AVEVA
CONTINUAL PROGRESSION

Press Release

24 May 2016

AVEVA GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2016

AVEVA Group plc ('AVEVA'; stock code : AVV), one of the world's leading providers of engineering data and design IT systems, today announces its preliminary results for the year ended 31 March 2016.

Financial Highlights

	2016	2015	**% change**
Revenue	**£201.5m**	£208.7m	(3%)
Organic constant currency revenue**	**£204.4m**	£207.6m	(2%)
Adjusted* profit before tax	**£51.2m**	£62.1m	(18%)
Profit before tax	**£29.4m**	£54.9m	(46%)
Adjusted* profit before tax margin	**25.4%**	29.8%	(15%)
Basic earnings per share	**32.03p**	65.07p	(51%)
Adjusted* basic earnings per share	**62.04p**	74.51p	(17%)
Net cash	**£107.9m**	£103.8m	4%
Final dividend per share	**30.0p**	25.0p	20%

* Adjusted profit before tax, adjusted profit margin and adjusted basic 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 basic earnings per share also include the tax effects of these adjustments.

** Organic constant currency revenue is defined as the period's reported revenue restated to reflect the previous year's average exchange rates and excludes the contribution from 8over8 and FabTrol.

Highlights

- Results in line with 19 April 2016 trading update: revenue of £201.5 million (2015 – £208.7 million) and adjusted PBT of £51.2 million (2015 – £62.1 million)
- AVEVA benefited from its strong customer relationships, with organic constant currency recurring revenue at £156.3 million (2015 – £157.4 million) or 76% of total Group revenue (2015 – 76%)
- Global account rental renewals in line with expectations in second half of the year, with price escalation achieved in multi-year contracts
- Proposed increase in final dividend of 20% to 30.0 pence per share (2015 – 25.0 pence), signalling the Board's confidence in the outlook whilst leaving significant headroom for strategic acquisitions
- Highly encouraging performance from AVEVA Everything 3D™ (AVEVA E3D™) with an acceleration in revenue growth in the second half and contributing c.10% of revenue in 2016 (2015 – less than 5%)
- Good progress in our initiative to sell our non-3D products (More than 3D), for example double-digit growth in schematics and continued strong growth in laser modelling
- Operating cash conversion was 123% (2015 – 83%) with net cash of £107.9 million (2015 – £103.8 million) rising to £123.5 million at 30 April 2016 following strong cash collection post year end

Commenting, Chief Executive Richard Longdon said:

"The result for the year has highlighted the strength of the AVEVA business model, the value that our technology delivers to our customers and our ability to adapt to changing market conditions through a disciplined approach to innovation and organisational efficiency. Whilst we recognise the challenges in our markets, the Board is confident that we can achieve our targets in the current financial year and over the medium term."

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Conference call and webcast

AVEVA management will host a conference call and audio-webcast, for registered participants, at 09:30 (BST) today. The audio-webcast will be also accessible via the AVEVA website following the presentation.

To register for the webcast and access the presentation materials please visit:

http://www.aveva.com/en/Investors.aspx.

Conference calls dial in details:

Telephone: +44 (0) 20 3427 1912
Conference call code: 3611104

Participants are advised to visit the website at least 15 minutes prior to the commencement of the call in order to register and, for those accessing the webcast, in order to download and install any audio software that may be required.

NB: Conference call participants will be able to ask questions during the Q&A session, but those on the webcast will be in a listen only mode.

A full replay facility will be made available later in the day.

Additional information can be accessed at www.aveva.com/investors or by contacting the AVEVA Investor Relations team or FTI Consulting LLP directly.

Chairman's statement

Overview

I am pleased to report that AVEVA continued to deliver a solid performance throughout the course of 2015/16.

The full year results reflect the resilience of the business model, our longstanding customer relationships and the quality of the business-critical solutions we provide.

Group revenue was £201.5 million (2015 – £208.7 million) which was broadly in line with our expectations against a challenging market backdrop.

Revenue was impacted by foreign currency headwinds during the year with sterling strengthening against most major currencies. After adjusting for currency effects, organic constant currency revenue declined by 2% compared to 2014/15, a respectable performance given the market conditions.

Adjusted* profit before tax was £51.2 million (2015 – £62.1 million) representing a margin of 25.4% (2015 – 29.8%). Reported profit before tax was £29.4 million (2015 – £54.9 million) which reflects lower revenue and one-off exceptional costs of £15.2 million, principally arising from restructuring initiatives and from professional services fees relating to the aborted Schneider Electric transaction.

Acquisitions

In July 2015, we announced that headline terms had been agreed to acquire Schneider Electric’s software business. A very intense period of due diligence continued from that point to December 2015 when discussions were terminated. I am pleased to report that, despite the obvious potential distractions of this transaction, the employees and management remained focused on ensuring that AVEVA delivered a solid operating result in the year.

During the year, the Group completed the acquisition of FabTrol Systems Inc., a North American business providing fabrication management software, for £3.6 million.

Strategy update

The Board has recently reaffirmed the Group's strategy, which has at its foundation a commitment to generating strong cash flows that can be reinvested in the business in order to drive long-term profitable growth and deliver consistent returns for our shareholders. The Board has approved a three year strategic plan, comprising a number of key priorities which are covered in more detail in the CEO’s strategic review. We are very excited by the opportunities that lie ahead. Innovation remains at the heart of our success as a Company and the investment that we have made in recent years is now bringing measurable benefits, clearly seen in the strong momentum behind AVEVA E3D and our newest solution, AVEVA Engage™.

The Board

The composition of the Board has remained very stable for several years but there will be some change during the year ahead with two of our non-executives due to retire from the Board, each having reached the nine year limit under the Corporate Governance code.

Jonathan Brooks’ nine year tenure as a Non-Executive Director ends in July 2016 and I would like to thank him on behalf of the Board for his contribution to AVEVA. Jonathan joined us in 2007 and has overseen a period of strong growth and success for AVEVA. The process to find his replacement as Audit Committee chair is underway and we expect to appoint a successor shortly. Jonathan has agreed to stay on until November 2016 to ensure an orderly handover.

Philip Dayer will also reach his ninth anniversary with AVEVA in January 2017 and a replacement will be sought in due course.

Capital allocation

AVEVA has remained cash generative during the year and at 30 April 2016 our cash balance was £123.5 million, with no debt. The Board believes it is important to maintain a strong balance sheet in order to provide additional confidence in the strength of our business to our customers and also to have at hand sufficient resources to invest in the future growth of the business. Our strong cash flows also continue to support our ability to grow via acquisition and our progressive dividend policy. At the same time the Board recognises the need to strike the correct balance between investing in the business and providing returns to shareholders over the long term.

Following an in-depth review of our capital allocation and discussions with our shareholders and our advisers, the Board has concluded to maintain its sustainable progressive dividend policy, balanced against an active focus on M&A, with excess capital being returned to shareholders from time to time. Hence, with this in mind, we are pleased to announce the increase of the ordinary dividend alongside these results, which illustrates our confidence in the long term prospects for the business and its underlying strength. The final dividend will be increased to 30.0 pence per share (2015 – 25.0 pence) which represents an increase of 20% over the prior year and takes the full year dividend to 36.0 pence (2015 – 30.5 pence), an increase of 18% over last year.

Summary

Despite 2015/16 having been a challenging year for the Group on a number of fronts, the business has shown great resilience and delivered a highly respectable performance, demonstrating the strength of our business model as well as the benefits that our technology delivers to customers. This performance would not have been possible without the hard work and dedication of all of our employees and the Board would like to express its sincere thanks for their considerable efforts.

I believe that AVEVA is well-positioned to capitalise on a number of exciting opportunities over the long-term, and as a Board we are confident that our strategy is both focused and achievable.

Philip Aiken
Chairman
24 May 2016

Chief Executive's strategic review

Summary

For the financial year 2015/16 AVEVA achieved reported revenue of £201.5 million (2015 – £208.7 million) and adjusted profit before tax of £51.2 million (2015 – £62.1 million). Excluding the contribution from acquisitions and negative currency effects, revenue was £204.4 million (2015 – £207.6 million), in line with the Board's expectations.

Regionally, we saw an improved performance in the Asia Pacific region, with growth in China offset somewhat by the pressures on our South Korean shipyard customers that resulted in a flat performance in North East Asia. The Americas region as a whole was affected by ongoing weakness in Latin America, principally Brazil, and flat underlying revenues in North America. We saw a steady performance in the EMEA region, despite the mixed market conditions facing our customers.

The business environment

Our software is used by customers as they design, build and operate large capital-intensive assets, mainly in the process, power and marine industries. We sell our solutions principally to Engineering, Procurement and Construction (EPC) companies, shipyards and Owner Operator (OO) customers worldwide. Our vision of a constantly evolving Digital Asset is enabling our customers to manage this process of continual change as they design, build and operate some of the world's most complicated assets. Increasingly, our customers are looking to deploy a combination of our products and this, reinforced by our strategically focused 'One AVEVA' sales effort, is driving wider adoption of the entire AVEVA product portfolio.

Among the principal long-term drivers of historical revenue growth for AVEVA has been the growing complexity of the engineering challenges that our customers are required to undertake within ever-shrinking time schedules, which necessitates an increasing investment in upfront engineering design and hence drives demand for our software applications. This has been a feature in all of our markets, but in particular in Oil & Gas, representing around 40% of revenue, where AVEVA has a competitive edge in the most complex of all design environments: upstream, offshore and deep water.

In recent times, global shifts in the supply and demand balance for Oil & Gas have led to a well-documented reduction in capital expenditure on new projects. This has particularly affected our ability to grow the revenue we derive from customers who have a high exposure to offshore and deep-water Oil & Gas projects. Among those most noticeably affected have been our shipyard customers in North East Asia, who had previously been major beneficiaries of the significant investment in offshore Oil & Gas, and our EPC customers who are heavily involved in the design phase of such projects. Consequently, we have seen some customers reducing their usage of our software over the past year and this has been evident in the reduction in total Group revenue and the related negative impact on profits that we have reported for this financial year.

We have responded to these changes in our markets by rapidly shifting our focus to expanding our presence in areas where we have historically been under-represented as well as pushing into adjacent markets. This has included a push into the downstream and onshore areas of Oil & Gas and an increased focus on building on our presence in Petrochemicals & Chemicals, Food & Beverage and Mining & Metals. In addition, we have increased our sales focus on higher growth regions such as India and China, where the market for power-related infrastructure is expected to show strong growth over the long term.

We have continued to invest in innovation over the past several years, and as a consequence of this we are seeing strong growth in sales of additional products into our installed base. For example, schematics applications, which currently represent less than 10% but could represent up to a third of total revenue in time, with AVEVA Engineering™ acting as a key driver of this adoption. Our flagship new design platform, AVEVA E3D, almost doubled its revenue in the first half of the financial year, and we saw this growth rate accelerate in the second half as various market trends increasingly play to the strengths of key areas of functionality such as laser modelling for brownfield engineering, which meets the demands of our EPC customers as they seek out more revamp, retrofit and life extension projects. AVEVA E3D contributed just under 10% of total revenue in the year to March 2016 (2015 − less than 5%).

The proven quality of AVEVA's technology continues to provide customers with business-critical capabilities, enabling them to enhance their competitive advantage. This continues to underpin the strong customer relationships we enjoy as well as our recurring revenue base, both of which have been pivotal in helping to offset challenging markets.

When we look to understand the general direction of our markets our global accounts business is an important bellwether, representing many of our largest customers and contributing approximately 20% to annual Group revenue. We have been encouraged by the trends we saw during the year amongst these customers, where we witnessed increased usage of our new software solutions in onshore and downstream, as well as in the adjacent market of Building Information Modelling (BIM) and fabrication markets. This helped partially offset reduced usage of our 3D products in specific accounts. In particular, we were encouraged to see increased adoption of AVEVA's engineering data management solutions, helping us to displace competitor products with AVEVA Engineering, AVEVA NET™ and AVEVA Information Standards Manager™.

The AVEVA engineering data management solution spans all industry sectors and is currently being deployed on all major continents within our EPC global account customer base. Indeed, engineering data management is a clear driving force in our More than 3D (MT3D) campaign, which is key to driving customer adoption of a broader set of AVEVA solutions over time. In areas such as UK infrastructure projects, where our unique approach to information management has been proven over many years in the process industries, AVEVA has established a foothold in the BIM space.

Market fundamentals and our positioning

Our business remains strongly positioned in its markets, with fundamental drivers that are expected to support sustained growth over the long term. Despite the near-term effects of a weaker oil price, the projected increase in energy usage from a growing global population, in addition to the requirement to upgrade, replace and extend the lifetime of ageing existing assets, indicates that significant infrastructure investment will be necessary in order to meet demand. The International Energy Authority (IEA) estimates that by 2040 world energy demand will increase by one-third, with the net growth driven entirely by developing countries. Over the same period, China's net oil imports are forecast to be nearly five times that of the United States, and India's will easily exceed that of the European Union with an estimated 600 million new electricity consumers *(Source: World Energy Outlook, IEA November 2015)*.

Power therefore offers very attractive growth opportunities over the long term as the world's emerging economies invest in their power generation requirements and the ageing infrastructure of the developed world is maintained and replaced. Our global presence leaves us well positioned to capitalise on these opportunities.

Within our Marine segment, the shipbuilding market remains depressed given subdued demand and overcapacity in the world fleet. The market is affected by trends in global GDP and a general slowdown in global trade combined with an economic slowdown in emerging markets, particularly the leading global importer, China. There are some areas where we see growth, for example in naval shipbuilding in China and India, but the overall macro picture is expected to remain challenging. Whilst a number of our major shipyard customers have been successful in diversifying their businesses into offshore projects over the past five years, their pipelines for this activity have seen a sharp slowdown since 2014, affected in particular by the boom in North America's shale Oil & Gas market.

In times of uncertainty, we are keenly focused on supporting our customers as they seek to become more efficient and adapt to the fast changing environment. This was clearly evident at our annual customer event, the AVEVA World Summit, held in Dubai in October 2015. With over 330 delegates from 45 countries, we heard from customers from across the world's Process, Plant, Power and Marine industries as they shared their project and operational experiences, explaining how AVEVA technology is helping them to address technical and strategic business challenges.

Among the key themes of the Summit this year was engineering decision-support and we unveiled our new asset visualisation product, AVEVA Engage, and showcased the powerful Design in Context™ capabilities of the latest release of AVEVA E3D. As part of the continuing evolution of the AVEVA Digital Asset offering, customers were also able to familiarise themselves with our latest laser-modelling technologies, introducing the unique capabilities of the AVEVA Trusted Living Pointcloud™.

Progress towards our key strategic goals

AVEVA has a clear strategy to grow its business over the long term, supported by achievable medium-term goals. As part of that objective, we have made good progress on a number of important fronts during the year, in particular in the following key strategic areas:

(1) increasing our revenue from OOs
(2) increasing solution sales through our MT3D initiative
(3) broadening our market exposure
(4) further developing our Software as a Service (SaaS) solutions

Increasing our revenue from OOs

The OO market represents a significant opportunity for AVEVA to grow. With many plants today operating far beyond their intended lifetime, the pressure is on owners to keep these ageing assets running which presents OOs with important challenges as they seek to comply with ever more stringent environmental and safety legislation, whilst maximising profits through minimising downtime and unplanned outages. For this reason, OOs often exert influence over an EPC's choice of engineering software tools, as they recognise the value of this design data in operations. As a result, OOs are particularly interested in areas such as our laser modelling capabilities contained in AVEVA E3D, as well as our Integrated Engineering & Design solutions.

Operators do not always have the skills or resources to maintain their Digital Assets and AVEVA is increasingly working with partners, providing a managed service offering to keep data current and accurate for the asset in question. We saw a good illustration of how AVEVA can solve this problem for customers during the year with a new customer, DowAksa, a leading global OO in the provision of industrial carbon fibre for the transportation, energy and infrastructure markets, who has chosen to standardise on AVEVA Integrated Engineering & Design™ in order to increase its overall control and management of all of its assets.

Many of our OO customers are witnessing a growing risk to asset reliability and compliance that can result from the difficulties inherent in maintaining the accuracy of the information they hold about the assets they own and operate. Simply attempting to stay abreast of the constant change in this information can lead to significant inefficiencies and increase the risk of costly errors in the field. During the period we were able to demonstrate the value that AVEVA technology can offer in solving this problem for a leading North American OO based in North Dakota, in this case through the roll out of AVEVA Diagrams™ to support its mechanical integrity operations.

Increasing solution sales through our MT3D initiative

We see a major market opportunity in leveraging our 3D installed base by selling additional engineering software tools, outside of AVEVA's core 3D design platforms, AVEVA E3D and AVEVA PDMS™. One of the strongest areas of revenue growth within our business over the past year has been in MT3D, which include schematics, laser modelling and AVEVA Bocad™ amongst other applications. In particular, we believe the cross-selling opportunity for schematics and laser modelling is substantial. Our MT3D focus, backed by strong sales incentives, is already delivering results as we expand our product footprint within our key accounts.

Broadening our market exposure

Our technology delivers efficiency gains resulting from tight data integration and is a principal driver leading to an increasing number of EPC and OO customers choosing to standardise on AVEVA technology. AVEVA's solutions are designed to help customers eliminate errors in construction and thus reduce expensive rework later in the project phase. Another key determinant of the customer's decision to invest in AVEVA technology is their need to cope with increasing scale and complexity.

Furthermore, our solutions enable the maintenance of accurate and reliable information, which is increasingly a key regulatory requirement in all the industries our customers serve. Thus, through the deployment of AVEVA technology our customers are able to maintain a competitive edge in the markets in which they are operating.

These factors, and the extensive capabilities of our solutions themselves, are clearly relevant to a broader set of end-markets than Oil & Gas, Power and Marine, where we are well represented. Hence, one of our key strategic initiatives is to expand into areas of the process industries in which we have little or no penetration, as well as adjacent markets where appropriate. Some of the following customer examples serve to illustrate the progress we made during the year on this front.

In the Paper & Pulp industry, we saw a strategically important customer in Latin America begin its migration from PDMS to AVEVA E3D, as a means of eliminating the problem of data inconsistency in the revision of complex drawings, which had previously been done using third-party tools unconnected to the 3D model and, hence, prone to error.

In the Power market, a leading global EPC chose to deploy AVEVA's Integrated Engineering & Design solutions, including AVEVA E3D, replacing a legacy system in order to benefit from increased efficiency within its engineering disciplines and in order to streamline purchasing and production workloads and replacing an inefficient legacy system. Key to this decision was the ability for AVEVA's solutions to reduce rework in construction and improve the efficiency of the approvals process.

Eliminating errors in construction, and thus reducing costly rework in both greenfield and brownfield projects, led one of the leading EPCs operating in the Russian Petrochemical market to become a customer for the first time, replacing a legacy competitor solution. Again, in Russia, we saw one of the country's largest petrochemical and gas processing EPCs extend its deployment of AVEVA technology to include a number of new products including AVEVA E3D, in order to cope efficiently with projects of greater scale and complexity.

Brodosplit Shipyard in Croatia implemented an AVEVA Integrated Shipbuilding solution, optimising the design of both vessels and offshore assets as well as materials management and production across the entire shipyard. One of the largest power EPCs in the Middle East selected AVEVA Integrated Engineering & Design package, replacing a competitor's solution. We closed an important standardisation deal with a large Russian EPC and a major water services customer commenced full migration to AVEVA E3D, having been a PDMS customer for a number of years.

We saw an encouraging number of new customers adopt AVEVA NET to meet their information management requirements, where regulatory compliance is a key consideration and driver behind the investment decision. These included a global chemical company, a major nuclear fusion research facility in France and two major South Korean EPCs. AVEVA NET has also gone into production at a Norwegian integrated oil major, which includes the first deployment of the AVEVA Activity Visualisation Platform™ (AVEVA AVP™). This is an example of a customer choosing to use the 3D model as the portal for navigation as they access data held in AVEVA NET, a trend which we expect to drive further convergence of these technologies. Encouragingly, progress in our AVEVA NET business has now reached a level of maturity where we can look to build additional scale through a partner approach rather than through further investment in our internal service organisation.

Our Fabricators business also delivered strong growth during the period. This business incorporates AVEVA Bocad and the recently acquired FabTrol™, offering an end-to-end solution for steel detailing and steel fabrication management, production control and shipping. The FabTrol acquisition, completed in June 2015, has already begun to raise awareness of AVEVA Bocad in the North American market, recently underpinned by significantly upgraded functionality that we expect to support future development in the region.

Finally, providing further evidence of our determination to move into new industry segments, we were pleased to deliver an integrated design and workflow management solution, as the first stage of an eventual standardisation strategy, to one of the largest global suppliers of technology into the food processing industry, where AVEVA software tools are now being deployed to develop and design production plants for the dairy, beverage, brewery, food, pharmaceutical and chemical processing markets.

Further developing our Software as a Service (SaaS) solutions

We expect that over time the SaaS delivery model will become more valuable to our customers, particularly as it enables them to leverage the many efficiencies and benefits offered by cloud computing. AVEVA has a strong technical proposition and is well positioned, through partnerships with the industry-leading cloud infrastructure platform providers, for the eventual SaaS delivery of our solutions. Indeed, AVEVA has led the industry with AVEVA Global™ which has allowed customers to move projects around the globe to enable 24 hour collaborative working on projects.

We were very encouraged during the year by the uptake for our on-demand AVEVA E3D environment AVEVA Experience™, with over 1,000 customers already trialling the cloud version of AVEVA E3D, where existing and prospective users of our design software can gain hands-on experience with the fully-functional AVEVA E3D platform, via the cloud, and we have some well-established hosted deployments of AVEVA NET. We believe that over the long term these solutions will gain strong traction, but there are a number of challenges for the industry to overcome before wider adoption becomes the norm.

Some years ago we saw the majority of the market move from initial licences to rental licences and to a SaaS hybrid of token licensing. The next transition will be towards greater use of SaaS and off premise services and software; as we make this technology shift there will be additional opportunities for AVEVA enabling us to offer a broader set of solutions.

Outlook

The result for the year has highlighted the strength of the AVEVA business model, the value that our technology delivers to our customers and our ability to adapt to changing market conditions through a disciplined approach to innovation and organisational efficiency.

AVEVA's Digital Asset approach is proving to be transformational for our EPC and OO customers as we help them to focus on profitability, lean engineering disciplines, operational efficiencies and regulatory compliance in information management. We have continued to invest in our technology vision and are particularly encouraged to see the concept resonating strongly with our customers, many of whom have placed the Digital Asset at the heart of their technology vision. The Digital Asset offers our customers a means of building a substantial business opportunity around the entire lifecycle of the asset, which we expect to increase in importance for both EPCs and OOs over the long term.

As we manage our business through the cycle we are focused on ensuring the most efficient allocation of resources, optimising our investment in future opportunities. As a consequence, in the second half of the year we undertook some additional cost saving initiatives, achieved at a one-off exceptional cost of approximately £4.5 million, part of which has been recognised in the year. We believe that our organisation is now well positioned to deliver further progress against our key strategic initiatives, despite the difficult end-market backdrop we are currently experiencing.

It is a testament to the dedication of all of our employees around the world that we have been able to deliver a solid result in difficult markets alongside the implementation of significant cost savings during 2015/16. As a result, AVEVA is in a stronger position today, both from a technology and an organisational perspective, than ever before. Our business remains well capitalised and we intend to continue to bolster our organic growth with selective acquisitions over time, adding new product capabilities and accelerating access to new markets as a result.

Whilst we recognise the challenges in our markets, we are focused on the opportunities that lie ahead of us both strategically and operationally and, with these in mind, the Board is confident that we can achieve our targets in the current financial year and over the medium term.

Richard Longdon
Chief Executive Officer
24 May 2016

Finance review

Summary

The business has delivered a solid performance despite difficult market conditions. We have seen a broadly flat performance in organic, constant currency terms with our recurring revenue continuing to hold up at 76% of total revenue. With the business being heavily weighted towards the second half, it was pleasing that the business performed broadly as we expected with over 80% of our profit being earned in H2. The business remains highly cash generative and we closed the year with £107.9 million in net cash and no debt.

Total revenue for the year was £201.5 million which was down 3% compared to the previous year (2015 – £208.7 million). Included in the results is £6.9 million of revenue from the acquisitions of 8over8 Limited, (acquired January 2015) and FabTrol, the fabrication management software (acquired June 2015). Organic revenue on a constant currency basis declined 2% compared to the prior year.

Following first half revenue of £82.0 million (2015 – £85.9 million), the second half of the year delivered revenue of £119.5 million, compared to £122.8 million in 2014/15 and represents 59% of the year's revenue (2015 – 59%). Adjusted profit before tax was £51.2 million (2015 – £62.1 million), which included a loss of £0.3m from acquisitions and was impacted by a foreign exchange loss of £1.7 million in March 2016 resulting from the translation of (in particular) US Dollar-denominated assets following the weakening of the Dollar.

The results for the year are summarised as follows:

£m	2016 Total	2016 Acquisitions	2016 Organic	2016 Organic constant currency**	2015 Organic Total	Organic constant currency change
Revenue						
Annual fees	63.4	3.3	60.1	63.4	60.2	5%
Rental licence fees	90.6	1.9	88.7	92.9	97.2	(4%)
Recurring revenue	154.0	5.2	148.8	156.3	157.4	(1%)
Initial licence fees	29.4	0.5	28.9	30.1	31.1	(3%)
Training and Services	18.1	1.2	16.9	18.0	19.1	(6%)
Total revenue	**201.5**	**6.9**	**194.6**	**204.4**	**207.6**	**(2%)**
Cost of sales	(14.7)	(1.2)	(13.5)	(14.3)	(15.2)	(6%)
Gross profit	**186.8**	**5.7**	**181.1**	**190.1**	**192.4**	**(1%)**
Operating expenses*	(135.6)	(6.0)	(129.6)	(133.5)	(130.0)	3%
Net finance revenue	–	–	–	–	0.3	(100%)
Adjusted profit/(loss) before tax	**51.2**	**(0.3)**	**51.5**	**56.6**	**62.7**	**(10%)**
Normalised adjustments	(21.8)	–	(21.8)			
Reported profit/(loss) before tax	**29.4**	**(0.3)**	**29.7**			

* Operating expenses adjusted to exclude amortisation of intangible assets (excluding other software), share-based payments, gain/loss on forward foreign exchange contracts and exceptional items.
** Organic constant currency is defined as the period's reported results restated to reflect the previous year's average exchange rates and excludes the contribution from 8over8 and FabTrol.

Revenue

Organic, constant currency revenue by category

The Group's recurring revenue, which consists of annual fees and rental licence fees, was broadly flat at £156.3 million (2015 – £157.4 million) and represented 76% of revenue (2015 – 76%).

Annual fees grew by 5% to £63.4 million following on from initial licence sales in the previous year and some price increases.

Rental licence fee revenue fell by 4% to £92.9 million with the largest fall coming from Latin America. Again we saw a significant seasonal effect with rental revenue of £60.0 million (2015 – £65.1 million) in the second half of the year. As previously highlighted, this was driven by our Global Account customers where renewals typically fall into the second half of the year. Generally we saw our Global Account renewals hold up reasonably well in the period and the price escalation achieved in multi-year contracts, in particular through the introduction of AVEVA E3D, was in line with expectations. Unsurprisingly we saw some customers reduce their usage of our software tools, principally due to the more challenging market conditions in Oil & Gas.

Initial licence revenue was £30.1 million, a reduction of 3% compared to the previous year (2015 – £31.1 million).

Training and services revenue was down 6% at £18.0 million (2015 – £19.1 million).

Segment performance

An analysis of revenue by geography is set out below:

£m	Asia Pacific	EMEA	Americas	Total
As reported	71.6	101.6	28.3	201.5
Acquisitions	(1.4)	(1.5)	(4.0)	(6.9)
Organic	70.2	100.1	24.3	194.6
Currency effect	1.6	7.8	0.4	9.8
Organic constant currency	71.8	107.9	24.7	204.4
2015 organic	67.3	103.5	36.8	207.6
Organic constant currency	7%	4%	(33%)	(2%)

Revenue was impacted by £9.8 million (a reduction of 5%) related to foreign exchange on the translation of our overseas subsidiaries, which was a continuation of the effects we saw in the first half of the year. EMEA was impacted most significantly as a result of the weakness, relative to sterling, of the Euro and Russian rouble.

Asia Pacific

In Asia we achieved growth of 7% on a constant currency basis with growth in all of the territories in which we operate, which was very pleasing. Our focus on South East Asia is paying dividends and has helped deliver strong growth. The investment we have made in India in recent years is delivering good growth and we benefited principally from naval projects, Power and refining. In South Korea and Japan, there was modest growth overall despite this region having the biggest exposure to shipbuilding. Finally, in China we saw growth over last year, driven mainly by Power, Chemical and Oil & Gas customers.

EMEA

In EMEA we achieved overall growth of 4% on a constant currency basis. There was strong growth in the Middle East from OOs and in Northern and Central Europe from rental fees from non-Oil & Gas accounts. Global Accounts in EMEA were flat compared to the previous year.

Americas

In the Americas, the performance was impacted by Brazil where we experienced a decline in revenue compared to the previous year. In North America, whilst Global Accounts usage was reasonably stable, we did see one Global Account where we recognised less revenue in 2015/16 due to the timing of the renewal. Excluding this one customer, we saw a flat performance in our North American business.

Acquisitions

In January 2015, we completed the acquisition of 8over8 Limited, a vendor of contract risk management software for increased project control and capital discipline. Whilst the recurring revenue for 8over8 has remained intact during the year, the lack of new capital projects within Oil & Gas has affected demand for new licences of the ProCon software. We remain focused on selling ProCon into other capital intensive industries where it is equally relevant and we were pleased to close our first contract with a mining company during the year.

In June 2015, we completed the acquisition of FabTrol Systems Inc for £3.6 million. The business is based in North America and provides fabrication management software to the steel fabrication industry. It has a well-established market position with 1,400 customers globally with a particularly strong installed base in North America, a major cross-selling opportunity for our Bocad software.

In total, the acquisitions contributed £6.9 million of revenue during the year and incurred costs of £7.2 million resulting in an adjusted loss before tax of £0.3 million in the year.

Cost analysis

An analysis of organic operating expenses on a normalised basis is set out below:

£m	Research & Development	Selling and distribution	Administrative expenses	Total
As reported	32.1	85.9	39.4	157.4
Normalised adjustments	(6.4)	(2.7)	(12.7)	(21.8)
	25.7	83.2	26.7	135.6
Acquisitions	(2.4)	(3.4)	(0.2)	(6.0)
Organic	23.3	79.8	26.5	129.6
Currency effect	0.7	3.7	(0.5)	3.9
Organic constant currency	24.0	83.5	26.0	133.5
2015 organic	28.1	77.7	24.2	130.0
Organic constant currency change	(15%)	7%	7%	3%

As disclosed in the interim statement, the allocation of costs between selling and distribution costs and administrative expenses has been amended during the year and the income statements of prior periods have been restated accordingly. There has been no impact on profit from operations. Further details are contained in note 1.

Normalised items include amortisation of intangibles (excluding other software) £5.6 million (2015 – £4.7 million), share-based payments £0.5 million (2015 – gain of £0.4 million), loss on fair value of forward foreign exchange contracts £0.4 million (2015 – £1.0 million) and exceptional items of £15.2 million (2015 – £2.0 million).

We continue to invest in Research & Development in both continued advancement of our existing products with examples including the new version of AVEVA E3D with enhanced laser capability for brownfield projects and new products such as AVEVA Engage. Research & Development costs fell by 14% on an organic, constant currency basis partly due to the benefit of the restructuring that was undertaken in the first half, savings from utilising our in-house facility in Hyderabad for more projects and an increased benefit from a higher R&D tax claim in the UK.

Selling and distribution expenses increased by 7% on an organic, constant currency basis. This was principally due to increased sales commissions, higher anti-piracy costs and higher technical sales and marketing costs.

Administrative expenses increased by 7% on a constant currency basis although 2014/15 benefited from a foreign exchange gain of approximately £2.5 million. In 2015/16 we also incurred higher costs of national insurance on share options.

We continue to have a focused and disciplined approach to managing the cost base. In March 2016, we implemented a number of cost efficiency initiatives including a reduction in headcount in specific areas of the business, some office rationalisation and other efficiency measures. As a result, we have incurred an exceptional charge of £2.4 million in the second half for redundancy and related costs, and property lease costs with £2.1 million having been incurred in the first half. These will be completed by the end of the first quarter of 2016/17 and we expect to incur a charge of approximately £2.5 million. The resulting savings are intended to mitigate the impact of expected cost inflation and planned investments elsewhere in the business.

Exceptional items

During the year the Group incurred exceptional costs of £15.2 million (2015 – £2.0 million).

Included in exceptional items were professional fees paid of £10.5 million (2015 – £0.4 million) principally for legal and financial due diligence services related to the aborted Schneider Electric transaction as well as the acquisition of FabTrol Systems Inc. In the previous year, the costs were in relation to professional fees related to the acquisition of 8over8 Limited.

As noted above, during 2015/16 exceptional restructuring costs of £4.5 million (2015 – £0.9 million) were incurred for redundancy and related costs in connection with the rationalisation of offices and reduction in headcount in specific areas of the business. The total cash cost in 2015/16 amounted to £2.5 million.

The Group has provided for a potential underpaid sales tax liability, in respect of prior periods, related to the local sales of one of the Group's subsidiary companies. The provision includes an estimate of the underpaid tax as well as related interest for late payment.

Profit before tax

Adjusted profit before tax for the year ended 31 March 2016 was £51.2 million (2015 – £62.1 million), a decrease of 18%, principally caused by the reduction in revenue. This resulted in an adjusted profit margin of 25.4% compared to 29.8% for 2014/15.

Reported profit before tax was £29.4 million (2015 – £54.9 million) and was principally impacted by the lower revenue and one-off exceptional items of £15.2 million as described above.

Taxation

The headline effective tax rate for the year was 30.4% (2015 – 24.2%) as the charge was impacted by the non-deductible acquisition-related exceptional costs of £10.5 million (2015 – £0.4 million). After adjusting for these costs, the underlying effective rate was 22.5% which is slightly above the underlying UK corporate tax rate of 20%, caused by profits being taxed at higher rates in overseas jurisdictions and other non-deductible expenses.

Dividends

With consistent and strong cash flows and no net debt, the Group retains considerable financial flexibility going forward. The Board remains focused on delivering growth both organically and through acquisitions. Our strong cash flows underpin the Board's sustainable, progressive dividend policy, balanced against an active focus on M&A, with excess capital being returned to shareholders from time to time. The Board is proposing a final dividend of 30.0 pence per share (2015 – 25.0 pence per share), an increase of 20%. The dividend will be payable on 5 August 2016, to shareholders on the register on 1 July 2016.

Earnings per share

Basic earnings per share were 32.03 pence (2015 – 65.07 pence) and diluted earnings per share were 31.96 pence (2015 – 64.92 pence). Adjusted basic earnings per share were 62.04 pence (2015 – 74.51 pence).

Balance sheet and cash flows

AVEVA continues to maintain a strong balance sheet and has no debt. Net assets at 31 March 2016 were £201.0 million compared to £189.9 million at 31 March 2015.

Non-current assets

Non-current assets decreased from £90.9 million to £87.5 million mainly due to lower capital expenditure as we carefully managed our cash flow and as a consequence of a reduction to the consideration paid for 8over8 Limited of £4.1 million that arose through an acquisition indemnity claim.

Working capital

Gross trade receivables at 31 March 2016 were £94.5 million which was in line with last year (2015 – £94.2 million). Again we saw a strong finish to the year with a large number of our Global Account renewals occurring in the final quarter resulting in billings being more weighted towards the end of the period. The bad debt provision at 31 March 2016 was £5.9 million compared to £5.6 million at 31 March 2015. We have continued to apply the Group's bad debt provision policy consistently throughout the year and as highlighted above, we suffered a bad debt charge of £3.4 million (2015 – £3.3 million) as a result of delays in getting paid by customers, principally in Brazil, Russia, India and China.

Deferred income at 31 March 2016 was £46.9 million compared to £48.2 million at 31 March 2015.

Trade payables and other liabilities were higher than last year due to the timing of invoices.

Cash generation

Net cash (including treasury deposits) at 31 March 2016 was £107.9 million compared to £103.8 million at 31 March 2015. Since 31 March 2016, we have seen strong cash collections from customers resulting in cash at 30 April 2016 being £123.5 million (2015 – £117.6 million).

Cash generated from operating activities after tax was £24.3 million (2015 – £30.9 million). The Group showed strong cash generation in the first half of the year but we saw an impact in the second half due to the delay of a large receivable, subsequently collected in April 2016. There has been no change in the credit terms offered to customers, however, as highlighted above, we have experienced some delays in payment in certain countries impacting cash conversion. In addition, during the year the Group paid professional fees principally related to the Schneider Electric transaction of £10.5 million. The cash conversion for the year was 123% (2015 – 83%) reflecting higher year-end trade creditors and provisions, including in respect of restructuring costs.

Pensions

On an accounting basis, the Group's pension liabilities decreased from £14.2 million last year to £5.2 million. This was principally caused by the UK defined benefit scheme deficit decreasing from £11.3 million to £2.3 million driven by an increase in government gilt and corporate bond yields, leading to a corresponding increase in the discount rate used to discount our long-term liabilities, together with a strong equity and bonds performance.

On 31 March 2015, the Group closed the UK defined benefit pension scheme to future accrual. This decision was taken to manage the current and future risk on the Group's balance sheet, with a view to ultimately effecting an insurance buy-out. Previously accrued pension benefits will continue to be revalued in line with RPI.

Capital structure

At 31 March 2016, the Group had 63,961,113 shares of 3 5/9p each in issue (2015 – 63,948,241 shares). During the year the AVEVA Group Employee Benefit Trust 2008 ('the Trust') purchased 4,418 ordinary shares in the Company in the open market at an average price of £21.23 per share for total consideration of £93,784 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2016, the Trust owned 22,077 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 be, cash positive and at 31 March 2016 held net cash of £107.9 million. The treasury policy includes strict counterparty limits.

James Kidd
Chief Financial Officer
24 May 2016

Review of principal risks and uncertainties

AVEVA faces a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them effectively.

Strategic and market risks

Risk	Mitigation
Dependency on key markets AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects in the Oil & Gas, Power and Marine markets. World economic conditions or funding constraints for new capital projects may adversely affect our financial performance. Currently, some of AVEVA's vertical end markets are under pressure with lower oil prices and inevitably this is having an impact on the Group's revenues.	AVEVA is expanding into new market segments such as mining, petrochemicals and AEC, albeit from a relatively small base. It is central to our strategy to diversify our customer offerings into Owner Operators 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 extensive 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. Our 3D design tools are well established in our markets and we believe that there are a relatively small number of significant competitors. However, some of these competitors could, in the future, pose a greater competitive threat to AVEVA's revenues, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies. Further threats are posed by the entrance, into AVEVA's markets, of a much larger technology competitor or transformational technology, such as Cloud-based solutions. The Group's strategy to extend the digital asset footprint is key to ensuring that our customer penetration is broad and that AVEVA's sources of revenue are diversified.	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. We expect that the customers we serve will, over the next 3 to 5 years, show an increased appetite or insistence on their software needs being delivered with more flexibility. AVEVA is already well progressed with its Cloud strategy and expects to be able to meet these customer demands as they develop.
Professional Services Where AVEVA assists customers with the deployment of an enterprise solution this involves some degree of consulting and/or implementation work. This requires specialist knowledge to be available and well managed in many geographic locations. There is a risk that the services provided do not meet the customer's expectations or that technical difficulties are encountered. In some instances we may opt to partner with a third party for this work and this relationship also requires careful management and maintenance to ensure that AVEVA's strong reputation with our customers is not damaged.	We employ experienced industry professionals within our professional services team and continue to build commercial partnerships with third party systems integrators. We have rigorous processes and controls for the appraisal of potential commercial opportunities prior to any bid being submitted. Bids are appraised on grounds of technical complexity as well as financial and commercial risk.
Acquisitions An acquisition by AVEVA or of AVEVA could pose a significant distraction to management and to the delivery of our business plan. The Group 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.	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 as well as the aborted transaction with Schneider Electric provides a good understanding of potential transaction and integration risks.

Operational risks

Risk	Mitigation
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 the success of the Group and individual achievement is appropriately rewarded.
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 & Development The Group makes substantial investments in Research & 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 our Research & Development teams to ensure that they remain focused on areas that will meet the demands of our customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. Products are extensively tested prior to commercial launch.
International operations The Group operates in over 30 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 is supported by local professional advisers and further oversight is maintained from the Group's corporate legal and finance functions.

Financial risks

Risk	Mitigation
Foreign exchange risk Exposure to foreign currency gains and losses can be material to the Group, with more than 80% of the Group’s revenue denominated in a currency other than sterling, of which our two largest are US Dollar and Euro. The UK referendum on European Union membership on 23 June 2016 is currently increasing foreign exchange risk for the Group and if the decision is to exit this increased uncertainty and volatility may prevail for the medium term.	The overseas subsidiaries predominantly trade in their own local currencies, which acts as a partial natural hedge against currency movements. In addition, the Group enters into forward foreign currency contracts to manage the risk where material and practical. The Group limits its hedging of revenue to US Dollar, Euro, Japanese Yen and its hedging of costs to Swedish Krona and Indian Rupee.

Consolidated income statement

for the year ended 31 March 2016

	Notes	2016 £000	2015* £000
Revenue	3, 4	**201,491**	208,686
Cost of sales		**(14,689)**	(15,538)
Gross profit		**186,802**	193,148
Operating expenses			
Research & Development costs		**(32,128)**	(32,696)
Selling and administrative expenses	5	**(125,252)**	(105,899)
Total operating expenses		**(157,380)**	(138,595)
Profit from operations		**29,422**	54,553
Finance revenue		**633**	765
Finance expense		**(626)**	(456)
Analysed as:			
Adjusted profit before tax		**51,201**	62,098
Amortisation of intangibles (excluding other software)		**(5,617)**	(4,707)
Share-based payments		**(494)**	441
Loss on fair value of forward foreign exchange contracts		**(432)**	(980)
Exceptional items	6	**(15,229)**	(1,990)
Profit before tax		**29,429**	54,862
Income tax expense	7	**(8,955)**	(13,303)
Profit for the year attributable to equity holders of the parent		**20,474**	41,559
Earnings per share (pence)			
– basic	9	**32.03**	65.07
– diluted	9	**31.96**	64.92
Adjusted earnings per share (pence)			
– basic	9	**62.04**	74.51
– diluted	9	**61.91**	74.34

* Restated for a reclassification of expenses, as explained in note 1

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 2016

	Notes	**2016 £000**	2015 £000
Profit for the year		**20,474**	41,559
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain/(loss) arising on translation of foreign operations		**3,812**	(9,393)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/(loss) on defined benefit plans	13	**7,837**	(11,496)
Income tax effect	7(a)	**(1,654)**	2,657
Total of items that will not be reclassified to profit or loss in subsequent periods		**6,183**	(8,839)
Total comprehensive income for the year, net of tax		**30,469**	23,327

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

Consolidated balance sheet

31 March 2016

	Notes	**2016 £000**	2015 £000
Non-current assets			
Goodwill		**51,697**	50,589
Other intangible assets		**24,841**	27,506
Property, plant and equipment		**7,101**	7,595
Deferred tax assets		**2,617**	3,800
Other receivables	10	**1,257**	1,440
		87,513	90,930
Current assets			
Trade and other receivables	10	**97,138**	96,468
Treasury deposits	11	**43,316**	45,248
Cash and cash equivalents	11	**64,611**	58,519
Current tax assets		**3,492**	2,195
		208,557	202,430
Total assets		**296,070**	293,360
Equity			
Issued share capital		**2,274**	2,274
Share premium		**27,288**	27,288
Other reserves		**5,965**	1,655
Retained earnings		**165,471**	158,713
Total equity		**200,998**	189,930
Current liabilities			
Trade and other payables	12	**84,070**	81,613
Financial liabilities		**864**	432
Current tax liabilities		**1,789**	5,718
		86,723	87,763
Non-current liabilities			
Deferred tax liabilities		**3,187**	1,480
Retirement benefit obligations	13	**5,162**	14,187
		8,349	15,667
Total equity and liabilities		**296,070**	293,360

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 24 May 2016. They were signed on its behalf by:

Philip Aiken	**Richard Longdon**	**Company number**
Chairman	***Chief Executive***	2937296

Consolidated statement of changes in shareholders' equity

31 March 2016

	Note	Share capital £000	Share premium £000	Other reserves Merger reserve £000	Other reserves Cumulative translation adjustments £000	Other reserves Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2014		2,271	27,288	3,921	8,109	(1,441)	10,589	144,829	184,977
Profit for the year		–	–	–	–	–	–	41,559	41,559
Other comprehensive (loss)		–	–	–	(9,393)	–	(9,393)	(8,839)	(18,232)
Total comprehensive (loss)/income		–	–	–	(9,393)	–	(9,393)	32,720	23,327
Issue of share capital		3	–	–	–	–	–	–	3
Share-based payments		–	–	–	–	–	–	(441)	(441)
Tax arising on share options		–	–	–	–	–	–	(73)	(73)
Investment in own shares		–	–	–	–	(305)	(305)	–	(305)
Cost of employee benefit trust shares issued to employees		–	–	–	–	764	764	(764)	–
Equity dividends	8	–	–	–	–	–	–	(17,558)	(17,558)
At 31 March 2015		**2,274**	**27,288**	**3,921**	**(1,284)**	**(982)**	**1,655**	**158,713**	**189,930**
Profit for the period		–	–	–	–	–	–	20,474	20,474
Other comprehensive income		–	–	–	3,812	–	3,812	6,183	9,995
Total comprehensive income		–	–	–	3,812	–	3,812	26,657	30,469
Issue of share capital		–	–	–	–	–	–	–	–
Share-based payments		–	–	–	–	–	–	494	494
Tax arising on share options			–	–	–	–	–	13	13
Investment in own shares		–	–	–	–	(94)	(94)	–	(94)
Cost of employee benefit trust shares issued to employees		–	–	–	–	592	592	(592)	–
Equity dividends	8	–	–	–	–	–	–	(19,814)	(19,814)
At 31 March 2016		**2,274**	**27,288**	**3,921**	**2,528**	**(484)**	**5,965**	**165,471**	**200,998**

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 2016

	Notes	**2016 £000**	2015 £000
Cash flows from operating activities			
Profit for the year		**20,474**	41,559
Income tax	7(a)	**8,955**	13,303
Net finance revenue		**(7)**	(309)
Amortisation of intangible assets		**5,954**	5,335
Depreciation of property, plant and equipment		**2,167**	2,914
Loss on disposal of property, plant and equipment		**2**	191
Share-based payments		**494**	(441)
Difference between pension contributions paid and amounts charged to operating profit		**(1,849)**	(6,565)
Research & development expenditure tax credit		**(2,076)**	(930)
Changes in working capital:			
Trade and other receivables		**514**	(11,752)
Trade and other payables		**1,076**	852
Changes to fair value of forward foreign exchange contracts		**432**	980
Cash generated from operating activities before tax		**36,136**	45,137
Income taxes paid		**(11,798)**	(14,231)
Net cash generated from operating activities		**24,338**	30,906
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,056)**	(2,571)
Purchase of intangible assets		**(393)**	(522)
Acquisition of subsidiaries and business undertakings, net of cash acquired		**(2,540)**	(25,651)
Refund of consideration for prior year business combination		**4,349**	–
Proceeds from disposal of property, plant and equipment		**429**	345
Interest received		**633**	765
Maturity/(purchase) of treasury deposits (net)	11	**1,932**	(5,010)
Net cash flows from/(used in) investing activities		**2,354**	(32,644)
Cash flows from financing activities			
Interest paid		**(48)**	(73)
Purchase of own shares		**(94)**	(305)
Proceeds from the issue of shares		**–**	3
Dividends paid to equity holders of the parent	8	**(19,814)**	(17,558)
Net cash flows used in financing activities		**(19,956)**	(17,933)
Net increase/(decrease) in cash and cash equivalents		**6,736**	(19,671)
Net foreign exchange difference		**(644)**	881
Opening cash and cash equivalents	11	**58,519**	77,309
Closing cash and cash equivalents	11	**64,611**	58,519

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

1. Basis of preparation

The Group is required to prepare its Consolidated financial statements in accordance with IFRS as adopted by the European Union. For the purposes of this document the term IFRS includes International Accounting Standards.
The preliminary announcement covers the period 1 April 2015 to 31 March 2016 and was approved by the Board on 24 May 2016.

The financial information contained in this preliminary announcement of audited results does not constitute the Group's statutory accounts for the years ended 31 March 2016 or 31 March 2015. The accounts for the year ended 31 March 2015 have been delivered to the Registrar of Companies. The statutory accounts for the years ended 31 March 2016 and 2015 have been reported on by the Company's auditors; the reports on these accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The statutory accounts for the year ended 31 March 2016 are expected to be posted to shareholders in due course and will be delivered to the Registrar of Companies after they have been laid before the shareholders in a general meeting on 8 July 2016. Copies will be available from the registered office of the Company, High Cross, Madingley Road, Cambridge CB3 0HB and can be accessed on the AVEVA website, www.aveva.com. The registered number of AVEVA Group plc is 2937296.

From 1 April 2015, the EDS and ES lines of business were merged and the Executive team now monitor and appraise the business based on the performance of three geographic regions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). These three regions are now the basis of the Group's primary operating segments reported in the financial statements. Performance is evaluated based on regional 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 team. Support functions such as head office departments are controlled and monitored centrally. Disclosure for the year ended 31 March 2015 has been restated to reflect the new organisational structure.

Also from 1 April 2015, the allocation of costs between selling and distribution expenses and administrative expenses has been amended and the income statement for the year ended 31 March 2015 has been restated accordingly. Previously, all costs related to the sales offices were included in selling and distribution expenses including the local finance, HR and IT costs to reflect the total cost of the regional sales operation. In line with industry practice, the presentation has been updated to allocate the costs by function to selling and distribution costs and administrative expenses respectively. Comparatives have been restated accordingly resulting in an increase of £7.5 million to administrative expenses and a corresponding decrease to selling and distribution costs in the year ended 31 March 2015. There has been no impact on profit from operations. Similarly, and also in line with industry practice, selling and distribution expenses and administrative expenses have been combined on the face of the Consolidated income statement with the split of these expenses now provided in a note – see note 5. The Directors believe that the revised Income statement presentation more appropriately and consistently reflects the nature of the Group's operations.

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.

2. Accounting policies

The preliminary statement has been prepared on a consistent basis with the accounting policies set out in the last published financial statements for the year ended 31 March 2015. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

3. Revenue

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

	2016 £000	2015 £000
Annual fees	**63,368**	60,724
Rental licence fees	**90,617**	97,489
Total recurring revenue	**153,985**	158,213
Initial licence fees	**29,373**	31,122
Training and services	**18,133**	19,351
Total revenue	**201,491**	208,686
Finance revenue	**633**	765
	202,124	209,451

Services consist of consultancy, implementation services and training fees.

Included within revenue for the year ended 31 March 2016, are annual fees of £1,318,000, initial licence fees of £492,000 and services of £136,000 related to the acquisition of FabTrol, and annual fees of £2,023,000, rental licence fees of £1,861,000 and services of £1,031,000 related to the acquisition of 8over8 Limited (for the prior year the revenues from the date of acquisition, January 2015, were annual fees of £534,000, rental licence fees £296,000 and services of £321,000).

4. Segment information

From 1 April 2015, the Group was reorganised so as to place greater emphasis on regional performance. The Group is now organised into three geographical segments: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). Each segment is determined by the location of the Group's operations and is organised and managed separately due to the differing local requirements in each market.

The Executive management team monitors the operating results of the regions for the purposes of making decisions about performance assessment and resource allocation. Performance is evaluated based on regional 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 management team. Support functions such as head office departments are controlled and monitored centrally. Disclosure for the year ended 31 March 2015 has been restated to reflect the new organisational structure.

	Year ended 31 March 2016				
	Asia Pacific	**EMEA**	**Americas**	**Corporate**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue					
Annual fees	27,608	28,528	7,232	–	63,368
Initial fees	18,403	8,787	2,183	–	29,373
Rental fees	21,486	53,270	15,861	–	90,617
Training and services	4,049	11,015	3,069	–	18,133
Regional revenue total	71,546	101,600	28,345	–	201,491
Cost of sales	(3,117)	(9,514)	(2,058)	–	(14,689)
Selling and administrative expenses	(24,491)	(33,270)	(17,965)	(34,171)	(109,897)
Regional contribution	**43,938**	**58,816**	**8,322**	**(34,171)**	**76,905**
Research & Development costs					(25,711)
Adjusted profit from operations					**51,194**
Net finance revenue					7
Adjusted profit before tax					**51,201**
Exceptional items and other normalised adjustments#					(21,772)
Profit before tax					**29,429**

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

4 Segment information cont.

Included within revenue for the year ended 31 March 2016 are the following, related to the acquisitions of FabTrol and 8over8 Limited: Asia Pacific £1,340,000, EMEA £1,497,000 and Americas £4,024,000.

	Year ended 31 March 2015				
	Asia Pacific	**EMEA**	**Americas**	**Corporate**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue					
Annual fees	25,137	29,838	5,749	–	60,724
Initial fees	16,855	10,537	3,730	–	31,122
Rental fees	21,625	51,365	24,499	–	97,489
Training and Services	3,992	12,034	3,325	–	19,351
Regional revenue total	67,609	103,774	37,303	–	208,686
Cost of sales	(3,053)	(9,216)	(2,262)	(1,007)	(15,538)
Selling and administrative expenses	(23,909)	(32,800)	(15,729)	(30,008)	(102,446)
Regional contribution	**40,647**	**61,758**	**19,312**	**(31,015)**	**90,702**
Research & Development costs					(28,913)
Adjusted profit from operations					**61,789**
Net finance revenue					309
Adjusted profit before tax					**62,098**
Exceptional items and other normalised adjustments#					(7,236)
Profit before tax					**54,862**

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £18,450,000 and £183,041,000 (2015 – £16,038,000 and £192,648,000) 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. No single external customer accounted for 10% or more of the Group's total revenue (2015 – none).

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £39,314,000 and £45,582,000 (2015 – £46,594,000 and £40,536,000) respectively. There are no material non-current assets located in an individual country outside of the UK.

5. Selling and administration expenses

An analysis of selling and administration expenses is set out below:

	2016	2015*
	£000	£000
Selling and distribution expenses	**85,915**	80,323
Administrative expenses	**39,337**	25,576
	125,252	105,899

* Restated for a reclassification of expenses, as explained in note 1.

6. Exceptional items

	2016	2015
	£000	£000
Acquisition and integration activities	**10,459**	371
Restructuring costs	**4,544**	851
Provision for interest on underpaid sales taxes in an overseas location	**226**	768
	15,229	1,990

The acquisition and integration expenses of the period relate to fees paid to professional advisers primarily for legal and financial due diligence services related to the aborted acquisition of certain software assets from Schneider Electric and the acquisition of FabTrol Systems Inc. The costs incurred during the year to 31 March 2015 of £371,000 related to the acquisition of 8over8 Limited.

Exceptional restructuring costs of £4,544,000 (2015 – £851,000) were incurred during the period and relate to redundancy and other related costs in connection with the rationalisation of offices and reduction in headcount in specific areas of the business in light of challenging market conditions.

The Group has provided for a potential underpaid sales tax liability in respect of prior periods, related to the local sales of one of the Group's subsidiary companies. The provision includes an estimate of the underpaid tax as well as related interest for late payment.

Exceptional items were included in the Consolidated income statement as follows:

	2016	2015
	£000	£000
Research & Development costs	**2,230**	–
Selling and distribution expenses	**1,290**	1,218
Administrative expenses	**11,709**	772
	15,229	1,990

7. Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2016 and 2015 are as follows:

	2016 £000	2015 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	**3,863**	5,362
Adjustments in respect of prior periods	**(47)**	3
	3,816	5,365
Foreign tax	**5,869**	6,667
Adjustments in respect of prior periods	**(704)**	553
	5,165	7,220
Total current tax	**8,981**	12,585
Deferred tax		
Origination and reversal of temporary differences	**(441)**	785
Adjustment in respect of prior periods	**415**	(67)
Total deferred tax	**(26)**	718
Total income tax expense reported in Consolidated income statement	**8,955**	13,303

	2016 £000	2015 £000
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on intangible assets credited to other comprehensive income	–	380
Deferred tax on actuarial remeasurements on retirement benefit obligation	**(1,868)**	1,085
Current tax on pension contributions	**214**	1,192
Tax (charge)/credit reported in Consolidated statement of comprehensive income	**(1,654)**	2,657

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:

	2016 £000	2015 £000
Tax on Group profit before tax at standard UK corporation tax rate of 20% (2015 – 21%)	**5,886**	11,521
Effects of:		
– expenses not deductible for tax purposes	**2,923**	646
– irrecoverable withholding tax	**93**	132
– movement on unprovided deferred tax balances	**408**	387
– differing tax rates	**(19)**	128
– adjustments in respect of prior years	**(336)**	489
Income tax expense reported in Consolidated income statement	**8,955**	13,303

7 Income tax expense cont.

The Group's effective tax rate for the year before exceptional items and adjustments in respect of prior periods is 22.9% (2015 – 22.8%).

At the balance sheet date, the UK government had substantively enacted a 1% reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and by another 1% to 18% from 1 April 2020. These rate changes have resulted in a £85,000 movement to opening deferred tax consisting of a credit of £141,000 to the income statement and a £226,000 charge to comprehensive income.

On 16 March 2016, the UK government announced that it would reduce the main rate of corporation tax by a further 1% from 1 April 2020 to 17%. This change had not been substantively enacted at the balance sheet date and is consequently not included in these financial statements. The effect of this proposed reduction would be immaterial to the UK net deferred tax liability.

8. Dividends paid and proposed on equity shares

	2016 £000	2015 £000
Declared and paid during the year		
Interim 2015/16 dividend paid of 6.0 pence (2014/15 – 5.5 pence) per ordinary share	**3,836**	3,515
Final 2014/15 dividend paid of 25.0 pence (2013/14 – 22.0 pence) per ordinary share	**15,978**	14,043
	19,814	17,558
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2015/16 of 30.0 pence (2014/15 – 25.0 pence) per ordinary share	**19,182**	15,976

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 8 July 2016 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 5 August 2016 to shareholders on the register at the close of business on 1 July 2016.

9. Earnings per share

	2016 Pence	2015 Pence
Earnings per share for the year:		
– basic	**32.03**	65.07
– diluted	**31.96**	64.92
Adjusted earnings per share for the year:		
– basic	**62.04**	74.51
– diluted	**61.91**	74.34

	2016 Numbers	2015 Numbers
Weighted average number of ordinary shares for basic earnings per share	**63,925,508**	63,872,070
Effect of dilution: employee share options	**137,389**	146,272
Weighted average number of ordinary shares adjusted for the effect of dilution	**64,062,897**	64,018,342

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 £20,474,000 (2015 – £41,559,000). 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 calculation of adjusted earnings per share are set out below:

	2016 £000	2015 £000
Profit after tax for the year	**20,474**	41,559
Intangible amortisation (excluding software)	**5,617**	4,707
Share-based payments	**494**	(441)
Loss on fair value of forward foreign exchange contracts	**432**	980
Exceptional items	**15,229**	1,990
Tax effect on exceptional items	**(936)**	(134)
Tax effect on other normalised items	**(1,648)**	(1,067)
Adjusted profit after tax	**39,662**	47,594

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.

10. Trade and other receivables

	2016 £000	2015 £000
Current		
Amounts falling due within one year:		
Trade receivables	**88,618**	88,618
Prepayments and other receivables	**7,384**	6,590
Accrued income	**1,136**	1,260
	97,138	96,468

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.

	2016 £000	2015 £000
Non-current		
Prepayments and other receivables	1,257	1,440

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

As at 31 March 2016 the provision for impairment of receivables was £5,879,000 (2015 – £5,636,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2014	5,161
Arising from business combination	1,011
Charge for the year, net of amounts reversed	3,327
Utilised	(3,612)
Exchange adjustment	(251)
At 31 March 2015	5,636
Arising from business combination	–
Charge for the year, net of amounts reversed	3,431
Utilised	(3,141)
Exchange adjustment	(47)
As at 31 March 2016	**5,879**

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
2016	**88,618**	**54,778**	**30,831**	**2,142**	**867**	**–**
2015	88,618	65,058	20,712	1,650	1,176	22

11. Cash and cash equivalents and treasury deposits

	2016 £000	2015 £000
Cash at bank and in hand	**38,176**	50,635
Short-term deposits	**26,435**	7,884
Net cash and cash equivalents per cash flow	**64,611**	58,519
Treasury deposits	**43,316**	45,248
	107,927	103,767

Treasury deposits represent bank deposits with an original maturity of over three months. Treasury deposits held with a fixed rate of interest were £23,296,000 (2015 – £32,788,000), with the remainder held at a floating rate.

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. £31,776,000 (2015 – £3,768,000) were at a fixed rate of interest and the remainder were held at a floating rate of interest.

The fair value of cash and cash equivalents and treasury deposits is £107,927,000 (2015 – £103,767,000).

12. Trade and other payables

	2016 £000	2015 £000
Current		
Trade payables	**5,986**	3,251
Social security, employee taxes and sales taxes	**13,502**	14,500
Accruals and other payables	**16,478**	15,232
Deferred revenue	**46,874**	48,213
Deferred consideration	**1,230**	417
	84,070	81,613

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.

13. 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 2014	5,853	1,074	1,921	8,848
Current service cost	1,487	–	246	1,733
Net interest on pension scheme liabilities	276	42	65	383
Actuarial remeasurements	11,389	122	(15)	11,496
Employer contributions	(7,724)	(47)	(526)	(8,297)
Exchange adjustment	–	(132)	156	24
At 31 March 2015	11,281	1,059	1,847	14,187
Current service cost	–	–	213	213
Net interest on pension scheme liabilities	506	30	42	578
Actuarial remeasurements	(7,936)	211	(112)	(7,837)
Employer contributions	(1,580)	(11)	(471)	(2,062)
Exchange adjustment	–	104	(21)	83
At 31 March 2016	**2,271**	**1,393**	**1,498**	**5,162**

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. The Scheme closed to future benefit accrual with effect from 1 April 2015. Pensions are also payable to dependants on death. 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 Corporate Benefits Limited, at rates which are calculated to be sufficient to meet the future liabilities of the scheme. Scheme assets are stated at their market values at the respective Balance sheet dates.

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

	2016 %	2015 %
Main assumptions:		
Discount rate	**3.40**	3.10
Inflation assumption – RPI	**3.30**	3.30
Rate of salary increases	**5.30**	5.30
Rate of increase of pensions in payment	**3.10**	3.10
Rate of increase of pensions in deferment	**2.30**	2.30

The duration of the Scheme liabilities is estimated to be 19 years.

14. Directors

Philip Aiken
Chairman

Philip Dayer
Non-Executive Director and Senior Independent Director

Jonathan Brooks
Non-Executive Director

Jennifer Allerton
Non-Executive Director

Richard Longdon
Chief Executive

James Kidd
Chief Financial Officer

15. Responsibility statement pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)

Each Director of the Company (whose names and functions appear in note 14) confirms that (solely for the purpose of DTR 4) to the best of his/her knowledge:

- the financial information 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, Chief Executive's review and Finance 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	Richard Longdon
Chief Financial Officer	***Chief Executive***

24 May 2016