AVEVA Group plc Interim report 2011

AVEVA
CONTINUAL PROGRESSION

Information-centric solutions for global industries

Driving global growth through innovative technology and service

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

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

AVEVA's vision

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

AVEVA's mission

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

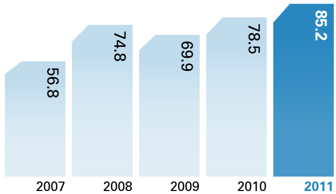
AVEVA's industry sectors

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

Review of the half year
Highlights

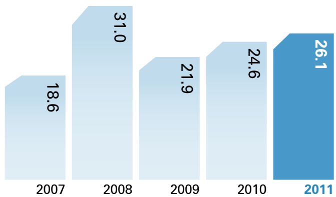
Revenue (£m)

£85.2m



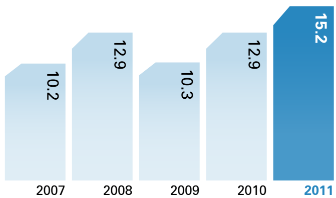
Adjusted* profit before tax (£m)

£26.1m



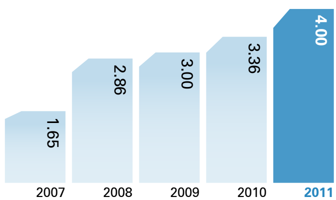
Research and Development expenditure (£m)

£15.2m



Interim dividend per share (p)

4.00p



In the first six months of the current financial year we have delivered strong progress against our strategic goals whilst posting revenue growth of 9% and adjusted* profit before tax growth of 6%.

Revenue up 9% to £85.2 million (2010 – £78.5 million)

Recurring revenue up 11% to £59.0 million (2010 – £53.3 million) representing 69% (2010 – 68%) of total revenue

Investment in Research and Development of £15.2 million (2010 – £12.9 million)

Adjusted* profit before tax up 6% to £26.1 million (2010 – £24.6 million)

Profit before tax of £23.8 million (2010 – £23.1 million)

Adjusted* basic earnings per share up 7% to 26.98 pence (2010 – 25.14 pence)

Basic earnings per share of 24.46 pence (2010 – 23.17 pence)

Interim dividend increased by 19% to 4.00 pence (2010 – 3.36 pence)

Continued strong cash generation with net cash and deposits at 30 September 2011 of £157.5 million (31 March 2011 – £153.2 million)

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

In this report

Review of the half year
Business review

Richard Longdon
Chief Executive

We have continued to invest in developing our business whilst at the same time maintaining an adjusted* profit margin of 31%.

Overview
AVEVA continues to exploit its market-leading position in engineering design and information management solutions for the Oil & Gas, Power and Marine industries. In the first six months of the current financial year we have delivered strong progress against our strategic goals whilst posting revenue growth of 9% and adjusted* profit before tax growth of 6%. We have continued to invest in developing our business whilst at the same time maintaining an adjusted* profit margin of 31%. We have a clear strategic focus on exploiting the significant growth opportunities that are open to us over the medium term.

We reorganised our business from 1 April to focus on two lines of business, Engineering & Design Systems and Enterprise Solutions. This new structure has bedded down well allowing us to focus appropriately on two respective product and service portfolios, which are aimed at different aspects of the project lifecycle. In addition, it enables our Research and Development to be more market driven and more agile, allowing faster introduction of new products which are closely matched to the requirements of the industries we serve.

High-growth markets
The economic and structural fundamentals of the emerging economies provide very strong opportunities for AVEVA. The need for natural resources and power generation drives increasing demand for our market-leading technologies in both Engineering & Design and Enterprise Solutions. During the six month period, we saw strong performances from Latin America and Russia. We continue to invest in these fast-growing markets to ensure that we are in a leading position to capitalise on these opportunities. We have opened a new sales office in Bogota, Colombia to focus on the growing Oil & Gas industry there, which takes our headcount in Latin America to more than 60 employees.

In Brazil we have continued to work with the engineering contractors on Oil & Gas projects

AVEVA continues to exploit its market-leading position in engineering design and information management solutions for the Oil & Gas, Power and Marine industries.

and have several key customers involved with Petrobras, including Promon Engenharia and SETAL Óleo e Gás. Latin America has been a key area for AVEVA NET with customers such as Codelco, the state Chilean mining company, being a significant user of the solution. In Russia and CIS, the key drivers behind the growth in the period have been Oil & Gas and Power with further expansion across a broad range of customers and new customer wins.

In China we have restructured our operations to position us better to make the most of the significant growth opportunities open to us in this market. We have combined our previously separate Marine and Plant teams and are now in the process of establishing our own Chinese subsidiary company which will make it easier for us to contract and do business with Chinese customers as well as bringing us tax advantages. These improvements have inevitably caused some short-term disruption, but we are already seeing initial signs of momentum building in the second half of the year.

Enterprise Solutions

The Enterprise Solutions market represents a very significant growth opportunity for AVEVA and in the six months to 30 September 2011 we made excellent progress as our revenue grew 50% to £10.5 million.

The key to our growth in the period has been the successful targeting of the large owner operators, new customer wins and further development within existing accounts. We are building strong relationships that we believe are likely to continue to strengthen our pipeline of both software and services sales.

Progress has continued in building the team and capabilities of our service delivery group. We are leveraging the excellent experience that we gained through our acquisitions of both Logimatic and ADB in 2010 and have some first class examples of cross-border and cross-specialism teamworking. Our work processes and methodologies for service delivery have been improved to ensure an efficient service organisation. Our model for

In summary

- Revenue of £85.2 million (2010 – £78.5 million)
- Recurring revenue up 11% to £59.0 million (2010 – £53.3 million) representing 69% (2010 – 68%) of total revenue
- Adjusted* profit before tax up 6% to £26.1 million (2010 – £24.6 million)
- Investment in Research and Development up 18% to £15.2 million (2010 – £12.9 million)
- Interim dividend increased by 19% to 4.0 pence (2010 – 3.36 pence)

Review of the half year

Business review continued

Overview continued

Enterprise Solutions continued

working with other service partners is also continuing to develop through relationships with Logica and iGATE Patni. In addition we have recently signed a partnership with Capgemini in France to provide information management solutions focused on the nuclear industry. We expect to sign further service partners over the next year to help gear up to provide services on a wider scale.

The Enterprise Solutions sales cycle is longer and more complex compared to our traditional Engineering & Design Systems business and requires more investment up front in sales effort. In order to address this we have built a business development team who are experienced in this more consultative type of sale. We started making this investment in 2010/11 and have continued in the first half. The result of this investment is that we have seen the pipeline for Enterprise Solutions grow significantly, including development of relationships with the oil super majors, national oil companies and key global accounts. In addition, the backlog of deferred revenue and services for Enterprise Solutions continues to grow and currently stands at approximately £8 million.

Technology and innovation

We continue to invest in Research and Development to ensure that we maintain our technology leadership position and provide real value to our customers. Research and Development costs increased by 18% to £15.2 million in the half year reflecting our continued investment in the product portfolio. The new line of business organisation has further improved our agility and tightly coupled Research and Development with the key market drivers. During the first half, our Engineering & Design business released new versions of our AVEVA Plant and AVEVA Marine products, which contain major new enhancements, and introduced two new products, AVEVA Engineering and AVEVA Electrical. These new products, combined with the success of AVEVA Instrumentation, are attracting considerable interest from the market and we are positive about the outlook for these as we continue to expand our footprint across all stages of the project lifecycle.

In October 2011 we acquired Z+F UK Limited for total consideration of £7.3 million, which brings a versatile software portfolio for the management of laser scanned data, together with a team of people with significant domain experience in the laser scanning market. The integration of the business has gone smoothly and the new team has settled in well. The expanded portfolio now provides us with an unrivalled suite of design, engineering and information management solutions for the brownfield asset market, which substantially reduces time and costs to create intelligent 3D models from the laser scanned data compared to competitor offerings.

The fundamental growth drivers across our vertical markets remain strong, particularly in the emerging markets, and we are well positioned to continue to exploit those opportunities.

We continue to look at further acquisition opportunities which will allow us to expand our offerings in both the Engineering & Design and Enterprise Solutions space for the core markets that we serve.

Customer relationships

We continue to maintain very strong customer relationships across the world and this is reflected in the strength of our recurring revenue base, which increased by 11% to £59 million and now accounts for 69% of total revenue. Our longstanding customer relationships and our reputation for quality and reliability allow us to develop new products in conjunction with customers which meet the requirements of the market.

Outlook

The fundamental growth drivers across our vertical markets remain strong, particularly in the emerging markets, and we are well positioned to continue to exploit those opportunities.

We are pleased with our progress in the first half, especially the development of the Enterprise Solutions business and the continued growth in Latin America and Russia. In addition, we have reorganised the business in China and are now better placed to exploit the opportunities that market presents. We have also seen a strong performance in EMEA in the first half. As we enter the second half, we are well positioned to deliver the Board's expectations for the full year.

Richard Longdon
Chief Executive
15 November 2011

Review of the half year
Finance review continued

James Kidd
Chief Financial Officer

Revenue
In the six months ended 30 September 2011, total revenue grew 9% to £85.2 million (2010 – £78.5 million) with recurring revenue continuing to grow strongly to £59.0 million (2010 – £53.3 million), representing 69% of total revenue. Overall foreign currency had a negligible impact on Group revenue but did have an impact on Americas and EMEA as noted below. As previously announced, the Group now operates under two lines of business, Engineering & Design Systems and Enterprise Solutions, and the segmental disclosures now reflect the new structure.

Revenue by segment
Revenue from Engineering & Design Systems grew by 4% to £74.6 million (2010 – £71.5 million) and was impacted by the reorganisation of the business in China, which also accounted for the reduction in initial licence fees compared to 2010. Nevertheless, we did see strong growth throughout Europe, Latin America and other parts of Asia.

The recurring revenue base for Engineering & Design Systems continues to grow strongly, up £5.8 million (12%) to £55.5 million with rental licences up 17% to £34.2 million, continuing to reflect the engineering customers' general preference for the flexibility offered by the rental model.

Revenue from Enterprise Solutions grew by 50% to £10.5 million compared to £7.0 million in 2010. The first half included the benefit from having a full six months' worth of revenue from ADB and Logimatic businesses acquired in 2010. After adjustment for the impact of these acquisitions, revenue grew by approximately 20%. The growth in Enterprise Solutions was driven by initial licence fees and rental licences for new contracts won in the period for AVEVA NET and MARS together with services revenue from the execution of those new contracts and existing projects with owner operators. Most of the growth came from Oil & Gas customers. There are more contract renewals in the second half of the year and therefore revenue for Enterprise Solutions will be more second half weighted.

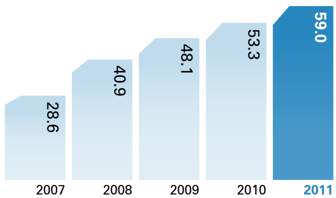
The pipeline for Enterprise Solutions continues to grow strongly and we remain confident about the strong growth opportunity that this business can deliver.

Revenue by geography and end user markets
EMEA performed very strongly in the first half with revenue up 28% to £41.1 million although this includes a £1.0 million benefit from the stronger Euro by £1.0 million on a constant currency basis and from the Enterprise Solutions acquisitions made in 2010. Nevertheless, it was a strong performance particularly in Russia and Central Europe with most of the growth coming through rental licences. EMEA also benefited from the increased Enterprise Solutions revenue in the first half, particularly from services on existing projects.

Revenue from Asia Pacific was down 9% compared to the same period last year due primarily to disruption as a result of the reorganisation in China. Elsewhere in Asia we saw a strong performance in South Korea with a notable customer win with SungDong

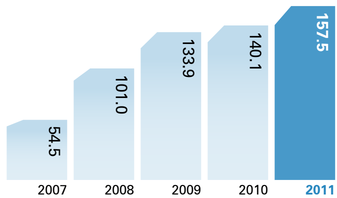
Recurring revenue (£m)

£59.0m



Net cash and deposits (£m)

£157.5m



Shipbuilding & Marine Engineering Co. Limited for AVEVA Marine for use in offshore projects. The other smaller sub-regions were relatively flat compared to 2010 with the marine business remaining stable.

In Americas, revenue grew by 5% to £15.4 million (2010 – £14.7 million) but grew by 11% on a constant currency basis, as Americas was impacted by the weaker US Dollar during the period by approximately £1.0 million. Latin America continued to perform well, with Brazil the main driver behind the performance. In North America conditions remain tough competitively and we continue to see weaker demand for our design tools. We are targeting the North American market with Enterprise Solutions and the organisation is now better positioned to sell those products, which we expect to bring improvements to our performance in the region.

Total revenue from our end user markets was in line with previous periods with Oil & Gas approximately accounting for 45%, Marine 25%, Power 15% and Other, consisting of Mining, Petrochemical, Chemical, Pharmaceutical, and Paper and Pulp, 15%. Oil & Gas continued to be the main driver behind the growth in the first half with many of our engineering contractor customers continuing to experience strong demand. Marine remained stable with annual and rental fees being renewed but with limited growth of new design seats. We continue to focus on selling other software in the portfolio which focus on improving productivity. Overall revenue from Power also remained relatively stable during the first half with customers continuing to renew their licences but we did not see any significant new licence sales.

Operating costs

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

Engineering & Design System operating costs increased by 4% in the first half, mainly due to salary increases and also additional investment in technical staff in the sales regions who are involved in pre-sales activities.

Enterprise Solutions operating costs increased 24% to £13.3 million (2010 – £10.7 million). Most of the increase was due to the annualised impact of the investments made in AVEVA NET in 2010/11 and having a full six months' worth of costs from the acquisitions in 2010. In addition we have made some further investments in the first half in business development staff and service delivery staff.

Review of the half year
Finance review continued

Operating costs continued
Shared selling and distribution expenses increased by 13% to £20.1 million (2010 – £17.8 million) partly due to salary increases, increase in sales headcount and further geographic expansion such as the opening of a new office in Colombia.

Other shared operating expenses fell by 3% to £7.7 million (2010 – £7.9 million) mainly due to reduced bonuses payable.

Engineering & Design Systems had a segment contribution of £56.3 million in the first half, up 5% on the prior year. Enterprise Solutions had a segment loss of £2.8 million, an improvement of £1.0 million on the prior period.

Profit before tax
Adjusted* profit before tax for the six months ended 30 September 2011 was £26.1 million (2010 – £24.6 million), up 6% on 2010. Reported profit before tax was £23.8 million (2010 – £23.1 million). The adjusted* profit margin for the six months was 31%, which was in line with the year ended 31 March 2011.

Taxation
The effective tax rate for the half year 30.3% (2010 – 31.8%) is higher than the underlying UK rate and is predominantly due to irrecoverable withholding tax incurred in Asia. The Group is in the process of establishing a direct subsidiary in China which will help to eliminate this irrecoverable withholding tax in the future.

Earnings per share and interim dividend
Basic earnings per share were 24.46 pence (2010 – 23.17 pence) and diluted earnings per share were 24.32 pence (2010 – 23.03 pence). Adjusted* basic earnings per share were 26.98 pence (2010 – 25.14 pence), an increase of 7%. Diluted adjusted* earnings per share on the same basis were 26.82 pence (2010 – 24.99 pence).

The Board is declaring an increased interim dividend of 4.0 pence per share (2010 – 3.36 pence per share). The dividend will be payable on 3 February 2012 to shareholders on the register on 6 January 2012.

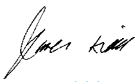
Balance sheet and cash flows
AVEVA continues to have a strong balance sheet with net assets of £202.1 million at 30 September 2011 (2010 – £177.9 million) and there has been little change in the make-up of the balance sheet since 31 March 2011.

Accounts receivable at 30 September 2011 were £51.3 million (2010 – £44.5 million). The Group continues to focus on collection of debts from customers and additional controls have been put in place to ensure our exposure is minimised as far as possible. Deferred revenue at 30 September 2011 was £30.6 million (2010 – £25.1 million), partly reflecting the increased growth in rental licences in the period.

Net cash (including treasury deposits of £116.8 million) at 30 September 2011 was £157.5 million, an increase of £4.3 million from 31 March 2011. This was after increased tax payments of £8.3 million and the increased final 2010/11 dividend of £10.1 million. Total cash and deposits held in the UK at 31 March 2011 represented 84% of the total cash and deposits balance (2010 – 80%). The Group has no debt.

Cash generated from operating activities before tax in the period amounted to £24.4 million (2010 – £24.1 million). Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 104% compared to 91% in the prior year, which continues to reflect the robust quality of earnings.

Risk and uncertainties
The principal risks and uncertainties faced by the Group have not changed from those set out in the annual report for the year ended 31 March 2011. Further details are included in note 4.



James Kidd
Chief Financial Officer
15 November 2011

Financial statements
Independent review report

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Ernst & Young LLP
Cambridge
15 November 2011

Financial statements

Consolidated income statement for the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (restated) (unaudited)	Year ended 31 March 2011 £000 (restated) (audited)
Revenue	5,6	**85,170**	78,474	173,988
Cost of sales		**(7,236)**	(7,833)	(18,765)
Gross profit		**77,934**	70,641	155,223
Operating expenses				
Research and development costs		**(15,178)**	(12,875)	(28,082)
Selling and distribution expenses		**(32,337)**	(28,283)	(62,672)
Administrative expenses		**(7,056)**	(6,699)	(15,309)
Total operating expenses		**(54,571)**	(47,857)	(106,063)
Profit from operations		**23,363**	22,784	49,160
Finance revenue		**1,984**	1,750	3,584
Finance expense		**(1,547)**	(1,478)	(2,949)
Analysis of profit before tax				
Adjusted profit before tax	2	**26,108**	24,584	54,720
Amortisation of intangibles (excluding software)		**(1,625)**	(1,194)	(2,797)
Share-based payments		**93**	(737)	(1,541)
(Loss)/gain on fair value of forward foreign exchange contracts		**(376)**	1,108	948
Exceptional items – acquisition and integration costs		**(400)**	(705)	(1,535)
Profit before tax		**23,800**	23,056	49,795
Income tax expense	7	**(7,201)**	(7,341)	(15,303)
Profit for the period attributable to equity holders of the parent		**16,599**	15,715	34,492
Earnings per share	9			
– basic		**24.46p**	23.17p	50.85p
– diluted		**24.32p**	23.03p	50.56p
Proposed dividend per share		**4.00p**	3.36p	18.25p

Consolidated statement of comprehensive income for the six months ended 30 September 2011

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Profit for the period	**16,599**	15,715	34,492
Other comprehensive income			
Exchange differences arising on translation of foreign operations	**(2,099)**	1,235	3,287
Actuarial (loss)/gain on defined benefit pension schemes	**(5,321)**	1,047	8,218
Tax on items relating to components of other comprehensive income	**1,372**	(452)	(2,509)
Comprehensive income for the period	**10,551**	17,545	43,488

Consolidated balance sheet
30 September 2011

	Notes	As at 30 September 2011 £000 (unaudited)	2010 £000 (unaudited)	As at 31 March 2011 £000 (audited)
Non-current assets				
Goodwill		**26,783**	26,595	27,534
Other intangible assets		**16,950**	19,517	18,696
Property, plant and equipment		**7,890**	7,641	7,721
Deferred tax assets		**4,795**	4,697	3,638
Other receivables	11	**783**	758	767
		57,201	59,208	58,356
Current assets				
Trade and other receivables	11	**54,901**	47,567	73,089
Current tax assets		**1,540**	2,759	1,125
Financial assets		**—**	74	—
Treasury deposits	10	**116,832**	106,480	123,002
Cash and cash equivalents	10	**40,624**	33,597	30,185
		213,897	190,477	227,401
Total assets		**271,098**	249,685	285,757
Equity				
Issued share capital		**2,266**	2,266	2,266
Share premium		**27,288**	27,288	27,288
Other reserves		**15,649**	15,579	17,631
Retained earnings		**156,884**	132,719	155,187
Total equity		**202,087**	177,852	202,372
Current liabilities				
Trade and other payables	12	**49,887**	45,388	69,467
Financial liabilities		**462**	—	85
Current tax liabilities		**7,528**	10,836	8,005
		57,877	56,224	77,557
Non-current liabilities				
Deferred tax liabilities		**2,618**	3,384	2,801
Retirement benefit obligations	13	**8,516**	12,225	3,027
		11,134	15,609	5,828
Total equity and liabilities		**271,098**	249,685	285,757

Financial statements

Consolidated statement of changes in shareholders' equity 30 September 2011

	Share capital £000	Share premium £000	Merger reserve £000	Cumulative translation adjustments £000	Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2010	2,264	27,288	3,921	11,646	(1,112)	14,455	125,215	169,222
Profit for the period	—	—	—	—	—	—	15,715	15,715
Other comprehensive income	—	—	—	1,235	—	1,235	595	1,830
Total comprehensive income	—	—	—	1,235	—	1,235	16,310	17,545
Issue of share capital	2	—	—	—	—	—	—	2
Share-based payments	—	—	—	—	—	—	721	721
Tax arising on share options	—	—	—	—	—	—	215	215
Investment in own shares	—	—	—	—	(430)	(430)	—	(430)
Cost of employee benefit trust shares issued to employees	—	—	—	—	319	319	(319)	—
Equity dividends	—	—	—	—	—	—	(9,423)	(9,423)
At 30 September 2010	2,266	27,288	3,921	12,881	(1,223)	15,579	132,719	177,852
Profit for the period	—	—	—	—	—	—	18,777	18,777
Other comprehensive income	—	—	—	2,052	—	2,052	5,114	7,166
Total comprehensive income	—	—	—	2,052	—	2,052	23,891	25,943
Share-based payments	—	—	—	—	—	—	820	820
Tax arising on share options	—	—	—	—	—	—	37	37
Equity dividends	—	—	—	—	—	—	(2,280)	(2,280)
At 31 March 2011	2,266	27,288	3,921	14,933	(1,223)	17,631	155,187	202,372
Profit for the period	—	—	—	—	—	—	16,599	16,599
Other comprehensive income	—	—	—	(2,099)	—	(2,099)	(3,949)	(6,048)
Total comprehensive income	—	—	—	(2,099)	—	(2,099)	12,650	10,551
Share-based payments	—	—	—	—	—	—	(93)	(93)
Tax arising on share options	—	—	—	—	—	—	(63)	(63)
Investment in own shares	—	—	—	—	(563)	(563)	—	(563)
Cost of employee benefit trust shares issued to employees	—	—	—	—	680	680	(680)	—
Equity dividends	—	—	—	—	—	—	(10,117)	(10,117)
At 30 September 2011	**2,266**	**27,288**	**3,921**	**12,834**	**(1,106)**	**15,649**	**156,884**	**202,087**

Consolidated cash flow statement for the six months ended 30 September 2011

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Cash flows from operating activities			
Profit for the year	**16,599**	15,715	34,492
Income tax	**7,201**	7,341	15,303
Net finance revenue	**(437)**	(272)	(636)
Amortisation of intangible assets	**1,666**	1,247	2,890
Depreciation of property, plant and equipment	**1,046**	845	1,893
Loss/(gain) on disposal of property, plant and equipment	**61**	(49)	(49)
Share-based payments	**(93)**	721	1,541
Difference between pension contributions paid and amounts recognised in the Consolidated income statement	**84**	(9)	(2,321)
Changes in working capital:			
Trade and other receivables	**17,833**	1,055	(27,357)
Trade and other payables	**(19,892)**	(1,339)	19,872
Changes to fair value of forward foreign exchange contracts	**376**	(1,108)	(948)
Cash generated from operating activities before tax	**24,444**	24,147	44,680
Income taxes paid	**(8,303)**	(3,390)	(13,876)
Net cash generated from operating activities	**16,141**	20,757	30,804
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,282)**	(955)	(2,087)
Purchase of intangibles	**(147)**	(58)	(527)
Acquisition of subsidiaries and business undertakings, net of cash acquired	**—**	(13,390)	(13,390)
Proceeds from disposal of property, plant and equipment	**—**	58	98
Interest received	**735**	545	1,165
Redemption/(purchase) of treasury deposits (net)	**6,170**	76	(16,447)
Net cash used in investing activities	**5,476**	(13,724)	(31,188)
Cash flows from financing activities			
Interest paid	**(196)**	(15)	(13)
Purchase of own shares	**(563)**	(430)	(430)
Proceeds from the issue of shares	**—**	2	2
Dividends paid to equity holders of the parent	**(10,117)**	(9,423)	(11,703)
Net cash used in financing activities	**(10,876)**	(9,866)	(12,144)
Net increase/(decrease) in cash and cash equivalents	**10,741**	(2,833)	(12,528)
Net foreign exchange difference	**(302)**	(6,739)	(456)
Opening cash and cash equivalents	**30,185**	43,169	43,169
Closing cash and cash equivalents	**40,624**	33,597	30,185

Financial statements
Notes to the interim report

1 The interim report
The interim report was approved by the Board on 15 November 2011. The financial information set out in the interim report is unaudited but has been reviewed by the auditor, Ernst & Young LLP, and their report to the Company is set out on page 6.

The interim report will be posted to shareholders in due course and copies will be available from the registered office of AVEVA Group plc, High Cross, Madingley Road, Cambridge CB3 0HB and on the Company's website at www.aveva.com.

2 Basis of preparation and accounting policies
The interim report for the six months ended 30 September 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules.

The interim report does not include all the information and disclosures required in the annual report and should be read in conjunction with the annual report for the year ended 31 March 2011.

The financial information set out within this report does not constitute AVEVA's Consolidated statutory financial statements as defined in Section 435 of the Companies Act 2006. The results for the year ended 31 March 2011 have been extracted from the Consolidated statutory financial statements for AVEVA Group plc for the year ended 31 March 2011 which are prepared in accordance with IFRS as adopted by the European Union, on which the auditor gave an unqualified report (which made no statement under Section 498 (2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters by way of emphasis) and have been filed with the Registrar of Companies.

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

Similarly, in line with the Group's development and expanding business, the Directors have reconsidered the categorisation of expenses within the Income statement and have decided to make four discrete amendments. The Directors believe that the revised Income statement presentation more appropriately reflects the nature of the Group's business and reflects what has become industry practice. The comparative Income statements for the year ended 31 March 2011 and the six month period to 30 September 2010 have been restated to provide a consistent comparison. Research and Development costs of £28,082,000 for the year ended 31 March 2011 (£12,875,000 for the six months to 30 September 2010) which were previously included within Cost of sales are now presented separately on the face of the Income statement. Corporate IT costs of £3,099,000 for the year ended 31 March 2011 (£1,501,000 for the six months to 30 September 2010) that were previously reported within Cost of sales are now included within Administrative expenses and Corporate marketing costs of £1,743,000 (£686,000 for the six months to 30 September 2010) that were previously included in Administrative expenses are now included within Selling and distribution expenses. Solution consulting labour costs for Enterprise Solutions that were previously disclosed as part of Selling and distribution expenses are now part of Cost of sales. These costs amounted to £10,778,000 for the year ended 31 March 2011 and £4,398,000 for the six months ended 30 September 2010.

In all other respects the interim report has been prepared on the basis of the accounting policies set out in the most recently published annual report of the Group for the year ended 31 March 2011.

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

3 Going concern

As disclosed in the most recent annual report, the Group continues to have significant financial resources and continues to be profitable. At 30 September 2011, the Group had bank and cash and treasury deposits of £157.5 million (31 March 2011 – £153.2 million) and no debt. The Directors continue to believe that the Group is well placed to manage business risks successfully despite the uncertain economic outlook.

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

4 Risks and uncertainties

AVEVA has continued to be successful in the period, but as with any organisation there are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance.

The primary risk and uncertainty related to the Group's performance for the remainder of the year is the challenging macroeconomic environment, which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

The other principal risks and uncertainties faced by the Group have not changed from those set out in the annual report for the year ended 31 March 2011. These include:

- protection of the Group's intellectual property rights;
- the risks associated with widespread international operations;
- the continued development of Enterprise Solutions;
- competition;
- dependency on key markets;
- identification and successful integration of acquisitions;
- recruitment and retention of employees; and
- foreign exchange risk.

These risks are described in more detail on pages 24 and 25 of the 2011 annual report. The Directors routinely monitor all of these risks and uncertainties and appropriate actions are taken where possible to mitigate these risks. Included in the Chairman's statement is a commentary on the outlook of the Group for the remaining six months of the year.

5 Revenue

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

	Six months ended 30 September		Year ended 31 March
	2011 £000 (unaudited)	2010 £000 (unaudited)	2011 £000 (audited)
Annual fees	**23,572**	22,097	45,713
Rental fees	**35,395**	31,019	71,263
Recurring services	**—**	223	223
Total recurring revenue	**58,967**	53,339	117,199
Initial licence fees	**16,424**	19,228	40,960
Services	**9,779**	5,907	15,829
Total revenue	**85,170**	78,474	173,988
Finance revenue	**1,984**	1,750	3,584
	87,154	80,224	177,572

The operations of the Group are not subject to significant seasonality.

Services consist of consultancy and training fees.

Financial statements
Notes to the interim report continued

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

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

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

Information concerning the Group's segments is set out below. Disclosure for the year ended 31 March 2011 and the six month period to 30 September 2010 has been restated to reflect the new organisational structure and lines of business reporting.

	Six months ended 30 September 2011		
	Engineering & Design £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	21,274	2,298	23,572
Rental licence fees	34,219	1,176	35,395
Initial licence fees	14,729	1,695	16,424
Training and services	4,418	5,361	9,779
Segment revenue	74,640	10,530	85,170
Operating costs	(18,364)	(13,318)	(31,682)
Segment profit/(loss) contribution	56,276	(2,788)	53,488
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(20,128)
Other shared operating expenses			(7,688)
Net finance revenue			436
Adjusted profit before tax			26,108
Exceptional items and other normalised adjustments*			(2,308)
Profit before tax			23,800

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

6 Segment information continued

	Six months ended 30 September 2010 (restated)		
	Engineering & Design £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	20,519	1,578	22,097
Rental licence fees	29,151	1,868	31,019
Initial licence fees	18,106	1,122	19,228
Training and services	3,722	2,408	6,130
Segment revenue	71,498	6,976	78,474
Operating costs	(17,683)	(10,726)	(28,409)
Segment profit/(loss) contribution	53,815	(3,750)	50,065
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(17,849)
Other shared operating expenses			(7,904)
Net finance revenue			272
Adjusted profit before tax			24,584
Exceptional items and other normalised adjustments*			(1,528)
Profit before tax			23,056

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

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

Financial statements
Notes to the interim report continued

6 Segment information continued
Analysis of revenue by geographical location

	Six months ended 30 September 2011			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	9,910	11,631	2,031	23,572
Rental licence fees	9,794	14,883	10,718	35,395
Initial licence fees	7,739	8,026	659	16,424
Training and services	1,294	6,523	1,962	9,779
Total revenue	**28,737**	**41,063**	**15,370**	**85,170**

	Six months ended 30 September 2010			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	9,113	10,614	2,370	22,097
Rental licence fees	9,626	11,463	9,930	31,019
Recurring services	—	50	173	223
Initial licence fees	12,024	6,365	839	19,228
Training and services	845	3,632	1,430	5,907
Total revenue	**31,608**	**32,124**	**14,742**	**78,474**

	Year ended 31 March 2011			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	18,478	22,400	4,835	45,713
Rental licence fees	21,020	30,076	20,167	71,263
Recurring services	—	50	173	223
Initial licence fees	24,250	15,015	1,695	40,960
Training and services	2,576	9,316	3,937	15,829
Total revenue	**66,324**	**76,857**	**30,807**	**173,988**

7 Income tax expense

The current year income tax expense for the six months ended 30 September 2011 is estimated at 30.3% (2010 – 31.8%) of profit before tax.

The total tax charge of £7.2 million (2010 – £7.3 million) is made up of UK tax of £3.5 million (2010 – £4.0 million) and overseas tax of £3.7 million (2010 – £3.3 million).

At the balance sheet date the UK government had enacted a 1% reduction in the main rate of UK corporation tax from 26% to 25% from 1 April 2012. The government has also proposed reducing the UK corporation tax rate by a further 1% per annum to 23% by 1 April 2014. However, these further rate changes had not been substantively enacted at the balance sheet date and their effects are not, therefore, included in these financial statements. We do not expect that the enactment of these changes will have a material impact on the deferred tax balances of the Group.

8 Ordinary dividends

The proposed interim dividend of 4.0 pence per ordinary share will be payable on 3 February 2012 to shareholders on the register on 6 January 2012. In accordance with IFRS, no provision for the interim dividend has been made in these financial statements.

An analysis of dividends paid is set out below:

	Six months ended 30 September		Year ended 31 March
	2011 £000 (unaudited)	2010 £000 (unaudited)	2011 £000 (audited)
Final 2009/10 paid at 13.9 pence per share	**—**	9,423	9,423
Interim 2010/11 paid at 3.36 pence per share	**—**	—	2,280
Final 2010/11 paid at 14.89 pence per share	**10,117**	—	—
	10,117	9,423	11,703

Financial statements
Notes to the interim report continued

9 Earnings per share

	Six months ended 30 September		Year ended 31 March
	2011 Pence (unaudited)	2010 Pence (unaudited)	2011 Pence (audited)
Earnings per share for the period:			
– basic	**24.46**	23.17	50.85
– diluted	**24.32**	23.03	50.56
Adjusted earnings per share:			
– basic	**26.98**	25.14	56.08
– diluted	**26.82**	24.99	55.76

The calculation of earnings per share is based on the profit after tax for the six months ended 30 September 2011 of £16.6 million and the following weighted average number of shares:

	Six months ended 30 September		Year ended 31 March
	2011 Number of shares (unaudited)	2010 Number of shares (unaudited)	2011 Number of shares (audited)
Weighted average number of ordinary shares for basic earnings per share	**67,865,254**	67,829,426	67,831,192
Effect of dilution: employee share options	**396,946**	409,367	384,643
Weighted average number of ordinary shares adjusted for the effect of dilution	**68,262,200**	68,238,793	68,215,835

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

	Six months ended 30 September		Year ended 31 March
	2011 £000 (unaudited)	2010 £000 (unaudited)	2011 £000 (audited)
Profit after tax for the period	**16,599**	15,715	34,492
Intangible amortisation (excluding software)	**1,625**	1,194	2,797
Share-based payments	**(93)**	737	1,541
Loss/(gain) on fair value of forward foreign exchange contracts	**376**	(1,108)	(948)
Exceptional items	**400**	705	1,535
Tax effect	**(600)**	(190)	(1,379)
Adjusted profit after tax	**18,307**	17,053	38,038

10 Cash and cash equivalents and treasury deposits

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Cash at bank and in hand	**40,405**	33,511	30,094
Short-term deposits	**219**	86	91
Total cash and cash equivalents	**40,624**	33,597	30,185
Treasury deposits	**116,832**	106,480	123,002
Total cash and deposits	**157,456**	140,077	153,187

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

11 Trade and other receivables

Current

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Trade receivables	**51,324**	44,491	68,379
Prepayments and other receivables	**3,397**	2,754	3,714
Accrued income	**180**	322	996
	54,901	47,567	73,089

Non-current

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Other receivables	**783**	758	767

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

12 Trade and other payables

	Six months ended 30 September 2011 £000 (unaudited)	Six months ended 30 September 2010 £000 (unaudited)	Year ended 31 March 2011 £000 (audited)
Trade payables	**3,546**	1,731	3,399
Social security, employee and sales taxes	**4,114**	3,010	5,180
Other payables	**112**	633	223
Accruals	**11,528**	14,910	24,299
Deferred income	**30,587**	25,104	36,366
	49,887	45,388	69,467

Financial statements
Notes to the interim report continued

13 Retirement benefit obligations
The movement on the provision for retirement benefit obligations during the period was as follows:

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 1 April 2010	11,692	703	687	13,082
Current service cost	532	18	99	649
Interest on pension scheme liabilities	1,445	18	—	1,463
Expected return on pension scheme assets	(1,205)	—	—	(1,205)
Actuarial (gain)/loss	(1,172)	125	—	(1,047)
Employer contributions	(578)	(62)	(17)	(657)
Exchange adjustment	—	(22)	(38)	(60)
At 30 September 2010	10,714	780	731	12,225
Current service cost	598	18	172	788
Interest on pension scheme liabilities	1,452	20	—	1,472
Expected return on pension scheme assets	(1,214)	—	—	(1,214)
Actuarial gain	(7,073)	(98)	—	(7,171)
Employer contributions	(3,069)	(17)	(15)	(3,101)
Exchange adjustment	—	13	15	28
At 31 March 2011	1,408	716	903	3,027
Current service cost	577	19	172	768
Interest on pension scheme liabilities	1,359	27	—	1,386
Expected return on pension scheme assets	(1,248)	(7)	—	(1,255)
Actuarial loss/(gain)	5,340	(20)	—	5,320
Employer contributions	(575)	(65)	(44)	(684)
Exchange adjustment	—	(6)	(40)	(46)
At 30 September 2011	**6,861**	**664**	**991**	**8,516**

14 Business combinations
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 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 5 years. In view of the timing of the acquisition it has not been practical to complete the fair valuation of the acquired assets and liabilities.

15 Related party transactions
Transactions between Group subsidiaries have been eliminated on consolidation. A list of subsidiaries can be found in the notes to the AVEVA Group plc financial statements in the 2011 Annual Report.

Responsibility statement of the Directors in respect of the interim report

The Directors of the Company confirm that to the best of our knowledge:

- the interim report has been prepared in accordance with IAS 34;
- the interim report includes a fair review of the information required by DTR 4.2.7R, being an indication of the important events that have occurred during the first six months of the financial year and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the interim report includes a fair review of the information required by DTR 4.2.8R, being disclosure of related party transactions and changes therein since the last annual report.

By order of the Board

Richard Longdon
Chief Executive
15 November 2011

James Kidd
Chief Financial Officer

Other information
Company information and advisers

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Nick Prest CBE
Chairman

Philip Dayer
Non-Executive Director and Senior Independent Director

Jonathan Brooks
Non-Executive Director

Hervé Couturier
Non-Executive Director

Richard Longdon
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James Kidd
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Headquartered in Cambridge, England, AVEVA Group plc and its operating subsidiaries currently employ staff worldwide in Australia, Austria, Brazil, Canada, China, Columbia, Denmark, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Malaysia, Mexico, Norway, Russia, Saudi Arabia, Singapore, Spain, Sweden, South Korea, United Arab Emirates, United Kingdom and the United States of America. AVEVA also has representatives in additional countries around the world.

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