTORS

Jonathan Brooks | Non-Executive Director

(appointed 12 July 2007)

Jonathan Brooks joined AVEVA in July 2007 and currently holds a number of directorships with technology based companies. He is Chairman of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub-systems and network technology, and is a Non-Executive Director and Chair of the Audit Committee of IP Group PLC, which commercialises intellectual property from leading UK universities. Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings Plc where he was a key member of the team that developed ARM Holdings to be a leader in its sector.

Philip Dayer | Non-Executive Director

(appointed 7 January 2008)

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

Hervé Couturier | Non-Executive Director

(appointed 1 April 2010)

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

Corporate governance statement

Continued

RISK MANAGEMENT

THE BOARD

- Sets strategic objectives
- Approves risk governance structure and sets a strategy for acceptable levels of risk
- Approves delegation of authority
- Reviews Group Risk Register
- Approves annual budget process including key investment decisions
- Approves all M&A activity

BUSINESS AREAS

- Management responsible for identification, monitoring and reporting of risks
- Quarterly reporting of KPIs relevant to strategic objectives
- Monthly reporting of financial results data and KPIs
- Implementation of risk mitigation plans

AUDIT COMMITTEE

- Review and challenges Group Risk Register
- Receives and reviews reports from external auditors
- Sets direction for internal audit reviews and receives output reports

INDEPENDENT ASSURANCE

- External audit
- Internal audit reviews
- Quality standards audit
- Insurer and property risk surveys

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The key elements of the system of internal controls currently include:

- each member of the Executive Board has responsibility for specific aspects of the Group’s operations. They meet on a regular basis and are responsible for the operational strategy, reviewing operating results, identification and mitigation of risks and communication and application of the Group’s policies and procedures. Where appropriate, matters are reported to the Board;
- regular reports to the Board from the Executive Board on key developments, financial performance and operational issues in the business;
- operational and financial controls and procedures which include authorisation limits for expenditure, sales contracts and capital expenditure, signing authorities, IT application controls, organisation structure, Group policies, segregation of duties and reviews by management;
- an annual budget process which is reviewed, monitored and approved by the Board;
- regular meetings between the Executive Board, sales area managers and Lines of Business 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;
- targeted internal audit reviews which focus on confirming the operation of controls in key process areas; and
- maintenance of insurance cover to insure all major risk areas of the Group based on the scale of the risk and availability of the cover in the external market.

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

The Board has also performed a specific assessment for the purpose of this annual report. This involved reviewing a risk matrix for the Group that was prepared during a risk assessment workshop involving the Executive Board and senior members of management from Lines of Business, Sales and Finance/Legal. This assessment considered all significant aspects of internal control necessary for the Company to successfully carry out the key business strategies of the Group together with more generic inherent risks of the Group’s operations. The Audit Committee assists the Board in discharging its review responsibilities.

PERFORMANCE EVALUATION

Performance evaluation of the Board, its committees and individual directors takes place on an annual basis. This year the evaluation was led by the Chairman facilitated by a questionnaire which was completed by each director. Among other things, the questionnaire asked directors for their views on:

- Board structure (including the mix of skills, experience, independence, knowledge, understanding and diversity of the Board);
- Board procedure (including frequency of meetings, content of board papers, coverage of issues and topics and conduct of meetings);
- the appropriateness of the Company's internal controls;
- the visibility and effectiveness of its risk management processes; and
- how well the Board operates and its effectiveness.

Directors were also asked to comment on the individual performance of their peers.

At the March 2013 meeting, the Chairman led a group discussion regarding the effectiveness of the Board. Following the meeting, he held one-to-one interviews with each director regarding their individual performance. The effectiveness of the committees was discussed in separate meetings of each committee.

Overall, the Board concluded that the performance of its directors was effective and that it provides the effective leadership and control required for a listed company. The evaluations found the Board committees were working well with the effectiveness of almost all of the processes undertaken by the committee being rated above average or fully satisfactory.

As a result of recommendations made in this year's Board performance evaluation:

- the frequency of Board meetings will be reduced but each meeting will last longer as the Board will continue to cover each issue in as much depth;
- a greater number of representatives from the different business divisions will be invited to present to the Board; and
- the Board will increase its interaction with each other outside of the formal Board meeting.

The Board will continue to review its procedures, its effectiveness and development in the financial year ahead and in compliance with the UK Corporate Governance Code the committee intends to appoint an external facilitator to assist with its next performance evaluation.

INDEMNITIES TO DIRECTORS

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

POLICY ON APPOINTMENT AND REAPPOINTMENT

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation and also following their appointment. In addition, as in the prior year and in accordance with Corporate Governance best practice, all of the remaining Board members are offering themselves for re-election at the Annual General Meeting.

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

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

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

Communication with shareholders is given high priority by the Board. The Chief Executive, the Chief Financial Officer and a newly recruited Head of Investor Relations 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. A capital markets day was also held in September 2012 to present the strategy and future product roadmap of the Group. Senior managers from Product Development, Business Strategy and Finance also attended analyst and shareholder meetings during the year. All of these meetings seek to build a mutual understanding of objectives with major shareholders by discussing long-term strategy and obtaining feedback. The Board also receives formal feedback from analysts and institutional shareholders through the Company's public relations adviser and financial advisers. The Board is 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. In addition, during 2012, the Group consulted with shareholders in respect of proposals for the remuneration of Executive Directors. The Senior Independent Non-Executive Director, Philip Dayer, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Chief Financial Officer has failed to resolve or if such contact would be inappropriate. The Chairman, Senior Independent and Non-Executive Directors are available for dialogue with shareholders at any time and attend (together with the other members of the Board) the Annual General Meeting, but are not routinely involved in investor relations or shareholder communications. Corporate information is also available on the Company's website, www.aveva.com.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

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

SHARE CAPITAL STRUCTURE

Further information on the share capital structure of the Company is contained on pages 50 and 51.

Corporate governance statement
Continued

COMMITTEES OF THE BOARD

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

01 AUDIT COMMITTEE

	No. of meetings
MEETINGS HELD IN 2012/13	4
MEMBERSHIP AND ATTENDANCE	
COMMITTEE CHAIRMAN: JONATHAN BROOKS	4
COMMITTEE MEMBERS: PHILIP DAYER	4
HERVÉ COUTURIER	4

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

The Audit Committee report on pages 38 and 39 sets out in more detail the Audit Committee's policies, practices and areas of focus.

READ MORE: FOR THE FULL AUDIT COMMITTEE REPORT **SEE PAGE 38**

02 NOMINATIONS COMMITTEE

	No. of meetings
MEETINGS HELD IN 2012/13	—
MEMBERSHIP	
COMMITTEE CHAIRMAN: PHILIP AIKEN	
COMMITTEE MEMBERS: JONATHAN BROOKS	
PHILIP DAYER	

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

During 2012/13, the committee did not meet formally but discussed a number of matters informally.

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

03 REMUNERATION COMMITTEE

	No. of meetings
MEETINGS HELD IN 2012/13	4
MEMBERSHIP AND ATTENDANCE	
COMMITTEE CHAIRMAN:	
PHILIP DAYER	4
COMMITTEE MEMBERS:	
PHILIP AIKEN (from date of appointment)	3
JONATHAN BROOKS	4
NICK PREST (to date of retirement)	1

The Remuneration Committee makes recommendations to the Board on the Group's policy for Executive and senior management remuneration and determines the individual remuneration packages on behalf of the Board for the Executive Directors of the Group.

The Chief Executive attends meetings by invitation, except when the Chief Executive's own remuneration package is being discussed.

The Committee has access to professional advice, both inside and outside the Company, in the furtherance of its duties. During the year the Committee asked Deloitte LLP for advice on the structure and comparability of incentive bonus plans for Executive Directors and senior management. The Directors' remuneration report sets out in more detail the Remuneration Committee's policies and practices on Executive remuneration.

04 TREASURY RISK MANAGEMENT COMMITTEE (TRMC)

	No. of meetings
MEETINGS HELD IN 2012/13	2
MEMBERSHIP AND ATTENDANCE	
COMMITTEE CHAIRMAN:	
PHILIP DAYER	2
COMMITTEE MEMBERS:	
JONATHAN BROOKS	2
JAMES KIDD	2

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

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

The policies of the Group in relation to these areas are explained in note 26 to the financial statements.

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

PHILIP AIKEN
Chairman
23 May 2013

READ MORE: FOR THE FULL REMUNERATION COMMITTEE REPORT **SEE PAGE 40**

Audit Committee report

Jonathan Brooks | Audit Committee Chairman

The Board places a very high priority on the integrity of the Group's financial statements, the quality and transparency of its financial reporting and the effectiveness of AVEVA's risk management and internal control systems. The Audit Committee assists the Board in its oversight and governance of these critical areas.

2012/13 REVIEW

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee monitors the integrity of the financial statements of the Group and the Committee members, as part of the full Board, reviews all proposed announcements to be made by the Group and consideration is given to any significant financial reporting judgements contained in them.

The Committee considers the effectiveness of financial reporting and internal controls, compliance with legal requirements, accounting standards and the Listing, Disclosure and Transparency Rules of the Financial Services Authority and also reviews any proposed change in accounting policies and any recommendations from the Group's auditor regarding improvements to internal controls and the adequacy of resources within the Group's finance function.

A full copy of the Committee's Terms of Reference, which were unchanged in 2012, is available from the Company's website at www.aveva.com.

COMMITTEE MEMBERSHIP

The Committee is formed of three independent Non-Executive Directors. Jonathan Brooks, as 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. Brief biographical information for Jonathan Brooks is included on page 33.

INFORMATION FLOWS TO THE AUDIT COMMITTEE

The Audit Committee meets at least four times per annum. The Company Chairman and CFO are invited to attend all meetings. The external auditor and the Group's Head of Finance are also invited to attend. Members of senior management are invited from time to time to make presentations such as the Committee's agenda necessitates.

The Committee meets three or four times annually with the auditor without any members of the executive management team being present. The Audit Committee Chairman also meets with the external auditor two to three times per annum away from the Company's offices.

The Board has granted authority to the Audit Committee such that the Committee and its members can seek independent legal, accounting or other advice when it reasonably believes it necessary to do so.

RISK AND INTERNAL CONTROLS

The key elements of the Group's internal control framework and procedures are set out on page 34. The principal risks the Group faces are set out on pages 26 and 27. Annually, the Audit Committee considers the Group risk register and related management controls.

Throughout the process the Board or the Audit Committee:

- gives consideration to whether areas should be looked at more closely through specific control reviews;
- identifies areas where enhancement of internal controls is required; and
- agrees action plans to deliver the necessary or recommended enhancements.

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.

VALUATION OF ASSETS AND LIABILITIES

The Audit Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates. These include revenue recognition, provisions for impairment of intangible assets and receivables and the valuation of retirement benefit obligations. In addition during 2012/13, the Committee also reviewed the valuation approach and methodology for the purchase price allocation related to the Bocad acquisition.

Annually, the Committee considers the going concern principle on which the financial statements are prepared and also considers and approves the impairment review of goodwill prepared by management. During the year, particular attention was paid to the carrying value of goodwill related to the Enterprise Solutions line of business for which there is lower headroom in the impairment test calculations. The Committee examined the forecasts for this business and with its move to profitability during 2012/13 was comfortable that no impairment was required.

INTERNAL AUDIT

The Group does not maintain a separate internal audit function. This is principally due to the geographical spread of the Group's operations where there is a clear advantage in any internal audit work or review of controls being undertaken by teams with specific local regulatory knowledge and without any local language barrier. This favours the outsourced provision of internal audit work which is considered as both more efficient and cost-effective than having its own central internal audit team. However, the Audit Committee does review the need to have its own separate internal audit function each year.

To complement the use of outsourced resources on specific internal audit projects, the Audit Committee has developed a framework to gain assurance over the system of internal financial and operational controls.

This comprises:

- a risk assessment performed by operational management and the Board to identify key areas for assurance;
- a series of peer and head office reviews of key risk areas of financial internal control. In the last year there was an extensive review of the contract management process worldwide which highlighted some inconsistencies in certain geographies as well as the need to provide more accounting support for the larger Enterprise Solutions contracts. Both issues have now been dealt with;
- an extension of the external auditor's work in certain areas and geographies to cover other key financial risks, such as operations in fast growth areas and taxation risks arising from trading in emerging markets. During 2012/13 additional testing was carried out in Brazil and in Russia. While overall controls were considered to be very good, some areas for improvement were identified with respect to certain customer debtor policies, and local tax compliance. In 2013/14 similar exercises are scheduled to take place in South Korea and China; and
- an annual assessment by the Audit Committee of the whole system of internal financial and operational controls.

EXTERNAL AUDIT

The Audit Committee advises the Board on the appointment of the external auditor and on its remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the external auditor. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. Controls in place to ensure this include monitoring the independence and effectiveness of the audit, implementing a policy on the engagement of the external auditor to supply non-audit services, and a review of the scope of the audit and fee and performance of the external auditor.

The Audit Committee approves all fees paid to the auditor for non-audit work. During the year the auditor did perform some non-audit work which mainly consisted of tax compliance work for subsidiaries of the Group, financial and tax due diligence in connection with the Bocad acquisition and some other statutory filing work.

The Group engages other independent firms of accountants to perform tax consulting work and other consulting engagements to ensure that the independence of the auditor is not compromised. For example, during 2012/13, external advisors were used for tax advisory projects and to advise on elements of Bocad's intellectual property and its valuation.

Audit partners are rotated every five years, with the current incumbent in his third year, and a formal statement of independence is received from the auditor each year. The Board and the Audit Committee are satisfied that the independence of the auditor, originally appointed in 2002, has been maintained. An analysis of non-audit fees is provided in note 7 to the financial statements.

At the March 2013 meeting, the Committee assessed the effectiveness of the external auditor. This assessment was based upon individual questionnaire feedback from key members of the Group's finance team as well as from the Audit Committee members. The overall conclusion was that while the audit process was effective, some areas of potential improvement were identified.

The audit was last tendered in 2002. The Audit Committee consider the re-appointment or tendering of the audit each year. The Company will tender the audit service in line with the revised UK Corporate Governance Code, including the associated transitional guidance, which together would require a tender before the 2021 audit.

Audit planning and main audit issues

At the November 2012 meeting of the Committee the auditor presented its audit plan for 2012/13. This included a summary of the proposed audit scope for each of the Group's subsidiaries and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the areas of significant judgement of revenue recognition, provisions for impairment of assets and receivables and retirement benefit obligations. These are the principal areas of financial reporting risk for the Group and are likely to remain so. These areas are described in more detail in note 3 to the financial statements.

JONATHAN BROOKS
Audit Committee Chairman
23 May 2013

MEETING DATES 2012/13 AND SUMMARY AGENDAS

September 2012

- Review and confirmation of Audit Committee terms of reference
- Consideration of the financial reporting risks for the 6 month interim report
- Update on Group risk register

November 2012

- Full review of the Group risk register
- Discussion and agreement of framework to gain assurance over the system of internal financial and operational controls
- Receipt of the report from the auditors on their Interim review findings
- Review and approval of the 6 month interim report
- Discussion of the auditors' 2012/13 audit plan

March 2013

- Presentation of reports on extended external audit procedures
- Consideration of potential financial reporting risks for the full year report
- Presentation from management on the Group's tax status and current risks
- Presentation from management on the internal business systems management information projects
- Ratification of internal audit priorities for 2013/14
- Assessment of effectiveness of external auditor

May 2013

- Receipt of reports from management considering significant financial reporting risks
- Receipt of the report from the auditors on their audit findings
- Formal going concern review
- Tests of goodwill impairment
- Review and approval of the preliminary announcement and 2013 annual report

Remuneration Committee report

Philip Dayer | Chairman of the Remuneration Committee

I am pleased to present this year's Report on Directors' Remuneration.

The Remuneration Committee believes that remuneration arrangements should align Executive Directors with the delivery of the long-term strategy and the creation of shareholder value while rewarding Executives fairly if success is achieved.

DEAR SHAREHOLDER

The Department for Business Innovation and Skills ('BIS') has prescribed new executive remuneration disclosure requirements that will come into force for AVEVA's 2014 annual report. At the time of writing this year's Directors' Remuneration Report, the regulations are not yet final. Nevertheless, the Remuneration Committee has decided to include additional information this year based on the draft regulations such as a single total figure of remuneration for each director and a summary remuneration policy table.

PAY FOR PERFORMANCE

AVEVA has continued to perform well over the course of 2012/13 and has delivered strong revenue growth of 12% and adjusted basic earnings per share growth of 17%. We also completed the acquisitions of Bocad and Global Majic and, in October 2012, launched a major new flagship product initiative, AVEVA E3D which the Board believes will offer strong growth opportunities going forward. In this context the Committee determined that the CEO would be awarded a bonus of 94% of base salary and the CFO would be awarded a bonus of 94% of base salary.

Over the long-term, we have continued to deliver strong performance with EPS growth of 7% in excess of RPI over the last three years. This will result in 33% of the 2010 LTIP vesting. During this period total shareholder return increased by 98% and our dividend increased from 16.9 pence to 24.00 pence (excluding the special dividend) generating significant value to shareholders.

DIALOGUE WITH SHAREHOLDERS

In recent years the Remuneration Committee has increased the number of its consultations with its largest shareholders and this year the Remuneration Committee has introduced a new section in the Directors' Remuneration Report entitled 'Dialogue with Shareholders' to report: (1) the extent of its consultations with shareholders; (2) the major issues that have emerged through that dialogue; and, (3) how the Remuneration Committee has responded to those issues.

The Committee is mindful that shareholders each have differing views on executive remuneration arrangements and the Committee seeks to reflect, where possible, the views of the majority of shareholders whilst still operating arrangements which are considered to be in the best interest of the business and the creation of long-term shareholder value. During late 2012 and early 2013, the Committee consulted extensively with our major shareholders on the performance conditions for our LTIP and the proposed changes to the annual bonus. Generally those shareholders consulted were supportive of the changes proposed for 2013/14.

EXECUTIVE REMUNERATION

In line with salary increases being awarded across the Group which average 5%, Richard Longdon, the Chief Executive, will receive a 4% salary increase effective from 1 April 2013 to £405,600. James Kidd was promoted to the role of Chief Financial Officer in January 2011. On appointment, his remuneration arrangements were positioned significantly below the lower end of the market competitive range given that he was new to a CFO role. As reported last year, but which was subject to strong performance in 2012/13, his salary has been increased to £260,000 effective from 1 April 2013.

In order to further support the delivery of outperformance, the Committee has decided that from 2013/14 the stretch in the performance targets for the annual bonus should be increased at both threshold and maximum levels of performance. To reward management for the delivery of additional shareholder value and outperformance the maximum bonus opportunity will be increased from 100% to 125% of base salary. Achievement of any of the additional 25% for outperformance would be satisfied wholly in deferred shares.

Taking into account the feedback received from our shareholders last year, the Committee undertook a review of the Long-term Incentive Plan (LTIP) to ensure performance measures used continued to be appropriate for the Group and that the level of reward delivered at differing levels of performance remained appropriate. We used Deloitte LLP to assist us with this review. The conclusion of the review was that earnings per share remains the most appropriate measure to incentivise the delivery of the Group's strategic objectives. This conclusion was then the subject of shareholder consultations in December 2012. A further round of shareholder consultations was conducted in April 2013. The Committee decided to increase the level of stretch in the target ranges for LTIP awards to be granted in 2013. These awards will fully vest provided that average annual growth in adjusted diluted EPS of 18% or more is achieved.

AGENDA FOR 2013/14

The Committee will continue to keep the structure and details of our remuneration arrangements under review and will prepare for the new Executive Remuneration reporting requirements being introduced in the UK. The Committee last undertook an Executive remuneration benchmark exercise in 2011 and proposes to commission the next Executive remuneration survey in early 2014. We remain committed to strong communication with shareholders and will continue to consult with investors as appropriate.

PHILIP DAYER
Remuneration Committee Chairman
23 May 2013

REMUNERATION POLICY SUMMARY

Purpose and link to strategy	Operation for 2012/13	Operation for 2013/14
BASE SALARY → Help recruit and retain employees. → Reflects experience and role. → Reviewed annually and fixed for 12 months commencing 1 April. The Committee determines base salaries taking into account: – role, experience and performance; – average change in broader workforce salary; – total organisational salary budgets. → Salaries are benchmarked periodically against other companies of a similar size and complexity in the FTSE 250 as well as global technology peers.	→ CEO – £390,000. → CFO – £230,000.	→ CEO – 4% increase to £405,600. → CFO – 13% increase to £260,000.
PENSIONS → Provides a competitive retirement benefit in a way that manages the overall cost to the Group.	→ CEO has reached his Life Time Allowance (LTA) so no further contributions are made into pension schemes by the Company on his behalf. → CFO receives 10% of base salary pension contribution.	→ No change.
OTHER BENEFITS → Help recruit and retain employees.	→ CEO has a company car and receives a fuel allowance. → CFO receives a car and fuel allowance. → CEO and CFO receive £500 annual allowance towards a range of flexible benefits.	→ No change.
ANNUAL BONUS → Incentivises and rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.	→ Potential bonus of up to 100% of base salary. → 10% based on first half financial performance, 10% on individual performance and 80% based on full year financial performance: – 70% achievement at target performance; – linear achievement between 90% of target and 110% of target. → Of the element based on full year financial performance, 25% of this element was based on Enterprise Solutions contribution and the remainder was based on adjusted profit before tax.	→ Potential bonus of up to 125% of base salary (core award 100% of salary, outperformance award 25% of salary). → 10% based on first half financial performance, 10% on individual performance and 80% based on full year financial performance: – 47% achievement at target performance; – linear achievement between 95% of target and 110% of target. → 25% outperformance award is available for over-achievement between 110% and 120% of target. → The element based on full year financial performance shall be measured by achievement of adjusted profit before tax.
DEFERRED SHARES SCHEME → Deferred element encourages long-term shareholding, helps retention and discourages excessive risk taking.	→ Minimum deferral of 25% of bonus (up to 70% of maximum bonus) increasing to 40% if maximum bonus is achieved. → Deferred shares vest in equal tranches over three years.	→ Core award – no change. → Any bonus award payable for outperformance shall be paid entirely in deferred shares. → Deferred shares vest in equal tranches over three years.
LTIP → Establishes a motivational and performance-orientated structure to incentivise Directors to focus on the creation of shareholder value aligned with the longer term strategy for the Group.	→ CEO maximum LTIP award 120% of base salary. → CFO maximum LTIP award 100% of base salary. → Subject to performance conditions based on growth over three years of diluted adjusted EPS.	→ No change.

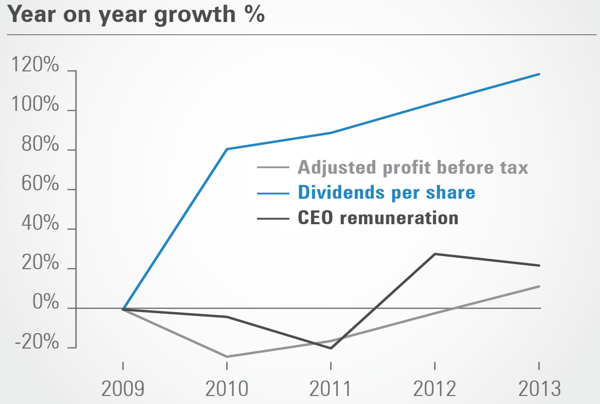
Remuneration Committee report

Continued

This report has been prepared in accordance with Schedules 5 and 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the relevant requirements of the Listing Rules of the Financial Conduct Authority and the UK Corporate Governance Code (together the Regulations). The report also describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements of the Company will be approved.

The Regulations require the auditor to report on the 'auditable part' of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The report has therefore been divided into separate sections for audited and unaudited information.

RELATIVE SPEND ON PAY



UNAUDITED INFORMATION

ROLE OF THE REMUNERATION COMMITTEE

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

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

The conclusions and recommendations of the Remuneration Committee were finalised in four formal meetings during the year, but these were preceded by several informal discussions, including some with advisers (none of whom had any other connection with the Company). The members of the Committee were Philip Dayer (Chairman), Phil Aiken and Jonathan Brooks. Nick Prest was a committee member until his retirement in July 2012.

The Chief Executive (Richard Longdon) is invited to submit recommendations to the Remuneration Committee and to attend meetings when appropriate. He was not present when his own remuneration was discussed.

The Committee has access to external advisers as required. During the year the Committee received advice from Deloitte LLP. Deloitte also provided unrelated advisory services to the Group in respect of taxation advice during the year. Deloitte is one of the founding members of the Remuneration Consultants Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is independent.

REMUNERATION POLICY

The Remuneration Committee aims to ensure that members of the Executive management are provided with appropriate incentives to align them with the Company's strategy and the future creation of shareholder value, encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to deliver short and long-term goals. The Company's policy is that a substantial proportion of remuneration of Executive Directors should be performance-related and should be delivered in shares to create alignment with shareholders' interests. Remuneration for Executive Directors is set in the context of the economic environment in which the Group operates, the outcome of the wider pay review for all Group employees as well as the financial performance of the Group. When determining remuneration arrangements, the Committee takes into consideration relevant external market data as well as the remuneration for employees of the Group generally.

Linking pay with strategy

The Committee's guiding philosophy is that remuneration arrangements that operate throughout the Group should support the delivery of our long-term business strategy and therefore the creation of shareholder value. Our key long-term strategic priority is to deliver strong but sustainable EPS growth. To support the delivery of this strategic priority:

- Our annual bonus arrangements incentivise the delivery of adjusted PBT performance and the achievement of key individual objectives that are aligned with the delivery of our strategy.
- EPS growth is the primary measure used for long-term incentive arrangements.

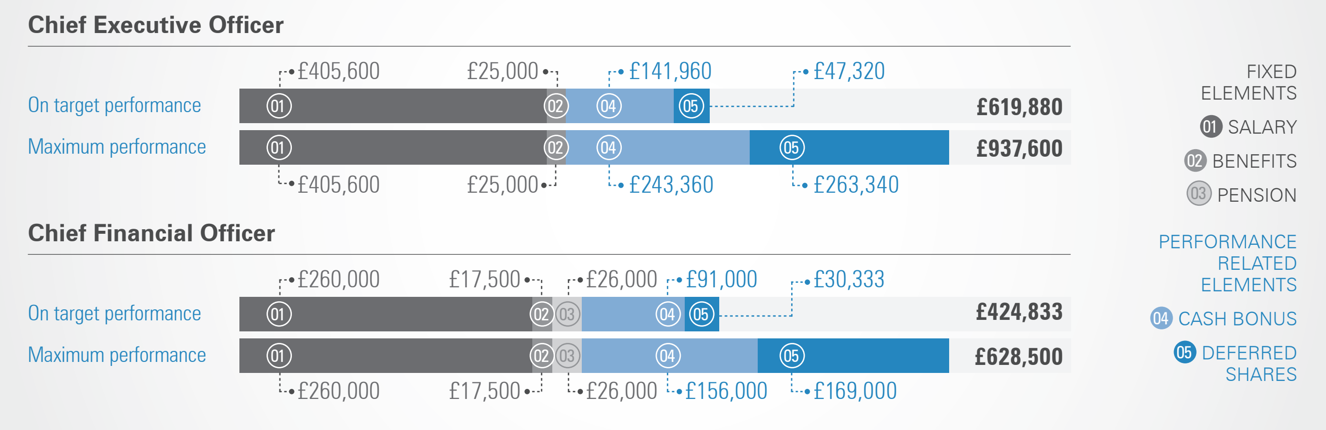
The payment of bonuses and the vesting of share incentives are subject to stretching targets established by the Committee at the beginning of each performance period. These targets are set taking account of the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance.

The Committee considers that it is appropriate to have a deferred component to the bonus scheme in order to retain key individuals and to create enhanced alignment with shareholders. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash, payable on announcement of interim and/or final results, and partly in ordinary shares in the Company to be delivered on a deferred basis under the Deferred Share Scheme.

Employee context

AVEVA undertakes an annual salary review in April each year and uses this opportunity to reward strong performance and ensure salaries are in line with market rates. It manages this in a competitive environment particularly in the fast growth economic areas. The overall increase in employee salaries across the Group for 2013/14 is expected to be 5%.

PERFORMANCE-RELATED REWARD 2013/14



Performance-related reward

For maximum levels of performance and excluding the value of any LTIP awards, 55% of the CEO's and CFO's total remuneration is performance related (2012/13 – 50%). Including the value of LTIP awards, performance-related elements are 71% and 69% for the CEO and CFO respectively (2012 – 69% and 67% respectively).

Dialogue with shareholders

The views of our shareholders on remuneration matters is important to the Committee and prior to making any material changes to remuneration arrangements the Committee consults with key shareholders to obtain their views.

In last year's Directors' Remuneration Report we outlined some changes to remuneration arrangements and consulted with shareholders regarding these changes. Shareholders were generally supportive of most aspects of the proposals, however, some shareholders and corporate governance bodies expressed concerns regarding the use of a single performance measure for the long-term incentive plan and the levels of EPS targets.

In light of this, in December 2012, the Committee undertook, in conjunction with our independent advisers Deloitte, a detailed review of performance measures. Following this review, the Committee concluded that earnings per share continued to be the most appropriate measure to incentivise the delivery of the Group's business strategy. The Committee shared the outcome of this review with key shareholders.

In April 2013, the Committee consulted with shareholders regarding the changes to the annual bonus arrangements and the increase in the stretch of the EPS targets for 2013 LTIP awards. Shareholders consulted were generally supportive of the changes.

The Company remains committed to engaging with shareholders in relation to remuneration issues.

REMUNERATION ELEMENTS

Basic salaries

It is the policy of the Committee to pay base salaries to the Executive Directors taking account of the nature, complexity 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 line with range of salary increase awards for the Group's employees, the CEO's salary will be increased by 4% to £405,600 effective from the 1 April 2013.

As set out last year and following shareholder consultation, it was decided that the salary of the CFO should increase to £260,000 over a two year period subject to continued good performance. Following a review of the CFO's performance in the year, it was considered appropriate that the second increment of this salary adjustment should be applied and that James Kidd's salary effective from 1 April 2013 should be increased from £230,000 to £260,000.

Benefits

In line with benefits provided for other senior employees, Executive Directors are provided with a company car or a mobility allowance, a fuel allowance and a £500 annual allowance towards a range of flexible benefits. Non-Executive Directors do not receive any benefits.

Bonus payments

The Executive Directors participate in annual performance-related bonus arrangements determined by the Committee. For 2012/13 the maximum bonus opportunity for Executive Directors was 100% of base salary. These arrangements include a component using the Deferred Share Scheme. Under these incentive arrangements, depending on the extent to which performance conditions are achieved, an overall bonus amount is determined. At 100% achievement of bonus performance conditions, 60% of the bonus amount is payable in cash and the balance, 40%, is used to calculate the number of ordinary shares which the bonus recipient is eligible to receive on a deferred basis over three years. If the bonus amount is less than or equal to 70% of the potential maximum bonus, then 75% of the bonus is paid in cash and 25% paid in deferred shares. If the bonus amount is between 70% and 100% of the potential maximum then the proportion paid in deferred shares is determined by linear interpolation between 25% and 40%.

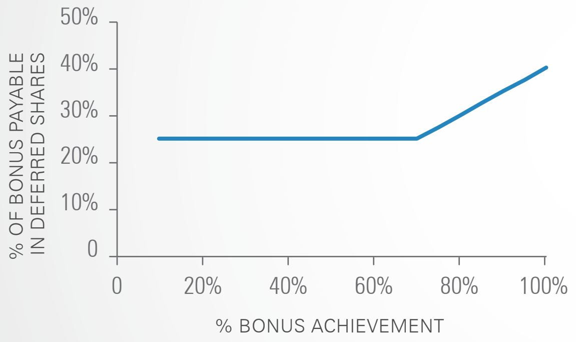
Deferred awards, which take the form of nil-cost options, will normally deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted. Delivery of the deferred shares is not subject to further financial performance conditions but the participant must remain an employee or Director of the Group. Exceptions to this may be granted by the Committee for compassionate reasons or in the event of a takeover, reconstruction or amalgamation, or voluntary winding up of the Company. In such instances the period for which the participant must remain an employee or Director would be reduced below the normal three years and entitlement to delivery of the shares may be accelerated.

Remuneration Committee report

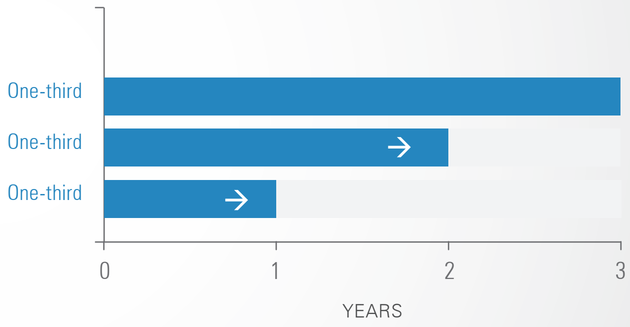
Continued

DEFERRED SHARES ELEMENT OF BONUS

Proportion of bonus payable in deferred shares



Period of deferral



REMUNERATION ELEMENTS continued

Bonus payments continued

Under the annual bonus plan in respect of awards granted from 2012 onwards, any deferred element is subject to clawback prior to vesting if it is subsequently discovered that there has been a material misstatement of results in achieving the original bonus or for gross misconduct.

2012/13 bonus

For the annual performance bonus arrangements for 2012/13, 65% of bonus was based on achieving stretching Group adjusted profit before tax (PBT) targets. In addition, 25% of the bonus was based on performance against growth objectives for Enterprise Solutions. The agreed targets were considered to be appropriate and stretching against the budgeted profit for 2011/12 and market conditions prevailing at that time. 10% of the potential bonus is contingent upon achievement of key individual performance objectives which had been agreed by the Remuneration Committee at the start of the financial year. These metrics are specific and measurable and are linked to the strategy and operation of the business. Of the 90% of the bonus based on financial performance, 10% is based on achievement for the six months to 30 September and the remaining 80% is based on the full year results.

For 2012/13, full year performance targets (including that related to Enterprise Solutions) were partially achieved, with the Group delivering 14% adjusted PBT growth and Enterprise Solutions achieving a contribution of £2,015,000. Performance targets in respect of the half year to 30 September 2012 were met in full. This resulted in a total bonus of 94% of base salary which comprised a cash bonus equal to 59% (2012 – 51%) of basic salary and 35% (2012 – 17%) of basic salary being used to calculate the number of deferred shares for which each Executive Director was eligible. The Committee considered that this level of payout is appropriate both in the context of performance against targets as well as the underlying performance of the business in what continue to be challenging economic conditions.

2013/14 bonus

For the annual performance bonus arrangements for 2013/14, it was agreed that 90% of bonus shall be based on achieving stretching Group adjusted profit before tax (PBT) targets. The agreed targets were considered to be appropriate and stretching against the budgeted profit for 2013/14 and prevailing market conditions. 10% of the potential bonus is contingent upon achievement of key individual performance objectives which had been agreed by the Remuneration Committee at the start of the financial year. These metrics are specific and measurable and are linked to the strategy and operation of the business. Of the 90% of the bonus based on financial performance, 10% is based on achievement for the six months to 30 September and the remaining 80% is based on the full year results.

For 2013/14 the maximum proportion of bonus payable at achievement of financial targets is 47% (2012 – 72%). However, the maximum bonus opportunity for the Executive Directors has increased from 100% to 125% with the additional 25% available only for overachievement above 110% of target. The entire overachievement element, if earned, would be payable in deferred shares.

Pensions

Since 2010 when he had accrued the maximum benefits that he is entitled to under the scheme rules, Richard Longdon has been a deferred member of AVEVA Solutions Limited's defined benefit pension scheme. He is no longer accruing any further benefit. It is a contributory, funded, occupational pension scheme registered with HM Revenue and Customs (HMRC) and, since 1 October 2004, Career Average Revalued Earnings benefits apply. Under this scheme he is entitled to a pension on normal retirement, or on retirement due to ill health, equivalent to two-thirds of his pensionable salary provided he has completed (or would have completed in the case of ill health) 25 years' service. A scheme-specific earnings limit applies to the benefits earned by Richard Longdon. A lower pension is payable on earlier retirement after the age of 50 by agreement with the Company and subject to HMRC guidelines. Pensions are payable to dependants on the Director's death in retirement and a lump sum is payable if death occurs in service.

James Kidd is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme) and each year the Company contributes 10% of salary to the plan. James Kidd also contributes 7.5% of base salary into the plan via salary sacrifice.

No other Directors were members of a pension scheme during the year (2012 – nil).

Share awards

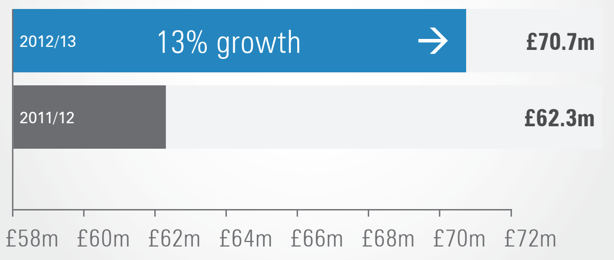
There are three share schemes in existence: the AVEVA Group Management Bonus Deferred Share Scheme 2008, the AVEVA Group plc Long-Term Incentive Plan and the AVEVA Group plc Executive Share Option Scheme 2007 (which is not currently in use).

The Company share schemes are used to provide long-term incentives to assist in creating and sustaining growth in share value. The Remuneration Committee considers that periodic grants of share-related incentives constitute an important element of the

GROUP PROFIT ELEMENT OF BONUS

Group adjusted profit before tax (£m)

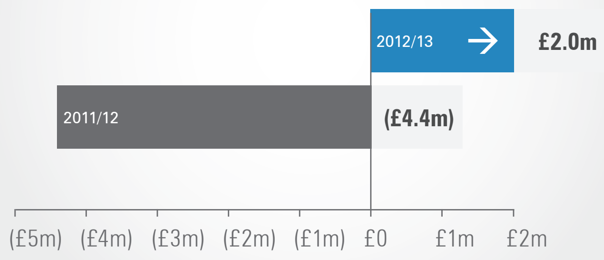
89% achievement of bonus element



ENTERPRISE SOLUTIONS ELEMENT OF BONUS

Enterprise Solutions contribution (£m)

100% achievement of bonus element



reward of the Company's senior Executives. This is in line with common practice in comparable companies and is cascaded to senior managers as appropriate. The Remuneration Committee consults with major shareholders and their representative bodies regarding the operation of these schemes.

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. There is also a claw back provision for the Executive Directors' awards in the event of material misstatement of results. As recipients of these awards, Executive Directors and Executive Board members are required to hold or use the schemes to build a minimum share ownership.

The shareholding requirement from vesting awards for the CEO and CFO are at 200% and 100% of salary respectively. As at 31 March 2013 the CEO exceeds his holding requirement and the CFO holds 52% of salary accumulated since his appointment in 2011.

Details of the awards made under these schemes are as follows:

Long-Term Incentive Plan (LTIP)

Under the LTIP, options are granted to selected individuals to acquire ordinary shares at an exercise price equal to the nominal value of the shares (3.33 pence); these options will be exercisable only if stretching performance criteria are met. For 2011/12 and 2012/13 the market value of awards under the LTIP awarded to Richard Longdon and James Kidd amounted to 120% and 100% of basic salary respectively (2010/11 – 100%). The maximum award under the LTIP will be 250% of salary, which will only be awarded in exceptional circumstances, e.g. on recruitment.

LTIP awards from 2012 onwards are subject to clawback prior to vesting if it is subsequently discovered that there has been a material misstatement of results in achieving the original bonus or for gross misconduct.

The Committee continues to believe that earnings per share growth is an appropriate performance measure for awards under the LTIP, as growing earnings is strongly aligned with our long-term business strategy and the creation of shareholder value. This was discussed with shareholders following consultations in December 2012 and again in April 2013. In determining each of the awards under the LTIP, the Remuneration Committee considered and concluded that the performance conditions set were challenging in the context of internal and external expectations at the time of the awards.

2013/14 awards

It is intended that nominal priced share options be awarded to Executive Directors and that, similar to previous awards, the performance conditions should be based on EPS growth over the three year period from 2013/14 to 2015/16. However, in light of the feedback received from shareholders last year, the Committee has decided to increase the level of stretch in the target ranges for the LTIP awards from those adopted in 2012. 25% of the awards will vest for average annual adjusted diluted EPS growth is 12% per annum with maximum vesting (100% of award) for average annual adjusted diluted EPS growth of 18% per annum (linear interpolation between these points). The Remuneration Committee believes that these targets are appropriately stretching and if delivered represent significant value creation for shareholders.

2010/11 awards

Awards were granted in July 2010 to Executive Directors subject to the delivery of EPS growth performance. Average EPS growth for the three year period from 2010/11 to 2012/13 exceeded RPI by 7% per annum and therefore 33% of the award shall vest. The Committee considered this level of vesting in the context of the wider performance of the business and returns to shareholders during the period and considered that it was appropriate.

Deferred annual bonus share plan

As described above, part of the annual bonus earned by Executive Directors in the year is used to determine eligibility for an award of deferred shares under the Deferred Share Scheme. In order to deliver shares under the Deferred Share Scheme, an Employee Benefit Trust (EBT) was established following shareholder approval at the 2008 Annual General Meeting. Awards of deferred shares are made by the trustee of the EBT using shares purchased in the market.

On 6 July 2012 the EBT awarded 4,189 and 2,009 deferred shares to Richard Longdon and James Kidd respectively in respect of the bonus arrangements for the year ended 31 March 2012.

Following the achievement of the objectives for 2012/13, it is anticipated that 5,903 and 3,481 deferred shares will be awarded to Richard Longdon and James Kidd respectively in respect of the bonus arrangements for the year ended 31 March 2013.

Remuneration Committee report
Continued

SUMMARY OF LTIP TARGETS

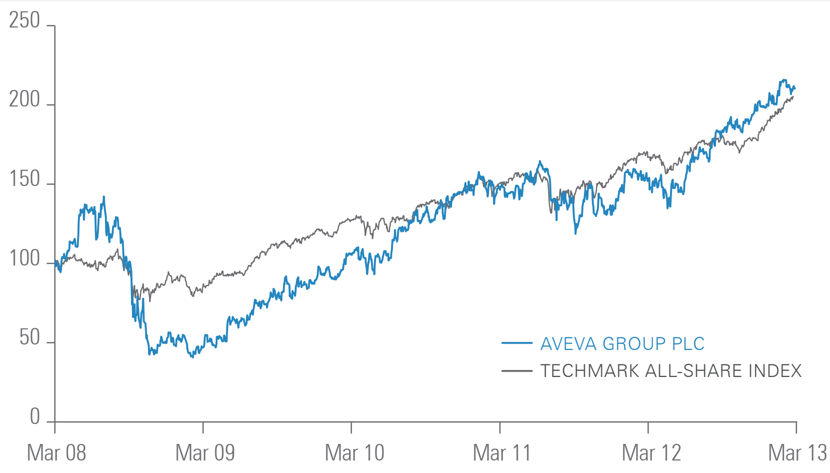
Period of performance measurement	Performance targets/measures	Achievement
2009/10–2011/12 Date of award: 7 July 2009 36,628 options granted to Executive Directors	→ Average diluted EPS over three years of 52.14 pence	→ Target met, award vested in full
2010/11–2012/13 Date of award: 26 July 2010 37,961 options granted to Executive Directors	→ 0% vest for diluted EPS growth of less than RPI plus 4% p.a. → 100% vest for diluted EPS growth of more than RPI plus 12% p.a. → Linear interpolation to determine the number of shares that vest between RPI plus 4% and RPI plus 12% p.a.	→ Target partially met, 33% of award expected to vest
2011/12–2013/14 Date of award: 6 July 2011 35,155 options granted to Executive Directors	→ 0% vest for diluted EPS growth of less than RPI plus 5% p.a. → 100% vest for diluted EPS growth of more than RPI plus 12% p.a. → Linear interpolation to determine the number of shares that vest between RPI plus 5% and RPI plus 12% p.a.	→ Performance period not yet completed
2012/13–2014/15 Date of award: 9 July 2012 41,180 options granted to Executive Directors	→ 0% for diluted adjusted EPS growth of less than 8% p.a. → 25% for diluted adjusted EPS growth of 8% p.a. → 100% for diluted adjusted EPS growth of more than 15% p.a. → Linear interpolation to determine the number of shares that vest between 8% and 15% p.a.	→ Performance period not yet completed
2013/14–2015/16 —	→ 0% for diluted adjusted EPS growth of less than 12% p.a. → 25% for diluted adjusted EPS growth of 12% p.a. → 100% for diluted adjusted EPS growth of more than 18% p.a. → Linear interpolation to determine the number of shares that vest between 12% and 18% p.a.	→ Award not yet granted

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

Total shareholder return v techMARK All-Share Index 2008–2013

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 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.

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
Philip Aiken	1 May 2012	1 May 2012	30 April 2015	3
Philip Dayer	2 January 2011	7 January 2008	2 January 2014	3
Jonathan Brooks	12 July 2010	12 July 2007	12 July 2013	3
Hervé Couturier	18 March 2010	1 April 2010	1 April 2013	3
Richard Longdon	28 November 1996	28 November 1996	Rolling	12
James Kidd	1 January 2011	1 January 2011	Rolling	9

POLICY FOR LEAVERS

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. The service agreements provide for a period of garden leave not exceeding six months.

There are no predetermined special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office. Their continuous service date for the purposes of the Employments rights Act 1996 are for the CEO 29 May 1984 and for the CFO 5 January 2004. 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. Such circumstances ('good leaver') where the earlier vesting of share awards may be granted are in the event of termination of office as a result of injury or disability, redundancy, in the event of early or normal retirement, or in the event of a change of control or ownership resulting in the Executive no longer being employed by the Group or being an employee or officer of the Group.

RECRUITMENT OF NEW EXECUTIVE DIRECTORS

In the event of hiring a new Executive Director, the Committee will typically align the remuneration package with the above remuneration policy. However, the Committee retains the discretion to make remuneration proposals on hiring a new Executive Director which are outside the standard policy to facilitate the hiring of someone of the calibre required to deliver the Group's strategy.

The Committee may make awards on hiring an external candidate to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee would take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (eg cash or shares) and the time over which they would have vested. Generally buy-out awards would be made on a comparable basis.

NON-EXECUTIVE DIRECTOR FEES

Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities, time devoted to the role and prevalent market rates. Non-Executive Directors receive a basic fee of £45,760 per annum. Additional fees of £10,400 are paid to Non-Executive Directors who hold the position of Committee Chairman. Annual fees for Non-Executive Directors are summarised below:

	£
Philip Aiken (Chairman)	150,800
Jonathan Brooks (Chair of the Audit Committee)	56,160
Philip Dayer (Chair of the Remuneration Committee)	56,160
Hervé Couturier	45,760

OUTSIDE APPOINTMENTS

The Board believes that accepting non-executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case by case basis. Richard Longdon was appointed as an adviser to Detica, a division of BAE Systems in July 2011. Prior to his appointment, the Board considered the impact on his role as CEO and concluded that he could still devote sufficient time to his role and therefore approved his appointment. Mr Longdon does not receive a salary for this role but is paid a daily fee for attendance. As Mr Longdon performs these services independently of his duties to the Company, he is thus entitled to receive such compensation.

Remuneration Committee report

Continued

AUDITED INFORMATION

DIRECTORS' REMUNERATION

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

	Salary/fees £000	Benefits in kind £000	Company pensions contributions £000	**Subtotal £000**	Bonus[1] £000	Amounts receivable under LTIPs[2] £000	**2013 Total £000**	2012 restated[3] Total £000
Executives								
Richard Longdon	390	25	—	**415**	365	183	**963**	1,022
James Kidd	230	17	23	**270**	215	18	**503**	402
	620	42	23	**685**	580	201	**1,466**	1,424
Non-Executives								
Phil Aiken (Chairman)	127	—	—	**127**	—	—	**127**	—
Nick Prest	32	—	—	**32**	—	—	**32**	120
Jonathan Brooks	54	—	—	**54**	—	—	**54**	48
Philip Dayer	54	—	—	**54**	—	—	**54**	48
Hervé Couturier	44	—	—	**44**	—	—	**44**	39
	311	—	—	**311**	—	—	**311**	255
Total emoluments	931	42	23	**996**	580	201	**1,777**	1,679

1 Bonus includes a deferred share award of 5,903 and 3,481 for Richard Longdon and James Kidd respectively under the Deferred Share Scheme (2012 – 4,190 and 2,010 shares). The estimated monetary value of these awards is £137,192 (2012 – £61,594) for Richard Longdon and £80,908 (2012 – £29,548) for James Kidd.

2 Amounts receivable under LTIPs include those awards for which 2012/13 was the final year of measurement for the performance conditions attached. For 2012/13 this was the LTIP award of 2010. The shares have not yet vested and so the value of the benefit has been estimated using the average share price during the three months prior to the 31 March 2013.

3 2012 disclosures have been restated so as to be on a consistent basis with 2013. Amounts receivable under LTIPs have been valued using the market share price at the date of vesting.

SHARE OPTIONS

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

Scheme	As at 1 April 2012 Number	Granted Number	Exercised Number	Forfeited Number	**As at 31 March 2013 Number**	Gain on exercise £	Exercise price Pence	Earliest date of exercise	Date of expiry
Richard Longdon									
LTIP	22,264	—	(22,264)	—	**—**	396,936	3.33	07.07.12	07.07.16
LTIP	25,038	—	—	—	**25,038**	—	3.33	26.07.13	26.07.17
LTIP	25,115	—	—	—	**25,115**	—	3.33	06.07.14	06.07.18
LTIP	—	27,611	—	—	**27,611**	—	3.33	09.07.15	09.07.19
Deferred Share Scheme (2009)	7,495	—	(7,495)	—	**—**	125,766	0.00	26.05.10	Note 1
Deferred Share Scheme (2010)	8,314	—	(4,157)	—	**4,157**	69,754	0.00	26.05.11	Note 1
Deferred Share Scheme (2011)	8,536	—	(2,845)	—	**5,691**	47,739	0.00	26.05.12	Note 1
Deferred Share Scheme (2012)	—	4,189	—	—	**4,189**	—	0.00	26.05.13	Note 1
James Kidd									
LTIP	4,289	—	(4,289)	—	**—**	76,274	3.33	07.07.12	07.07.16
LTIP	2,435	—	—	—	**2,435**	—	3.33	26.07.13	26.07.17
LTIP	10,040	—	—	—	**10,040**	—	3.33	06.07.14	06.07.18
LTIP	—	13,569	—	—	**13,569**	—	3.33	09.07.15	09.07.19
Deferred Share Scheme (2009)	443	—	(443)	—	**—**	7,434	0.00	26.05.10	Note 1
Deferred Share Scheme (2010)	492	—	(246)	—	**246**	4,128	0.00	26.05.11	Note 1
Deferred Share Scheme (2011)	1,464	—	(488)	—	**976**	8,189	0.00	26.05.12	Note 1
Deferred Share Scheme (2012)	—	2,009	—	—	**2,009**	—	0.00	26.05.13	Note 1

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

The market price as at 31 March 2013 was £22.64 (31 March 2012 – £16.57) with a high-low spread for the year of £14.69 to £23.22.

During the year Richard Longdon and James Kidd exercised options over 14,497 and 1,177 ordinary shares under the Deferred Share Scheme respectively at an exercise price of £nil. The market price on the date of exercise was £16.78 which resulted in an aggregate gain on exercise of £243,259 for Richard Longdon and £19,751 for James Kidd. Richard Longdon retained 6,957 and James Kidd 564 of the shares over which options were exercised.

At 31 March 2013, Richard Longdon owned 353,159 ordinary shares (2012 – 385,565 ordinary shares) and 91,801 options over ordinary shares (2012 – 96,762 options). James Kidd owned 6,168 ordinary shares (2012 – 3,555 ordinary shares) and options over 29,275 ordinary shares (2012 – 19,163 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 page 46.

PENSIONS

Richard Longdon is a deferred member of the CadCentre Pension Scheme, a defined benefit pension scheme for which AVEVA Solutions Ltd is the principal employer, and has accrued the maximum benefit he is entitled to. The Directors had accrued entitlements under the pension scheme as follows:

	Accumulated accrued pension at 31 March 2013 £	Accumulated accrued pension at 31 March 2012 £	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	**159,974**	156,644	3,330	—	—

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 2013 £	31 March 2012 £	Movement, less Directors' contributions £
Richard Longdon	**3,147,575**	2,709,559	438,016

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

James Kidd is a member of the AVEVA Group Personal Pension Plan and during 2012/13 received employer contributions of £23,000 (2012 – £17,510).

By order of the Board

PHILIP DAYER
Non-Executive Director and
Chairman of the Remuneration Committee
23 May 2013

High Cross, Madingley Road, Cambridge CB3 0HB

Other statutory information

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group made a profit for the year after taxation of £45.5 million (2012 – £40.0 million). Revenue was £220.2 million (2012 – £195.9 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 19.5 pence per ordinary share (2012 – 17.00 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 26 July 2013 to shareholders on the register at close of business on 21 June 2013.

In addition, the Board is proposing to return £100 million to shareholders in the form of a special dividend of 146 pence per share. The Board is recommending that the special dividend is accompanied by a share consolidation in order to maintain, as far as possible, the comparability of the share price before and after the special dividend. The special dividend and share consolidation will be subject to shareholder approval at the AGM on 9 July 2013.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

The Key Performance Indicators (KPIs) used by AVEVA to measure its own performance at the Group level are total revenue, recurring revenue, segment profit contribution, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2013 are set out on pages 24 to 25, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group is included on pages 26 and 27.

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 (2012 – nil). At 31 March 2013, the Group had an average of 30 days' purchases owed to trade creditors (2012 – 32 days').

RESEARCH AND DEVELOPMENT

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

INTELLECTUAL PROPERTY

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

FINANCIAL INSTRUMENTS

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

GOING CONCERN

The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2013 the Group had cash and treasury deposit balances of £190.4 million (2012 – £179.0 million) and no debt. Therefore, after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS AND THEIR INTERESTS

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

- Philip Aiken (Chairman)
- Nick Prest (Chairman until retirement in July 2012)
- Philip Dayer (Non-Executive Director and Senior Independent Director)
- Jonathan Brooks (Non-Executive Director)
- Hervé Couturier (Non-Executive Director)
- Richard Longdon (Chief Executive)
- James Kidd (Chief Financial Officer)

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2013 in respect of transactions notifiable under Disclosure and Transparency Rule 3.1.2 that have been disclosed to the Company are as follows:

	At 31 March 2013 ordinary shares	At 31 March 2012 ordinary shares
Philip Aiken	1,000	—
Philip Dayer	7,000	7,000
Jonathan Brooks	—	—
Hervé Couturier	—	—
Richard Longdon	353,159	385,565
James Kidd	6,168	3,555

No changes took place in the interests of Directors in the shares of the Company between 31 March 2013 and 23 May 2013.

Directors' share options are disclosed in the Remuneration Committee report on page 48.

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

Resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors. Brief biographical details of all Directors appear on pages 32 and 33.

CONFLICT OF INTEREST

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

SHARE CAPITAL

Details of the issued share capital can be found in note 30 to the Consolidated financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

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

There are no restrictions on transfer of the ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);

and pursuant to the Listing Rules of the Financial Services Authority whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares and pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares there are no special control rights in relation to the Company's shares.

Voting rights

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

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

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

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

Dividends, distributions and liquidation

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

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

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

CHANGE OF CONTROL

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

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

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

SUBSTANTIAL SHAREHOLDINGS

Interests in the ordinary share capital of the Company are set out in the table below.

ARTICLES OF ASSOCIATION

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

POWERS OF THE DIRECTORS

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

SUBSTANTIAL SHAREHOLDINGS

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

	As at 31 March 2013		As at 28 May 2013	
Name of holder	Number	Percentage held	Number	Percentage held
BlackRock	**9,160,642**	**13.4%**	9,257,491	13.5%
Allianz Global Investors	**4,194,691**	**6.2%**	4,376,834	6.4%
Capital Research & Management	**3,397,500**	**5.0%**	3,397,500	5.0%
Standard Life Investments	**3,219,450**	**4.7%**	3,224,697	4.7%
Legal & General Investment Management	**2,569,297**	**3.8%**	2,400,862	3.5%

Other statutory information

Continued

APPOINTMENT OF DIRECTORS

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

The Company's Articles of Association require that at each AGM they shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at the preceding two annual general meetings and who was not appointed or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2013 to stand for re-election.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations totalling £55,245 (2012 – £49,557) of which £13,000 was paid to Macmillan Cancer Support and £15,000 to The Outward Bound Trust. The remainder was donated to local and national charities.

No political donations were made in the year (2012 – £nil).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 9 July 2013 at The Trinity Centre, 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN. The Notice of the Annual General Meeting is being sent to shareholders along with this annual report which contains details of the resolutions proposed.

EMPLOYEE BENEFIT TRUST

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. The Trust holds a total of 81,420 ordinary shares in AVEVA Group plc representing 0.12% (2012 – 93,763 shares representing 0.14%) of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

DISABLED EMPLOYEES

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

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

EMPLOYEE INVOLVEMENT

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

DIRECTORS' INDEMNITY

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

AUDITOR

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

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 50. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

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

RESPONSIBILITY STATEMENT PURSUANT TO FSA'S DISCLOSURE AND TRANSPARENCY RULE 4 (DTR 4)

Each Director of the Company (whose names and functions appear on pages 32 and 33) confirms that (solely for the purpose of DTR 4) to the best of his knowledge:

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

On behalf of the Board

JAMES KIDD
Chief Financial Officer
23 May 2013

RICHARD LONGDON
Chief Executive

Consolidated financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Independent auditor's report

to the members of AVEVA Group plc

We have audited the Group financial statements of AVEVA Group plc for the year ended 31 March 2013 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 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement set out on page 53, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 50, in relation to going concern; and
- the part of the Corporate governance statement on pages 30 to 37 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2013 and on the information in the Directors' remuneration report that is described as having been audited.

Ernst & Young LLP

BOB FORSYTH (SENIOR STATUTORY AUDITOR)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
23 May 2013

Consolidated income statement

For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Revenue	5, 6	**220,230**	195,935
Cost of sales		**(16,141)**	(16,066)
Gross profit		**204,089**	179,869
Operating expenses			
Research and Development costs		**(35,539)**	(32,121)
Selling and distribution expenses		**(87,588)**	(75,008)
Administrative expenses		**(18,570)**	(16,241)
Total operating expenses		**(141,697)**	(123,370)
Profit from operations	7	**62,392**	56,499
Finance revenue	9	**4,211**	3,962
Finance expense	10	**(2,956)**	(2,724)
Analysed as:			
Adjusted profit before tax		**70,714**	62,276
Amortisation of intangibles (excluding other software)		**(3,946)**	(3,368)
Share-based payments		**(1,226)**	(666)
(Loss)/gain on fair value of forward foreign exchange contracts		**(796)**	308
Exceptional items	8	**(1,099)**	(813)
Profit before tax		**63,647**	57,737
Income tax expense	12	**(18,134)**	(17,769)
Profit for the year attributable to equity holders of the parent		**45,513**	39,968
Earnings per share (pence)			
– basic	14	**66.97**	58.86
– diluted	14	**66.82**	58.73

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 2013

	Notes	2013 £000	2012 £000
Profit for the year		**45,513**	39,968
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**2,886**	(2,777)
Actuarial loss on retirement benefit obligations	28	**(6,030)**	(7,083)
Tax on items relating to components of other comprehensive income	12(a)	**1,348**	1,701
Total comprehensive income for the year attributable to equity holders of the parent		**43,717**	31,809

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

Consolidated balance sheet

31 March 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Goodwill	16	**40,527**	30,839
Other intangible assets	17	**25,041**	18,605
Property, plant and equipment	18	**9,150**	8,042
Deferred tax assets	27	**6,291**	4,009
Other receivables	20	**1,113**	811
		82,122	62,306
Current assets			
Trade and other receivables	20	**80,277**	68,054
Financial assets	21	**—**	223
Treasury deposits	22	**136,085**	130,282
Cash and cash equivalents	22	**54,272**	48,669
Current tax assets		**1,865**	589
		272,499	247,817
Total assets		**354,621**	310,123
Equity			
Issued share capital	30(a)	**2,269**	2,266
Share premium		**27,288**	27,288
Other reserves		**17,712**	14,971
Retained earnings		**204,337**	176,937
Total equity		**251,606**	221,462
Current liabilities			
Trade and other payables	23	**73,543**	67,995
Financial liabilities	24	**574**	—
Current tax liabilities		**9,858**	8,936
		83,975	76,931
Non-current liabilities			
Deferred tax liabilities	27	**2,081**	1,855
Retirement benefit obligations	28	**16,959**	9,875
		19,040	11,730
Total equity and liabilities		**354,621**	310,123

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 23 May 2013. They were signed on its behalf by:

PHILIP AIKEN
Chairman

RICHARD LONGDON
Chief Executive

COMPANY NUMBER
2937296

Consolidated statement of changes in shareholders' equity

31 March 2013

				Other reserves					
	Notes	Share capital £000	Share premium £000	Merger reserve £000	Cumulative translation adjustments £000	Own shares held £000	Total £000	Retained earnings £000	Total equity £000
At 1 April 2011		2,266	27,288	3,921	14,933	(1,223)	17,631	155,187	202,372
Profit for the year		—	—	—	—	—	—	39,968	39,968
Other comprehensive income		—	—	—	(2,777)	—	(2,777)	(5,382)	(8,159)
Total comprehensive income		—	—	—	(2,777)	—	(2,777)	34,586	31,809
Share-based payments		—	—	—	—	—	—	666	666
Tax on share-based payments		—	—	—	—	—	—	10	10
Investment in own shares		—	—	—	—	(563)	(563)	—	(563)
Cost of employee benefit trust shares issued to employees		—	—	—	—	680	680	(680)	—
Equity dividends	13	—	—	—	—	—	—	(12,832)	(12,832)
At 31 March 2012		2,266	27,288	3,921	12,156	(1,106)	14,971	176,937	221,462
Profit for the year		—	—	—	—	—	—	45,513	45,513
Other comprehensive income		—	—	—	2,886	—	2,886	(4,682)	(1,796)
Total comprehensive income		—	—	—	2,886	—	2,886	40,831	43,717
Issue of share capital		3	—	—	—	—	—	—	3
Share-based payments		—	—	—	—	—	—	1,226	1,226
Tax on share-based payments		—	—	—	—	—	—	415	415
Investment in own shares		—	—	—	—	(615)	(615)	—	(615)
Cost of employee benefit trust shares issued to employees		—	—	—	—	470	470	(470)	—
Equity dividends	13	—	—	—	—	—	—	(14,602)	(14,602)
At 31 March 2013		**2,269**	**27,288**	**3,921**	**15,042**	**(1,251)**	**17,712**	**204,337**	**251,606**

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 2013

	Notes	2013 £000	2012 £000
Cash flows from operating activities			
Profit for the year		45,513	39,968
Income tax	12(a)	18,134	17,769
Net finance revenue	9, 10	(1,255)	(1,238)
Amortisation of intangible assets	17	4,022	3,451
Depreciation of property, plant and equipment	18	2,599	2,161
Loss on disposal of property, plant and equipment	7	254	35
Share-based payments	29	1,226	666
Difference between pension contributions paid and amounts charged to operating profit		(261)	(413)
Changes in working capital			
Trade and other receivables		(11,136)	5,462
Trade and other payables		429	(2,848)
Changes to fair value of forward foreign exchange contracts		796	(308)
Cash generated from operating activities before tax		60,321	64,705
Income taxes paid		(19,567)	(16,927)
Net cash generated from operating activities		40,754	47,778
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(3,862)	(2,601)
Purchase of intangible assets	17	(1,341)	(583)
Acquisition of subsidiaries and business undertakings, net of cash acquired	15	(12,485)	(5,749)
Proceeds from disposal of property, plant and equipment		693	110
Interest received		1,736	1,471
Purchase of treasury deposits (net)	22	(5,803)	(7,280)
Net cash used in investing activities		(21,062)	(14,632)
Cash flows from financing activities			
Interest paid		(165)	(22)
Purchase of own shares	30(b)	(615)	(563)
Proceeds from the issue of shares	30(a)	3	—
Dividends paid to equity holders of the parent	13	(14,602)	(12,832)
Net cash flows used in financing activities		(15,379)	(13,417)
Net increase in cash and cash equivalents		4,313	19,729
Net foreign exchange difference		1,290	(1,245)
Opening cash and cash equivalents	22	48,669	30,185
Closing cash and cash equivalents	22	54,272	48,669

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

Notes to the consolidated financial statements

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2013. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Group presents a non-GAAP performance measure on the face of the Consolidated income statement. The Directors believe that this alternative measure of profit provides a reliable and consistent measure of the Group's underlying performance. The face of the Consolidated income statement presents adjusted profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards. Adjusted earnings per share, as disclosed in note 14, is calculated having adjusted profit after tax for the same items and their tax effect. The term adjusted profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures of profit.

a) Statement of compliance

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2013. 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 89 to 92.

b) Basis of consolidation

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

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

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

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

c) Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

New standards and interpretations not yet effective

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

		Effective for periods commencing after
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 9	Financial Instruments classification and measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 27	Revised – Separate Financial Statements	1 January 2013
IAS 28	Revised – Investments in Associates and Joint Ventures	1 January 2013
IAS 19	Revised – Employee Benefits	1 January 2013

The Group intends to adopt these standards in the first accounting period after the effective date. The adoption of IAS19 revised in 2013/14, is expected to reduce the element of finance revenue associated with retirement benefit obligations by approximately £500,000. The Directors do not anticipate that the adoption of the other standards and interpretations listed will have a material effect on the Consolidated financial statements in the period of initial application.

Notes to the consolidated financial statements

Continued

3 SIGNIFICANT ACCOUNTING ESTIMATES

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

a) Retirement benefit obligations

The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied together with sensitivity analysis are described in note 28 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2013 was £16,959,000 (2012 – £9,875,000).

b) Provision for impairment of receivables

The Group makes provision for the impairment of receivables on a customer specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers and management consider a number of factors including the financial strength of the customers, the level of default that the Group has suffered in the past, the age of the receivable outstanding and the Group's trading experience with that customer. The provision for impairment of receivables at 31 March 2013 was £4,771,000 (2012 – £3,431,000).

c) Revenue recognition

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue

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

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

- a clear contractual arrangement can be evidenced;
- delivery has been made in accordance with that contract;
- if required, contractual acceptance criteria have been met; and
- the fee has been agreed and collectability is probable. Where extended payment terms beyond 180 days exist, revenue recognition is deferred until payment is due.

Initial/annual licence agreements

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

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

Rental licence agreements

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

a) Revenue continued

Rental licence agreements continued

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

Services

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

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

b) Foreign currencies

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

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

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

c) Exceptional items

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

d) Goodwill

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

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

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

e) Intangible assets

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

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

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

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

Notes to the consolidated financial statements

Continued

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

f) Research expenditure

Research expenditure is written off in the year of expenditure.

g) Property, plant and equipment

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

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

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

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

h) Impairment of assets

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

i) Trade and other receivables

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

j) Cash and cash equivalents

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

k) Derivative financial instruments

The only derivative financial instruments the Group holds are forward foreign exchange contracts to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. All forward foreign exchange contracts have been marked-to-market and are held at fair value on the consolidated balance sheet. The Group has not applied hedge accounting during the year and therefore movements in fair value are being recorded in the Consolidated income statement. Fair value is estimated using the settlement rates prevailing at the period end.

l) Leases

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

m) Taxation

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

m) Taxation continued

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

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

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

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

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

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

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

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

n) Post retirement benefits

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

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

The German unfunded defined benefit schemes are closed to new applicants and provide benefits to nine deferred members. These schemes were acquired as part of previous business combinations. No current employees participate in the scheme. Full provision has been made for the liability on the Consolidated balance sheet. The Group also operates a defined benefit pension scheme for one German employee.

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

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

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

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

Notes to the consolidated financial statements
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

o) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 29. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AVEVA Group plc (market conditions).

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, subject to an estimate of whether performance conditions will be met.

p) Employee benefit trust

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

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

5 REVENUE

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

	2013 £000	2012 £000
Annual fees	**54,391**	47,779
Rental licence fees	**98,833**	90,111
Total recurring revenue	**153,224**	137,890
Initial licence fees	**42,431**	37,289
Training and services	**24,575**	20,756
Total revenue	**220,230**	195,935
Finance revenue	**4,211**	3,962
	224,441	199,897

Services consist of consultancy, implementation services and training fees.

Included within revenue for the year ended 31 March 2013 are annual fees of £2,633,000, initial fees of £1,675,000, rental fees of £115,000 and services of £707,000 related to the acquisition of Bocad.

6 SEGMENT INFORMATION

The Group is organised into two lines of business being Engineering & Design Systems and Enterprise Solutions. These two lines of business are considered to be the two reportable segments for the Group. Each line of business is managed separately due to the differing requirements of each market. The products of each of the lines of business are taken to market by a shared sales force that is itself organised into three geographical sales divisions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA).

The Executive Board, comprising the Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, Executive Vice President Sales, Executive Vice President Business Strategy and Marketing, and Executive Vice President Human Resources and Business Services, monitors the operating results of the lines of business for the purposes of making decisions about performance assessment and resource allocation. Performance is evaluated based on adjusted profit contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive Board. Support functions such as Head Office departments are controlled and monitored centrally.

Year ended 31 March 2013	Engineering & Design £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	49,032	5,359	54,391
Rental licence fees	93,343	5,490	98,833
Initial licence fees	36,268	6,163	42,431
Training and services	10,902	13,673	24,575
Segment revenue	189,545	30,685	220,230
Operating costs	(45,439)	(28,670)	(74,109)
Segment profit contribution	144,106	2,015	146,121
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(54,957)
Other shared operating expenses			(21,705)
Net finance revenue			1,255
Adjusted profit before tax			70,714
Exceptional items and other normalised adjustments*			(7,067)
Profit before tax			63,647

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

Engineering & Design Systems revenue includes £5,130,000 relating to the acquired business of Bocad.

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

Notes to the consolidated financial statements

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6 SEGMENT INFORMATION continued

Analysis of revenue by geographical location

	Year ended 31 March 2013			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	**22,962**	**26,707**	**4,722**	**54,391**
Rental licence fees	**26,083**	**46,787**	**25,963**	**98,833**
Initial licence fees	**20,237**	**18,027**	**4,167**	**42,431**
Training and services	**3,993**	**16,148**	**4,434**	**24,575**
Total revenue	**73,275**	**107,669**	**39,286**	**220,230**

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

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £19,190,000 and £201,040,000 (2012 – £16,609,000 and £179,326,000) respectively. No individual country accounted for more than 10% of the Group's total revenue. Revenue is allocated to countries on the basis of the location of the customer.

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £21,966,000 and £53,865,000 (2012 – £11,647,000 and £46,650,000) 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 (2012 – 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:

	2013 £000	2012 £000
Depreciation of owned property, plant and equipment	**2,599**	2,161
Amortisation of intangible assets:		
– included in Research and Development costs	**3,126**	2,641
– included in administrative expenses	**825**	83
– included in selling and distribution expenses	**71**	727
Staff costs	**92,769**	81,811
Operating lease rentals – minimum lease payments	**5,003**	4,534
Loss on disposal of property, plant and equipment	**254**	35
Net foreign exchange losses	**1,247**	1,020

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

	2013 £000	2012 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	**265**	250
Fees payable to the Company auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**205**	188
– tax assurance services	**73**	65
– other tax services	**66**	154
– corporate finance services (transaction support)	**114**	144
– other services pursuant to legislation	**63**	5
	786	806

8 EXCEPTIONAL ITEMS

In 2012/13 exceptional costs totalling £1,099,000 (2012 – £813,000) were incurred on acquisition and integration activities. These costs principally relate to fees paid to professional advisers for legal, due diligence and taxation advice related to the acquisitions of Bocad and Global Majic. In 2011/12, the costs related to the acquisition of LFM Software Limited and the integration of Logimatic Software A/S.

9 FINANCE REVENUE

	2013 £000	2012 £000
Expected return on pension scheme assets	**2,489**	2,491
Bank interest receivable	**1,722**	1,471
	4,211	3,962

10 FINANCE EXPENSE

	2013 £000	2012 £000
Interest on pension scheme liabilities	**2,805**	2,702
Bank interest payable and similar charges	**151**	22
	2,956	2,724

11 STAFF COSTS

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

	2013 £000	2012 £000
Wages and salaries	**75,879**	67,165
Social security costs	**9,312**	8,474
Pension costs	**6,352**	5,506
Expense of share-based payments	**1,226**	666
	92,769	81,811

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

	2013 Number	2012 Number
Research, development and product support	**407**	347
Sales, marketing and customer support	**597**	515
Administration	**234**	191
	1,238	1,053

Directors' remuneration

The disclosure of an individual Director's remuneration and interests required by the Companies Act 2006 and those specified for audit by the Listing Rules of the Financial Services Authority is shown in the audited section of the Remuneration Committee report on pages 48 and 49 and forms part of these financial statements.

Notes to the consolidated financial statements

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12 INCOME TAX EXPENSE

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2013 and 2012 are as follows:

	2013 £000	2012 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	**12,743**	7,195
Adjustments in respect of prior periods	**284**	(161)
	13,027	7,034
Foreign tax	**5,560**	10,000
Adjustments in respect of prior periods	**570**	1,393
	6,130	11,393
Total current tax	**19,157**	18,427
Deferred tax		
Origination and reversal of temporary differences	**(1,217)**	(184)
Adjustment in respect of prior periods	**194**	(474)
Total deferred tax (note 27)	**(1,023)**	(658)
Total income tax expense reported in Consolidated income statement	**18,134**	17,769

	2013 £000	2012 £000
Tax relating to items credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	**(44)**	(62)
Deferred tax on actuarial (loss)/gain on retirement benefit obligation	**(1,304)**	(1,639)
Tax (credit)/charged reported in Consolidated statement of comprehensive income	**(1,348)**	(1,701)

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:

	2013 £000	2012 £000
Tax on Group profit before tax at standard UK corporation tax rate of 24% (2012 – 26%)	**15,275**	15,012
Effects of:		
– expenses not deductible for tax purposes	**870**	189
– irrecoverable withholding tax	**228**	1,620
– movement on unprovided deferred tax balances	**5**	(291)
– change in UK tax rate for deferred tax balances	**42**	91
– differing tax rates on overseas earnings	**666**	390
– adjustments in respect of prior years	**1,048**	758
Income tax expense reported in Consolidated income statement	**18,134**	17,769

At the Balance sheet date the UK government had substantively enacted a 1% reduction in the main rate of UK corporation tax from 24% to 23% effective from 1 April 2013. The government has also proposed reducing the UK corporation tax rate to 21% by 1 April 2014 and 20% by 1 April 2015. However, these further rate changes had not been substantively enacted at the Balance sheet date and their effects are not, therefore, included in these financial statements. We do not expect that the enactment of these changes will have a material impact on the deferred tax balance of the Group.

13 DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES

	2013 £000	2012 £000
Declared and paid during the year		
Interim 2012/13 dividend paid of 4.50 pence (2011/12 – 4.00 pence) per ordinary share	**3,030**	2,715
Final 2011/12 dividend paid of 17.00 pence (2010/11 – 14.89 pence) per ordinary share	**11,572**	10,117
	14,602	12,832
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2012/13 of 19.5 pence (2011/12 – 17.00 pence) per ordinary share	**13,260**	11,558

13 DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES continued

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2013 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 26 July 2013 to shareholders on the register at the close of business on 21 June 2013.

In addition, the Board is proposing to return £100 million to shareholders in the form of a special dividend of 146 pence per share. The Board is recommending that the special dividend is accompanied by a share consolidation in order to maintain, as far as possible, the comparability of the share price before and after the special dividend. The special dividend and share consolidation will be subject to shareholder approval at the AGM on 9 July 2013.

14 EARNINGS PER SHARE

	2013 Pence	2012 Pence
Earnings per share for the year:		
– basic	**66.97**	58.86
– diluted	**66.82**	58.73
Adjusted earnings per share for the year:		
– basic	**74.87**	63.81
– diluted	**74.70**	63.66

	2013 Number	2012 Number
Weighted average number of ordinary shares for basic earnings per share	**67,962,515**	67,901,203
Effect of dilution: employee share options	**153,801**	154,890
Weighted average number of ordinary shares adjusted for the effect of dilution	**68,116,316**	68,056,093

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 £45,513,000 (2012 – £39,968,000). Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 29.

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

	2013 £000	2012 £000
Profit after tax for the year	**45,513**	39,968
Intangible amortisation (excluding other software)	**3,946**	3,368
Share-based payments	**1,226**	666
Loss/(gain) on fair value of forward foreign exchange contracts	**796**	(308)
Exceptional items	**1,099**	813
Tax effect	**(1,696)**	(1,180)
Adjusted profit after tax	**50,884**	43,327

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

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

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

15 BUSINESS COMBINATIONS

On 22 May 2012, the Group acquired 100% of the issued share capital of the Bocad group of companies based in Belgium and Germany. The acquisition consideration was cash of €17.5 million (£14.0 million) on a debt free/cash free basis.

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

Notes to the consolidated financial statements

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15 BUSINESS COMBINATIONS continued

Details of the fair values of the net assets acquired and goodwill is set out below, which includes purchased intangibles consisting of developed technology and customer relationships. Fair value adjustments of £2.4 million have been made to align with the Group's accounting policies as well as an adjustment to increase the value of an acquired property by £0.2 million to an estimate of market value.

	Book value £000	Fair value £000
Intangible assets	1,066	7,425
Property, plant and equipment	507	659
Trade and other receivables	1,815	1,573
Cash and cash equivalents	402	402
Trade and other payables	(3,654)	(3,840)
Current tax liabilities	(6)	(6)
Long-term loans	(1,009)	(1,009)
Retirement benefit obligations	(880)	(880)
Deferred tax liabilities	—	(562)
Net (liabilities)/assets acquired	(1,759)	3,762
Goodwill		8,136
Total consideration		11,898
Satisfied by:		
Cash		11,898
Net cash outflow arising on acquisition:		
Cash consideration		11,898
Less: cash and cash equivalents acquired		(402)
		11,496

From the date of acquisition to 31 March 2013, the business contributed £5,130,000 to revenue and a loss before tax of £440,000.

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

Acquisition of trade and assets from Global Majic Software Inc.

On 17 December 2012, the Group acquired the trade and certain assets and liabilities of Global Majic Software Inc. for cash consideration of £989,000.

The fair value of the assets acquired consisted mainly of developed technology of £1,092,000.

LFM Software Limited

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

The fair value of the assets acquired of £8,937,000 consisted mainly of developed technology of £2,433,000, customer relationships of £855,000, goodwill of £4,340,000 and cash and cash equivalents of £2,188,000.

16 GOODWILL

	Engineering & Design £000	Enterprise Solutions £000	Total £000
At 1 April 2011	18,340	9,194	27,534
Acquisition of LFM Software Limited	4,340	—	4,340
Exchange adjustment	(705)	(330)	(1,035)
At 31 March 2012	21,975	8,864	30,839
Acquisition of Bocad group of companies	8,136	—	8,136
Exchange adjustment	1,403	149	1,552
At 31 March 2013	**31,514**	**9,013**	**40,527**

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

16 GOODWILL continued

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

Engineering & Design Systems

During 2012/13 the Contribution of the Engineering & Design Systems CGU was £144.1 million. This is far in excess of the attributable goodwill value. Therefore, the Directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated recoverable amount exceeds the carrying value.

Enterprise Solutions

The recoverable amount of the Enterprise Solutions CGU is determined from a value in use calculation. The key assumptions for this calculation 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 CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the year ending 31 March 2014 together with the most recent three year business plan and extrapolates cash flows for future years based on an average estimated new business growth rate of 4% (2012 – 4%). In addition, revenue is also forecast to grow from the impact of sales of initial licenses driving increased annual fees in future periods. In total, the revenue growth in periods beyond the period covered by the business plan is 7%. The long-term average growth rate is based on typical growth rates for companies with strong software and technology services that are exposed to high growth sectors (such as Oil & Gas and Power) and high growth economies such as Asia Pacific, India and Latin America.

Future cash flows are discounted in line with the weighted average cost of capital of approximately 12% pre-tax (2012 – 12%).

Headroom for goodwill based on current forecasts is £32 million. Sensitivity levels on these calculations indicate that impairment would need to be considered if:

- instead of 12%, a discount rate of 18.5% or higher had been used; or
- instead of 4%, a long-term new business growth rate of 1% or lower had been used.

17 INTANGIBLE ASSETS

	Developed technology £000	Customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost					
At 1 April 2011	20,298	11,132	1,401	6,208	39,039
Additions	—	—	38	545	583
Acquisitions	2,433	855	—	—	3,288
Disposals	—	—	(8)	—	(8)
Exchange adjustment	(568)	(482)	(9)	(2)	(1,061)
At 31 March 2012	22,163	11,505	1,422	6,751	41,841
Additions	—	—	709	632	1,341
Acquisitions	8,059	438	20	—	8,517
Disposals	—	—	(46)	—	(46)
Exchange adjustment	963	583	10	—	1,556
At 31 March 2013	**31,185**	**12,526**	**2,115**	**7,383**	**53,209**
Amortisation					
At 1 April 2011	11,251	3,076	1,282	4,734	20,343
Charge for the year	2,249	722	83	397	3,451
Disposals	—	—	(8)	—	(8)
Exchange adjustment	(387)	(144)	(14)	(5)	(550)
At 31 March 2012	13,113	3,654	1,343	5,126	23,236
Charge for the year	2,890	818	76	238	4,022
Disposals	—	—	(46)	—	(46)
Exchange adjustment	687	258	11	—	956
At 31 March 2013	**16,690**	**4,730**	**1,384**	**5,364**	**28,168**
Net book value					
At 31 March 2011	9,047	8,056	119	1,474	18,696
At 31 March 2012	9,050	7,851	79	1,625	18,605
At 31 March 2013	**14,495**	**7,796**	**731**	**2,019**	**25,041**

For the purposes of the adjusted earnings per share calculation (note 14), intangible asset amortisation excludes the charge relating to other software of £76,000 (2012 – £83,000).

Notes to the consolidated financial statements
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17 INTANGIBLE ASSETS continued

Developed technology

Developed technology includes the Bocad technology acquired in 2012/13, the MARS technology which was acquired as part of the acquisition of Logimatic Software A/S in 2010/11, the ADB technology that was also acquired in 2010/11 and the LFM software acquired in 2011/12. All amortisation is calculated using the straight-line method over periods between five and twelve years.

Customer relationships

The customer relationships intangible asset includes those relationships acquired as part of the acquisition of Bocad in 2012/13, Logimatic Software A/S during 2010/11 and those acquired in 2011/12 as part of the acquisition of LFM Software Limited. The value of these relationships is being amortised using the straight-line method over lives between five and ten years.

18 PROPERTY, PLANT AND EQUIPMENT

	Long leasehold buildings and improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2011	3,778	10,744	7,584	1,223	23,329
Additions	96	1,395	796	314	2,601
Acquisition	—	20	89	—	109
Disposals	—	(539)	(235)	(383)	(1,157)
Reclassification	—	166	(166)	—	—
Exchange adjustment	(19)	(123)	(84)	(8)	(234)
At 31 March 2012	3,855	11,663	7,984	1,146	24,648
Additions	199	1,721	1,561	381	3,862
Acquisition	555	90	14	—	659
Disposals	(1,517)	(1,045)	(877)	(291)	(3,730)
Exchange adjustment	17	103	144	49	313
At 31 March 2013	**3,109**	**12,532**	**8,826**	**1,285**	**25,752**
Depreciation					
At 1 April 2011	1,030	9,283	4,615	680	15,608
Charge for the year	169	956	769	267	2,161
Disposals	—	(523)	(157)	(332)	(1,012)
Reclassification	52	133	(185)	—	—
Exchange adjustment	(10)	(82)	(57)	(2)	(151)
At 31 March 2012	1,241	9,767	4,985	613	16,606
Charge for the year	214	1,284	818	283	2,599
Disposals	(918)	(984)	(637)	(244)	(2,783)
Exchange adjustment	7	68	81	24	180
At 31 March 2013	**544**	**10,135**	**5,247**	**676**	**16,602**
Net book value					
At 31 March 2011	2,748	1,461	2,969	543	7,721
At 31 March 2012	2,614	1,896	2,999	533	8,042
At 31 March 2013	**2,565**	**2,397**	**3,579**	**609**	**9,150**

19 INVESTMENTS

At 31 March 2013 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 Pty Limited	Australia	Software marketing	100% ordinary shares of AUD$1 each
AVEVA Belgium	Belgium	Software development and marketing	100% ordinary shares of €1 each
AVEVA do Brasil Informática Ltda	Brazil	Software marketing	100% of ordinary shares of BRL 1 each
AVEVA (Shanghai) Consultancy Co. Limited***	China	Services and training	100% of issued share capital
AVEVA Solutions (Shanghai) Co. Ltd	China	Software marketing	100% of ordinary shares
AVEVA Denmark A/S	Denmark	Software marketing and development	100% of ordinary shares of DKK 1 each
AVEVA SA	France	Software marketing	100% ordinary shares of €30 each
AVEVA GmbH	Germany	Software marketing	100% ordinary shares of €25,565 each
AVEVA Software GmbH****	Germany	Software development and marketing	100% ordinary shares of €1 each
AVEVA East Asia Limited	Hong Kong	Software marketing	100% ordinary shares of HK$1 each
AVEVA India Limited	India	Software development	100% ordinary shares of 10 Rupees each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of 10 Rupees each
AVEVA KK	Japan	Software marketing	100% ordinary shares of 50,000 Yen each
AVEVA Korea Limited	Korea	Software marketing	100% ordinary shares of KRW 500,000 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 AS	Norway	Software marketing and development, training and consultancy	100% ordinary shares of NOK 500 each
AVEVA Limited Liability Company	Russia	Software marketing	100% of ordinary shares
AVEVA Pte Limited***	Singapore	Software marketing	100% of ordinary shares of SGD 10 each
AVEVA AB	Sweden	Software development and marketing	100% of ordinary shares of SEK 10 each
AVEVA Inc.	USA	Software marketing	100% common stock of US$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 GmbH.

20 TRADE AND OTHER RECEIVABLES

	2013 £000	2012 £000
Current		
Amounts falling due within one year:		
Trade receivables	**74,066**	63,700
Prepayments and other receivables	**5,155**	3,613
Accrued income	**1,056**	741
	80,277	68,054

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.

Notes to the consolidated financial statements

Continued

20 TRADE AND OTHER RECEIVABLES continued

	2013 £000	2012 £000
Non-current		
Prepayments and other receivables	**1,113**	811

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

As at 31 March 2013 the provision for impairment of receivables was £4,771,000 (2012 – £3,431,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2011	3,643
Charge for the year, net of amounts reversed	1,081
Utilised	(1,199)
Exchange adjustment	(94)
At 31 March 2012	3,431
Arising from business combination	427
Charge for the year, net of amounts reversed	2,625
Utilised	(1,844)
Exchange adjustment	132
As at 31 March 2013	**4,771**

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
2013	**74,066**	**47,046**	**24,261**	**2,393**	**308**	**58**
2012	63,700	40,418	17,818	3,291	1,829	344

21 FINANCIAL ASSETS

	2013 £000	2012 £000
Current		
Fair value of forward foreign exchange contracts	**—**	223

22 CASH AND CASH EQUIVALENTS AND TREASURY DEPOSITS

	2013 £000	2012 £000
Cash at bank and in hand	**51,458**	48,426
Short-term deposits	**2,814**	243
Net cash and cash equivalents per cash flow	**54,272**	48,669
Treasury deposits	**136,085**	130,282
	190,357	178,951

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 £190,357,000 (2012 – £178,951,000).

23 TRADE AND OTHER PAYABLES

	2013 £000	2012 £000
Current		
Trade payables	**4,093**	4,799
Social security, employee taxes and sales taxes	**8,827**	7,390
Accruals and other payables	**23,160**	21,290
Deferred revenue	**36,585**	33,540
Deferred consideration	**878**	976
	73,543	67,995

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.

24 FINANCIAL LIABILITIES

	2013 £000	2012 £000
Current		
Fair value of forward foreign exchange contracts	**574**	—

Borrowing facilities

At 31 March 2013 the Group had no committed bank overdraft or loan facilities.

25 OBLIGATIONS UNDER LEASES

At 31 March 2013 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2013		2012	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	**4,049**	**277**	3,392	214
After one but not more than five years	**4,124**	**337**	4,079	303
	8,173	**614**	7,471	517

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

26 FINANCIAL RISK MANAGEMENT

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

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

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

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

a) Market risk

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

Interest rate risk

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

Notes to the consolidated financial statements

Continued

26 FINANCIAL RISK MANAGEMENT continued

a) Market risk continued

Interest rate risk continued

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

A 1% point decrease in the Sterling and US Dollar interest rates would have reduced interest income by approximately £1,148,000 (2012 – £1,302,000) and profit after tax by £872,000 (2012 – £963,000).

Foreign currency risk

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

The Group manages these exchange risks, where possible, by using currency exchange contracts for the sale of US Dollar, Euro and Yen as appropriate. The Group enters into specific forward foreign exchange contracts for individually significant revenue contracts when the timing of forecast cash flows is reasonably certain. In addition, the Group enters into forward foreign exchange contracts to sell US Dollars 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 2013, the Group had outstanding currency exchange contracts to sell $21.0 million (2012 – $13.0 million), €14.25 million (2012 – €6.65 million) and ¥304.0 million (2012 – ¥nil). It has also had outstanding currency exchange contracts to buy Kr24.0 million (2012 – Kr nil).

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

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

Foreign currency sensitivity analysis

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

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

A 10% change in the US Dollar against Sterling, Euro against Sterling and Swedish Krona against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2012/13.

31 March 2013	Increase/ (decrease) in average rate	Profit/ (loss) £000	Equity £000
US Dollar	10%	(766)	(766)
	(10%)	843	843
Euro	10%	448	448
	(10%)	(492)	(492)
Swedish Krona	10%	79	79
	(10%)	(88)	(88)

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

26 FINANCIAL RISK MANAGEMENT continued

b) Credit risk

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

Counter-parties for cash and cash equivalents and treasury deposits are governed by the treasury policy, which has been approved by the Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies. The amount of exposure to each counter-party is subject to a specific limit, up to a maximum of £70 million as set out in the Group's treasury policy.

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

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

Disclosures relating to the credit associated with trade receivables are in note 20.

c) Liquidity risk

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

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

	Less than three months £000	Between three months and six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2013				
Trade and other payables	**35,727**	**—**	**—**	**—**
As at 31 March 2012				
Trade and other payables	33,479	—	—	—

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 2013			
Forward foreign exchange contracts (Euro)			
Outflow	**€4,500**	**€3,750**	**€6,000**
Inflow	**£3,739**	**£3,116**	**£5,036**
Forward foreign exchange contracts (US Dollar)			
Outflow	**$6,750**	**$8,000**	**$6,250**
Inflow	**£4,285**	**£5,007**	**£3,954**
Forward foreign exchange contracts (Swedish Krona)			
Outflow	**£571**	**£571**	**£1,141**
Inflow	**Kr6,000**	**Kr6,000**	**Kr12,000**
Forward foreign exchange contracts (Japanese Yen)			
Outflow	**¥101,000**	**¥101,000**	**¥102,000**
Inflow	**£713**	**£713**	**£722**
As at 31 March 2012			
Forward foreign exchange contracts (Euro)			
Outflow	€1,650	€2,000	€3,000
Inflow	£1,463	£1,734	£2,540
Forward foreign exchange contracts (US Dollar)			
Outflow	$3,250	$3,750	$6,000
Inflow	£2,006	£2,348	£3,850

Notes to the consolidated financial statements

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26 FINANCIAL RISK MANAGEMENT continued

d) Interest rate profile of financial assets and liabilities

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

Year ended 31 March 2013

Fixed rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Cash and short-term deposits	**7,498**	**—**	**—**	**7,498**
Treasury deposits	**138,717**	**—**	**—**	**138,717**
Floating rate				
Cash and short-term deposits	**43,959**	**—**	**—**	**43,959**
Treasury deposits	**183**	**—**	**—**	**183**

Year ended 31 March 2012

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

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £54,272,000 (2012 – £48,669,000) and treasury deposits of £136,085,000 (2012 – £130,282,000). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

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

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

At 31 March 2013 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts was £574,000 at 31 March 2013 (2012 – £223,000 asset).

The resulting loss of £796,000 (2012 – gain of £308,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor market, creditor, customer and employee confidence and to sustain future development of the business. The capital structure of the Group consists of equity attributable to the equity holders of AVEVA Group plc comprising 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 2012 or 2013.

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.

27 DEFERRED TAX

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

	Accelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2012	(94)	(194)	1,874	(2,864)	785	2,647	2,154
Acquisition	—	—	—	(582)	—	—	(582)
Credit/(charge) to Income statement	68	39	(138)	445	193	416	1,023
Credit to other comprehensive income	—	—	1,304	44	—	—	1,348
Credit to equity	—	—	—	—	205	—	205
Exchange adjustment	(1)	—	—	4	—	59	62
At 31 March 2013	**(27)**	**(155)**	**3,040**	**(2,953)**	**1,183**	**3,122**	**4,210**

* 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:

	2013 £000	2012 £000
Deferred tax liabilities	**(2,081)**	(1,855)
Deferred tax assets	**6,291**	4,009
	4,210	2,154

At the Balance sheet date, the Group has unused tax losses of £4,109,000 (2012 – £795,000) available for offset against future profits. Of the total deferred tax asset of £1,237,000 (2012 – £238,000), £1,051,000 (2012 – £238,000) has been recognised and is included in 'other' above. These losses may be carried forward indefinitely.

At the Balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was approximately £42,612,000 (2012 – £32,172,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemptions but may be subject to foreign withholding taxes.

28 RETIREMENT BENEFIT OBLIGATIONS

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

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 31 March 2011	1,408	716	903	3,027
Current service cost	1,388	38	359	1,785
Interest on pension scheme liabilities	2,715	40	—	2,755
Expected return on pension scheme assets	(2,491)	—	—	(2,491)
Actuarial loss	6,828	86	169	7,083
Employer contributions	(2,040)	(82)	(94)	(2,216)
Exchange adjustment	—	(39)	(29)	(68)
At 31 March 2012	7,808	759	1,308	9,875
Arising from business combination	—	880	—	880
Current service cost	1,580	40	295	1,915
Interest on pension scheme liabilities	2,693	51	61	2,805
Expected return on pension scheme assets	(2,475)	(14)	—	(2,489)
Actuarial loss	5,668	297	65	6,030
Employer contributions	(2,060)	(77)	(30)	(2,167)
Exchange adjustment	—	9	101	110
At 31 March 2013	**13,214**	**1,945**	**1,800**	**16,959**

Notes to the consolidated financial statements

Continued

28 RETIREMENT BENEFIT OBLIGATIONS continued

a) UK defined benefit scheme

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

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

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

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

	2013 %	2012 %
Main assumptions:		
Rate of salary increases	**5.50**	5.20
Rate of increase of pensions in payment	**3.30**	2.90
Rate of increase of pensions in deferment	**2.50**	2.20
Discount rate	**4.20**	4.60
Inflation assumption	**3.50**	3.20
Expected rate of return on scheme assets:		
Equities	**6.30**	6.40
Bonds	**2.30**	2.90
Other	**0.50**	0.50

For the years ended 31 March 2013 and 2012, the following weighted average life expectancy at age 65 for mortality has been used:

	2013 Years	2012 Years
Male pensioners	**24.5**	24.4
Female pensioners	**25.5**	25.4
Non-retired males	**26.7**	26.6
Non-retired females	**27.8**	27.7

Member contributions were 7.5% (2012 – 7.5%) of pensionable salary. From 1 September 2012 most members' contributions were made by the Company through a salary sacrifice arrangement. Company contributions were £2,060,000 (2012 – £2,040,000). The total contributions in 2014 are expected to be approximately £2,100,000.

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)	
	2013 £000	2012 £000
0.25 percentage point increase to:		
– discount rate	**(3,543)**	(2,829)
– inflation (including pension increases linked to inflation)	**2,204**	1,639
Additional one year increase to life expectancy	**1,441**	1,103

The assets and liabilities of the scheme at 31 March 2013 and 2012 were as follows:

	2013 £000	2012 £000
Equities	**22,232**	31,939
Bonds	**26,414**	12,869
Cash and deposits	**10,561**	5,637
Total fair value of assets	**59,207**	50,445
Present value of scheme liabilities	**(72,421)**	(58,253)
Net pension liability	**(13,214)**	(7,808)

28 RETIREMENT BENEFIT OBLIGATIONS continued

a) UK defined benefit scheme continued

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

	2013 £000	2012 £000
Recognised in the Consolidated income statement		
Current service cost:		
Research and Development costs	974	926
Selling and distribution expenses	465	320
Administrative expenses	141	142
Total operating charge	1,580	1,388
Finance revenue		
Expected return on pension scheme assets	(2,475)	(2,491)
Finance costs		
Interest on pension scheme liabilities	2,693	2,715
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	7,710	1,794
Less: expected return on pension scheme assets	(2,475)	(2,491)
	5,235	(697)
Changes in assumptions and experience adjustments on liabilities	(10,903)	(6,131)
Actuarial loss recognised in Consolidated statement of comprehensive income	(5,668)	(6,828)

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

	2013 £000	2012 £000
At 1 April	58,253	49,306
Current service costs	1,580	1,388
Contributions by employees	4	167
Interest on pension scheme liabilities	2,693	2,715
Benefits paid	(979)	(1,416)
Premiums paid	(33)	(38)
Actuarial loss	10,903	6,131
At 31 March	72,421	58,253

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

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

	2013 £000	2012 £000
At 1 April	50,445	47,898
Expected return	2,475	2,491
Contributions by employer	2,060	2,040
Contributions by employees	4	167
Benefits paid	(979)	(1,416)
Premiums paid	(33)	(38)
Actuarial gain/(loss)	5,235	(697)
At 31 March	59,207	50,445

The history of experience adjustments is as follows:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of scheme assets	59,207	50,445	47,898	40,736	28,691
Present value of defined benefit obligations	(72,421)	(58,253)	(49,306)	(52,428)	(36,313)
Deficit in the scheme	(13,214)	(7,808)	(1,408)	(11,692)	(7,622)
Experience adjustments on scheme liabilities	(1,702)	(107)	3,353	1,452	492
Experience adjustments on scheme assets	5,235	(697)	1,729	8,506	(8,043)

Notes to the consolidated financial statements
Continued

28 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.

Since the acquisition of Bocad in May 2012, AVEVA Software GmbH has been responsible for the pension obligations of six former Bocad employees. At the time of the acquisition, the pension obligations were only partly financed via external funding vehicles. In March 2013, AVEVA concluded an agreement with an external insurance provider which results in the insurance company being obliged to provide all benefits as detailed in the individual pension commitments, with AVEVA only having an obligation if the external insurance provider defaults.

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:

	2013	2012
Rate of increase of pension in payment	**2.0%–2.5%**	2.0%–2.5%
Discount rate	**3.25%**	4.8%–5.3%
Mortality	**14.8 years**	15.5 years
Rate of salary increases	**0%–2.5%**	0%–2.5%

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2012 – 60 and 63 years of age).

The contributions in 2014 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. The IAS 19 valuation of the liability has been carried out using the following assumptions:

	2013 %	2012 %
Rate of salary increases	**5.00**	6.00
Discount rate	**3.68**	4.67

The retirement age for AVEVA Korea Limited employees is 60 years of age (2012 – 60 years of age).

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 2013, Alecta's surplus in the form of collective funding level was 135% (2012 – 124%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £733,000 (2012 – £666,000).

e) Defined contribution schemes

The Group operates defined contribution retirement schemes for certain UK, US, German, French, Norwegian and Asian employees. The assets of the schemes are held separately from those of the Group. The total cost charged to income of £3,704,000 (2012 – £3,055,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

29 SHARE-BASED PAYMENT PLANS

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

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

	2013 Number	2013 WAEP Pence	2012 Number	2012 WAEP Pence
Outstanding at start of year	**460,029**	**2.67**	458,759	2.34
Granted during year	**201,615**	**2.73**	174,304	2.69
Forfeited during year	**(13,275)**	**3.33**	(88,414)	2.91
Exercised during year*	**(137,394)**	**—**	(84,620)	0.67
Outstanding at end of year	**510,975**	**2.82**	460,029	2.67
Exercisable at end of year	**47,714**	**2.80**	15,151	1.19

* The weighted average share price at the date of exercise for the options exercised is £17.71 (2012 – £16.77).

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 2013 Number	Number of options 2012 Number	Exercise price Pence
2 July 2007	LTIP	**5,413**	5,413	3.33
27 May 2009	Deferred Share Scheme	**—**	32,145	—
7 July 2009	LTIP	**34,769**	123,475	3.33
15 June 2010	Deferred Share Scheme	**16,185**	25,039	—
26 July 2010	LTIP	**94,108**	99,653	3.33
4 July 2011	Deferred Share Scheme	**25,795**	33,484	—
6 July 2011	LTIP	**137,630**	140,820	3.33
6 July 2012	Deferred Share Scheme	**36,345**	—	—
9 July 2012	LTIP	**160,730**	—	3.33
		510,975	460,029	

The weighted average remaining contractual life for the options outstanding at 31 March 2013 is 4.62 years (2012 – 4.45 years).

The average fair value of options granted during the year was £16.67 (2012 – £17.13). 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 (2012 – £nil to £0.03).

The Group recognised total expenses of £1,226,000 and £666,000 related to equity-settled share-based payment transactions in the years ended 31 March 2013 and 2012 respectively.

Notes to the consolidated financial statements
Continued

29 SHARE-BASED PAYMENT PLANS continued

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

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

2012/13 awards

In 2012/13 a total of 160,730 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2012/13 to 2014/15. If average diluted EPS growth is more than 15% then all shares shall vest. If average diluted EPS growth over the same period is less than 8% then none of the shares will vest. For growth rates between 8% and 15% the number of shares that vest will be determined by linear interpolation between 25% and 100%.

2011/12 awards

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

2010/11 awards

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

2009/10 awards

On 7 July 2009, a total of 137,839 share options were awarded to the Executive Directors and senior management under the LTIP. The performance conditions are based on average diluted earnings per share over the three years from 2009/10 to 2011/12. All shares under this option would vest if average diluted earnings per share for the three years ending 31 March 2013 is equal to or above 52.14 pence. If average diluted earnings per share for the period was below 52.14 pence, then no shares would vest and the option would lapse. During 2011/12, the vesting conditions were tested and had been met. Therefore the award vested in full.

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

	2012/13 awards	2011/12 awards	2010/11 awards	2009/10 awards
Dividend yield	**1.21%**	1.03%	0.70%	1.30%
Expected volatility	**28%**	34.5%	47.9%	51.1%
Risk-free interest rate	**1.51%**	1.51%	1.51%	2.28%
Expected life of the option	**3 years**	3 years	3 years	3 years
Weighted average share price	**£17.29**	£17.73	£13.55	£7.20
Weighted average exercise price	**£0.03**	£0.03	£0.03	£0.03

b) Deferred annual bonus share plan

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

In July 2012, the AVEVA Group Employee Benefit Trust 2008 awarded 36,345 (2011 – 33,484) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2012 (2011 – bonus earned in year ended 31 March 2011).

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).

29 SHARE-BASED PAYMENT PLANS continued

b) Deferred annual bonus share plan continued

The fair value of these option awards is measured at grant date using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for each of the Deferred Bonus Share Plan awards:

	2012/13 awards	2011/12 awards
Dividend yield	1.21%	1.10%
Expected volatility	28%	34.5%
Risk-free interest rate	1.51%	1.51%
Expected life of the option	3 years	3 years
Weighted average share price	£17.29	£17.56
Weighted average exercise price	£0.00	£0.00

c) AVEVA Group plc Executive Share Option Scheme 2007

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

30 SHARE CAPITAL AND RESERVES

a) Share capital

	2013 £000	2012 £000
Allotted, called-up and fully paid		
68,079,078 (2012 – 67,990,372) ordinary shares of 3.33 pence (2012 – 3.33 pence) each	2,269	2,266

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

	2013 Number	2013 £000	2012 Number	2012 £000
At 1 April	67,990,372	2,266	67,973,420	2,266
Exercise of share options	88,706	3	16,952	—
At 31 March	68,079,078	2,269	67,990,372	2,266

Year ended 31 March 2013

Date of issue	Number of shares 2013	Nominal value 2013 £	Share premium 2013 £	Market price £
24 July 2012	58,516	1,951	—	17.98
22 August 2012	12,654	422	—	18.29
7 September 2012	9,841	328	—	19.07
13 September 2012	2,548	85	—	19.20
14 December 2012	5,147	179	—	20.88
	88,706	2,965		

Year ended 31 March 2012

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

Notes to the consolidated financial statements
Continued

30 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. During the year, 36,345 shares were purchased by the EBT at a price of £16.90 and 48,688 shares (2012 – 67,668) with an attributable cost of £470,000 were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2011	1,223
Own shares purchased (27 June 2011)	563
Shares issued to employees	(680)
At 31 March 2012	1,106
Own shares purchased (6 July 2012)	615
Shares issued to employees	(470)
At 31 March 2013	**1,251**

31 RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel

The remuneration of the Directors and other members of the Executive Board, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. In addition to their salaries, the Group also provides non-cash benefits and contributes to defined benefit or defined contribution pension schemes on their behalf. Members of the key management team also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 48 and 49.

	2013 £000	2012 £000
Short-term employee benefits	2,498	2,066
Share-based payments	1,009	921
	3,507	2,987

Company financial statements

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 2013 which comprise the Balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement set out on page 87, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013;
- 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 2013.

Ernst & Young LLP

BOB FORSYTH (SENIOR STATUTORY AUDITOR)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
23 May 2013

COMPANY NUMBER
2937296

Company balance sheet

31 March 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	5	**29,743**	28,732
Current assets			
Debtors	6	**159,841**	129,838
Cash at bank and in hand		**146**	145
		159,987	129,983
Creditors: amounts falling due within one year	7	**(61,287)**	(46,196)
Net current assets		**98,700**	83,787
Total assets less current liabilities		**128,443**	112,519
Net assets		**128,443**	112,519
Capital and reserves			
Called-up share capital	8	**2,269**	2,266
Share premium account	9	**27,288**	27,288
Merger reserve	9	**3,921**	3,921
Profit and loss account	9	**94,965**	79,044
Shareholders' funds	9	**128,443**	112,519

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

The financial statements on pages 89 to 92 were approved by the Board of Directors on 23 May 2013 and signed on its behalf by:

PHILIP AIKEN
Chairman

RICHARD LONGDON
Chief Executive

COMPANY NUMBER
2937296

Notes to the Company financial statements

1 CORPORATE INFORMATION

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

2 ACCOUNTING POLICIES

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

a) Basis of accounting

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

As permitted by FRS 1 (Revised) Cash flow statements, the Company has not included a Cash flow statement as part of its financial statements because the Consolidated financial statements of the Group (of which the Company is a member) include a Cash flow statement and are publicly available.

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

b) Taxation

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

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

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

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

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

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

c) Foreign currency

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

d) Share-based payments

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

e) Investments

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

3 RESULT FOR THE YEAR

As permitted by Section 408 (3) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. AVEVA Group plc reported a profit for the financial year ended 31 March 2013 of £29,207,000 (2012 – loss £723,000).

Audit fees of £7,000 (2012 – £7,000) are borne by another Group company.

The Company does not have any employees (2012 – nil). Directors' emoluments are disclosed in the Remuneration Committee report on pages 40 to 49 and are paid by a UK subsidiary company.

4 DIVIDENDS

	2013 £000	2012 £000
Declared and paid during the year		
Interim 2012/13 dividend paid of 4.50 pence (2011/12 – 4.00 pence) per ordinary share	3,030	2,715
Final 2011/12 dividend paid of 17.00 pence (2010/11 – 14.89 pence) per ordinary share	11,572	10,117
	14,602	12,832
Proposed for approval by shareholders at the Annual General Meeting		
Final 2012/13 proposed dividend of 19.5 pence (2011/12 – 17.00 pence) per ordinary share	13,260	11,558

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2013 and has not been included as a liability in these financial statements.

In addition, the Board is proposing to return £100 million to shareholders in the form of a special dividend of 146 pence per share. The Board is recommending that the special dividend is accompanied by a share consolidation in order to maintain, as far as possible, the comparability of the share price before and after the special dividend. The special dividend and share consolidation will be subject to shareholder approval at the AGM on 9 July 2013.

5 FIXED ASSET INVESTMENTS

	£000
Cost and net book value	
At 1 April 2012	28,732
Share-based payments	1,011
At 31 March 2013	29,743

Details of the Company's subsidiary undertakings are set out in note 19 in the Consolidated financial statements of the Group.

6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Amounts owed by Group undertakings	159,841	129,838

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Accruals	141	62
Amounts owed to Group undertakings	61,146	46,134
	61,287	46,196

8 CALLED-UP SHARE CAPITAL

	2013 £000	2012 £000
Allotted, called-up and fully paid		
68,079,078 (2012 – 67,990,372) ordinary shares of 3.33 pence each	2,269	2,266

	2013 Number	2013 £000	2012 Number	2012 £000
At 1 April	67,990,372	2,266	67,973,420	2,266
Exercise of share options	88,706	3	16,952	—
At 31 March	68,079,078	2,269	67,990,372	2,266

Notes to the Company financial statements
Continued

8 CALLED-UP SHARE CAPITAL continued

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

Year ended 31 March 2013

Date of issue	Number of shares 2013	Nominal value 2013 £	Share premium 2013 £	Market price £
24 July 2012	**58,516**	**1,951**	**—**	**17.82**
22 August 2012	**12,654**	**422**	**—**	**18.19**
7 September 2012	**9,841**	**328**	**—**	**19.07**
13 September 2012	**2,548**	**85**	**—**	**18.79**
14 December 2012	**5,147**	**179**	**—**	**20.88**
	88,706	**2,965**	**—**	

Year ended 31 March 2012

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

During the year the Company issued 88,706 (2012 – 16,952) ordinary shares of 3.33 pence each with a nominal value of £2,965 (2012 – £565) pursuant to the exercise of share options. The total proceeds were £2,965 (2012 – £565), which included a premium of £nil (2012 – £nil).

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

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2011	2,266	27,288	3,921	90,939	124,414
Loss for the year	—	—	—	(723)	(723)
Share-based payments	—	—	—	410	410
Share options granted to employees of subsidiary companies	—	—	—	1,250	1,250
Dividends paid	—	—	—	(12,832)	(12,832)
At 31 March 2012	2,266	27,288	3,921	79,044	112,519
Profit for the year	—	—	—	29,207	29,207
Share issues	3	—	—	—	3
Share-based payments	—	—	—	305	305
Share options granted to employees of subsidiary companies	—	—	—	1,011	1,011
Dividends paid	—	—	—	(14,602)	(14,602)
At 31 March 2013	**2,269**	**27,288**	**3,921**	**94,965**	**128,443**

10 RELATED PARTY TRANSACTIONS

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

Five year record

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Summarised consolidated results					
Revenue	**220,230**	195,935	173,988	148,334	164,041
Recurring revenue	**153,224**	137,890	117,199	102,701	94,196
Research and development expense	**35,539**	32,121	28,082	20,946	27,332
Adjusted* profit before tax	**70,714**	62,276	54,720	50,685	66,360
Profit before tax	**63,647**	57,737	49,795	49,574	59,201
Income tax expense	**(18,134)**	(17,769)	(15,303)	(16,134)	(17,047)
Profit for the financial year	**45,513**	39,968	34,492	33,440	42,154
Basic earnings per share	**66.97p**	58.86p	50.85p	49.36p	62.27p
Adjusted* basic earnings per share	**74.87p**	63.81p	56.08p	50.92p	69.99p
Total dividend per share	**24.00p**	21.00p	18.25p	16.90p	9.36p
Summarised consolidated balance sheet					
Non-current assets	**82,122**	62,306	58,356	42,067	42,219
Cash and cash equivalents and treasury deposits (net)	**190,357**	178,951	153,187	149,724	126,164
Net current assets	**188,524**	170,886	149,844	141,663	111,265
Shareholders' funds	**251,606**	221,462	202,372	169,222	143,131

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

Company information and advisers

DIRECTORS

Philip Aiken	Chairman
Philip Dayer	Non-Executive Director and Senior Independent Director
Jonathan Brooks	Non-Executive Director
Hervé Couturier	Non-Executive Director
Richard Longdon	Chief Executive
James Kidd	Chief Financial Officer

SECRETARY
Helen Barrett-Hague

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Brisbane, Australia
Budapest, Hungary
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Calgary, Canada
Cambridge, UK
Charlotte, USA
Chesterfield, UK
Dubai, UAE
Frankfurt, Germany
Genoa, Italy
Guangzhou, China
Hamburg, Germany
Helsinki, Finland
Hong Kong, China
Houston, USA
Hyderabad, India
Karlstad, Sweden
Kuala Lumpur, Malaysia
Lyon, France
Madrid, Spain
Malmö, Sweden
Manchester, UK
Mexico City, Mexico
Melbourne, Australia
Moscow, Russia
Mumbai, India
Oslo, Norway
Paris, France
Perg, Austria
Perth, Australia
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Santiago, Chile
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