AVEVA™

CONTINUAL PROGRESSION

Mastering change

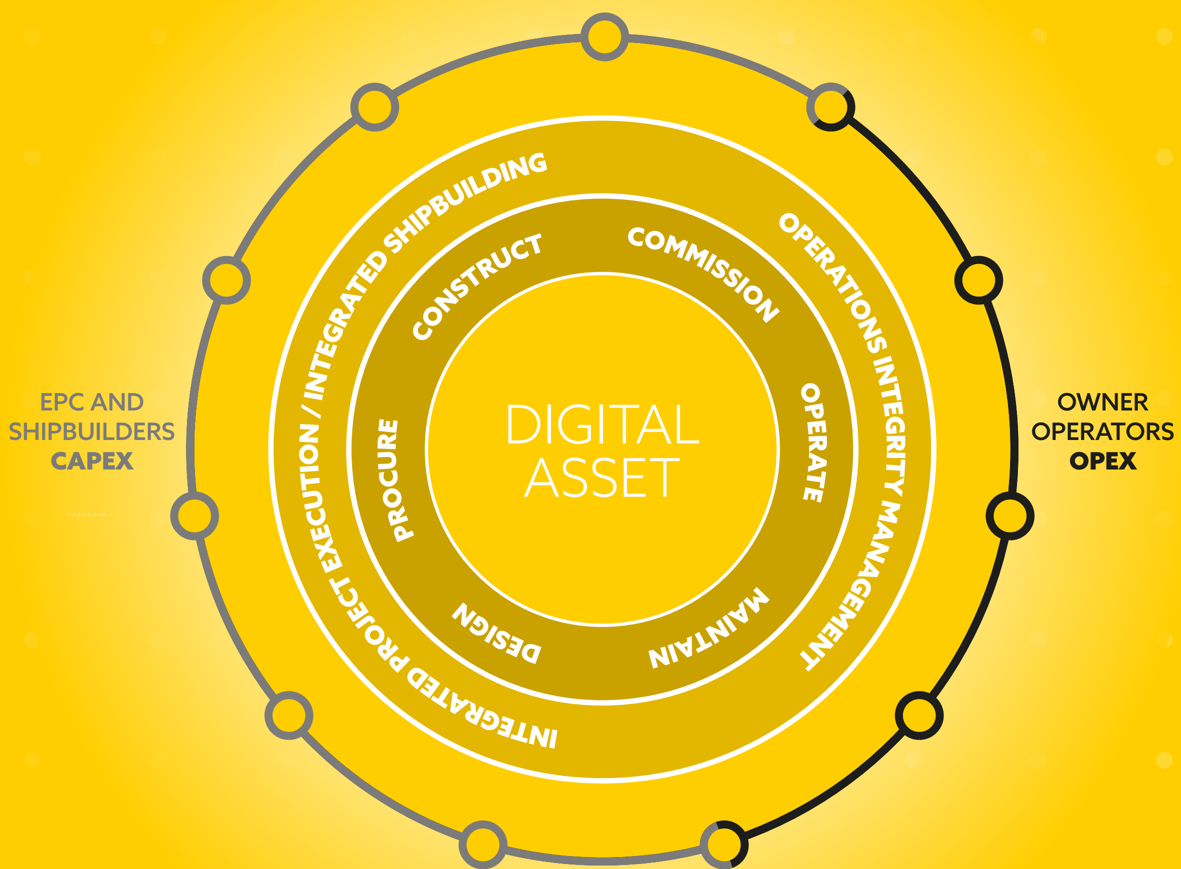
DIGITAL ASSET

AVEVA develops the world's most advanced engineering, design and information management software for the creation and management of process plants, power plants and marine vessels.

Our solutions support many stages of the project and operational life cycle by creating, collating, managing and exploiting the value of the Digital Asset.

At the heart of our technology strategy is a principle that the Digital Asset must evolve in tandem with the physical asset, enabling our customers to master the continual change that drives their business.

Life cycle strategies

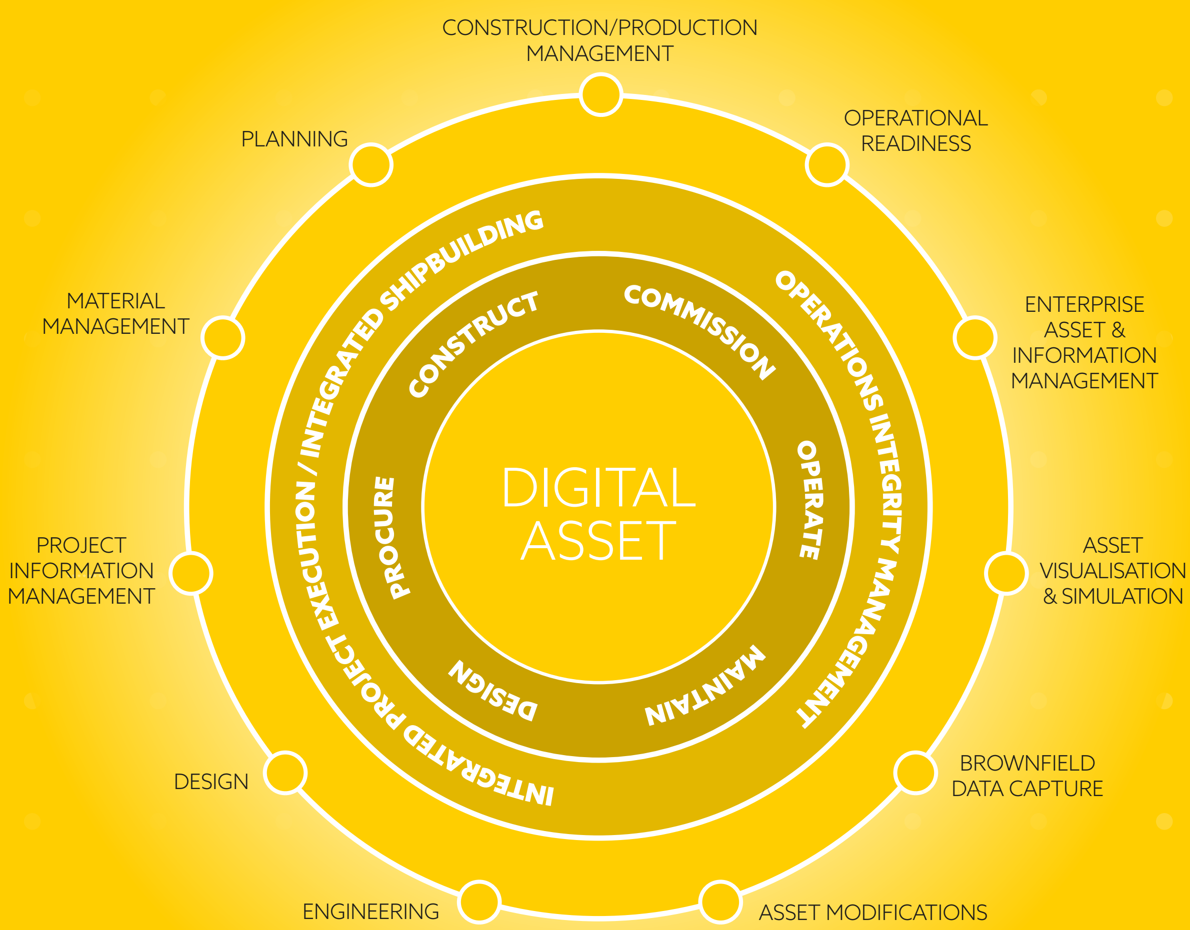


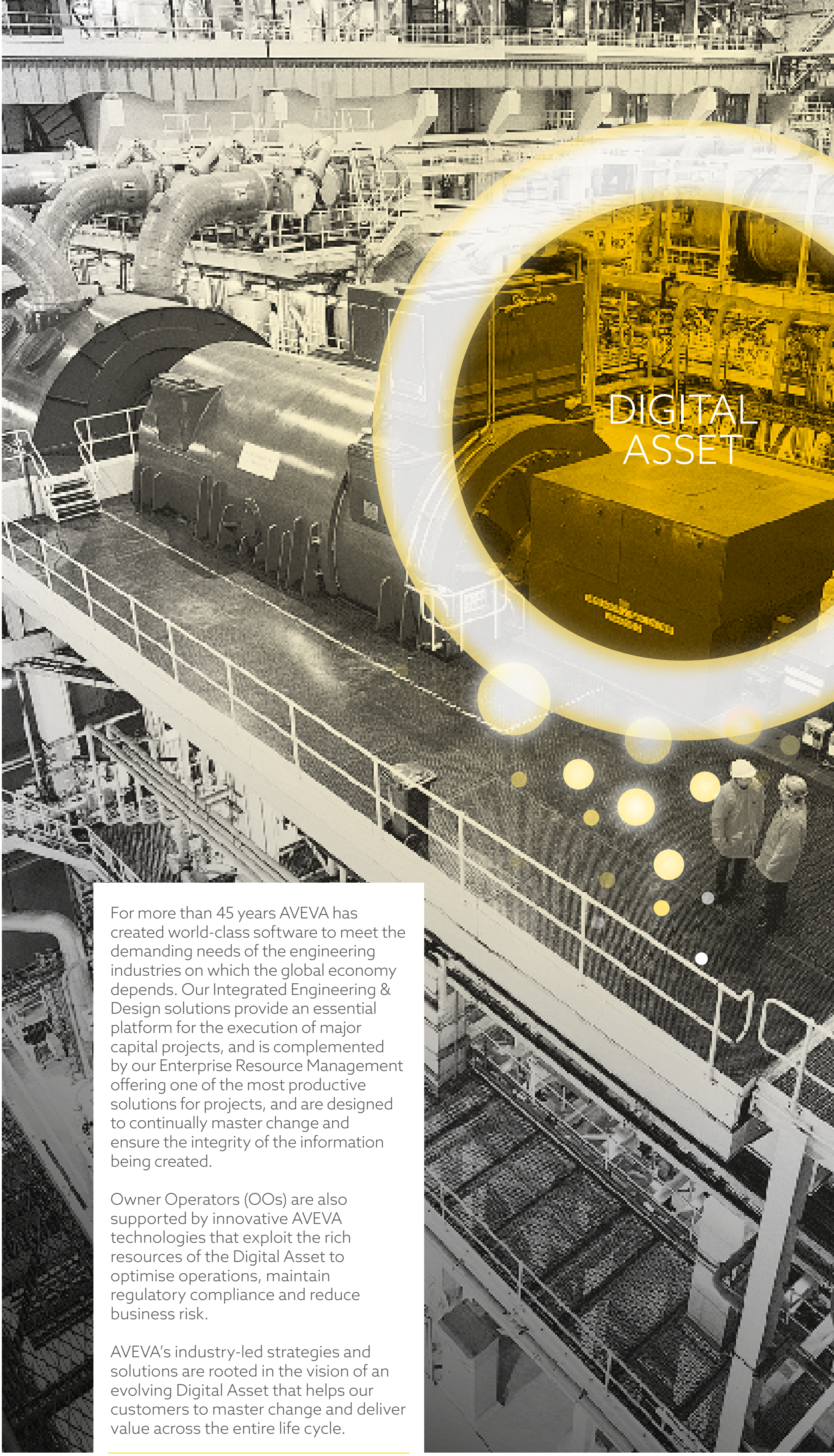
DIGITAL ASSET

The execution of major engineering projects requires hundreds of decisions – large and small – every day. Thousands more are required in the subsequent decades of operation, maintenance, modification and end of life. Throughout, accurate and timely decisions depend on the quality, completeness and accessibility of the information that forms the Digital Asset.

AVEVA's deep understanding of the industries we serve underpins our strategies for Integrated Project Execution, Operations Integrity Management and Integrated Shipbuilding. The world's capital intensive industries depend on AVEVA technology to continually anticipate and respond to market challenges by creating ever-more powerful tools to harness their Digital Asset.

World-class solutions





For more than 45 years AVEVA has created world-class software to meet the demanding needs of the engineering industries on which the global economy depends. Our Integrated Engineering & Design solutions provide an essential platform for the execution of major capital projects, and is complemented by our Enterprise Resource Management offering one of the most productive solutions for projects, and are designed to continually master change and ensure the integrity of the information being created.

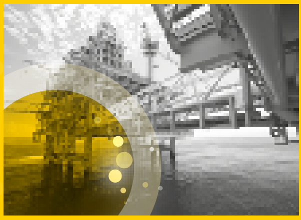
Owner Operators (OOs) are also supported by innovative AVEVA technologies that exploit the rich resources of the Digital Asset to optimise operations, maintain regulatory compliance and reduce business risk.

AVEVA's industry-led strategies and solutions are rooted in the vision of an evolving Digital Asset that helps our customers to master change and deliver value across the entire life cycle.

Find out more on page 6
of the annual report

The Digital Asset

To explore the life cycle and AVEVA's strategies and solutions that support a Digital Asset, visit **www.aveva.com**



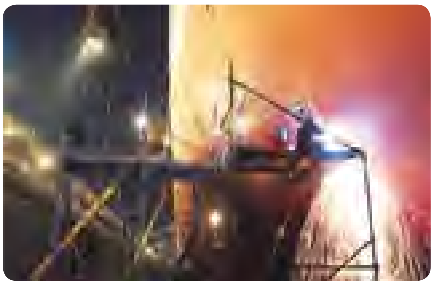
Look for the Digital Asset highlights referenced through the annual report.

ANNUAL REPORT & ACCOUNTS 2014

AVEVA™

CONTINUAL PROGRESSION

AVEVA is a leading global provider of engineering, design and information management software



Contents

Online documents

www.
Download this report
www.aveva.com

Our mission

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

Our vision

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

Offices
48

Countries
30

We operate close to our customers' businesses

Number of employees
1,491

13% growth in the last financial year

Highlights

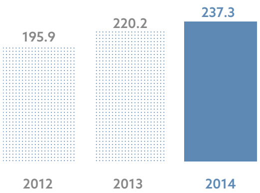
In line with our strategy for profitable growth, AVEVA has continued to deliver on a number of key financial metrics, as well as achieving further strategic and operational milestones.

Financial

Revenue (£m)

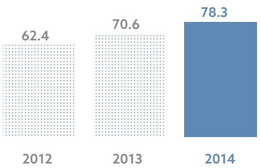
+10% constant currency

+8% : £237.3m



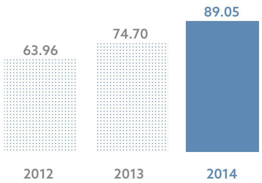
Adjusted* profit before tax (£m)

+11% : £78.3m



Adjusted* basic earnings per share (p)

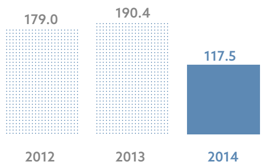
+19% : 89.05 pence



17% growth in reported EPS

Net cash deposits (£m)

(39%) : £117.5m



Strategic

AVEVA Everything3D™
Strong momentum with our cutting-edge new design platform, a number of Global Accounts have now licenced the solution and cumulative revenue is building.

Innovation
AVEVA is the market leader through innovation, recent product launches include the tablet-based mobile solution, AVEVA E3D Insight™, as well as AVEVA AVP™ for avatar-based training.

Partners
Our investment in growing and educating our partner network is beginning to pay dividends, and we have seen particular progress in Nuclear working alongside Capgemini.

Global accounts
Our continued focus on Global Accounts saw us successfully expand the number of multi-year licensing arrangements, and we expect to make further progress with these accounts in the future.

Growing market share
AVEVA successfully grew its presence in under-penetrated markets during 2012/13, particularly North America and India.

We are investing in high growth markets

Operational

'One AVEVA'
The sales and marketing efforts of AVEVA are firmly aligned behind selling all of our products to all of our customers, as we seek to grow across the life cycle of the asset.

R&D capabilities
We invested further in our R&D facilities in Hyderabad, India, by opening a second facility as well as an office in Mumbai. We expect future cost savings as a result.

Planning for growth
During 2013/14 we embarked on a period of extra investment in internal systems, in order to prepare the business for the next phase of growth.

* Adjusted profit before tax 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.

We provide mission-critical solutions to some of the world's biggest engineering companies and Owner Operators. AVEVA is a technology leader within these markets.

OUR MARKETS

AVEVA's products are most applicable in industries where scale and complexity are greatest: Oil & Gas, Marine and Power. Other markets include Chemicals, Pharmaceuticals, Metals & Mining and Pulp & Paper. Page 16

DELIVERING VALUE TO OUR CUSTOMERS

Our software empowers more than 3,500 customers to make accurate and timely design, engineering and business decisions, across entire project and asset life cycles – improving productivity, minimising risk and reducing costs. Page 6

INDUSTRY-LEADING

In the 1970s AVEVA delivered the world's first 3D plant design system. Innovation remains at the heart of our organisation, and over the last five years we have invested over £150 million in R&D. Case studies throughout report.

STRONG FINANCIAL MODEL

Recurring revenues are currently around 70% of total sales. AVEVA principally licenses software and thus achieves operating margins over 30%. This, in turn, translates into strong cash generation. Page 25

GLOBAL REACH

Regionally, AVEVA's business is broadly spread – selling into all major territories around the world – and we now have 48 offices in 30 countries, offering local support wherever our customers operate. Page 17

Philip Aiken
Chairman

27 May 2014

It has been a year of significant progress on a number of fronts

Introduction

Overview of performance

I am pleased to report that this has been another year of good growth and strategic development. We delivered record revenue of £237.3 million (2013 – £220.2 million) and adjusted profit before tax up 11% to £78.3 million (2013 – £70.6 million), generating an improvement in the profit margin for the year to 33% (2013 – 32%). Reported profit before tax increased 9% to £69.0 million (2013 – £63.5 million). Adjusted basic EPS rose 19% to 89.05 pence (2013 – 74.70 pence). Basic earnings per share increased 17% to 78.12 pence (2013 – 66.80 pence). We closed the year with net cash of £117.5 million, after the 147 pence special dividend, amounting to £100 million, paid to shareholders in August 2013.

AVEVA is recognised as the leading innovator in its industry. During the year we made excellent progress with our major new 3D design platform, AVEVA Everything3D (AVEVA E3D). It has been encouraging to see that a number of our major customers – including KBR, Jacobs Engineering, Foster Wheeler, Worley Parsons, Siemens Energy and Shell – now include AVEVA E3D in their licence agreements, providing them with the opportunity to take advantage of the many new capabilities and efficiencies that the platform can deliver. AVEVA is also at the forefront in delivering the benefits of Cloud and Mobile technologies to our customers and we expect further progress in this area during the current financial year.

It has been a year in which we have seen mixed economic situations in many of the regions in which we operate around the world. However, the broad spread of our business has enabled us to deliver good growth. I am particularly pleased to report an outstanding performance from Engineering & Design Systems (EDS), which continued to outpace the competition, and delivered 14% organic growth in constant currency as we further enhanced the portfolio of products we offer.

As previously reported, Enterprise Solutions (ES) was impacted by lengthening sales cycles and the loss of two key customer contracts in the first half of the financial year. This resulted in the division reporting a loss for the year. However, there was a significant roll-out of AVEVA NET™ at Chevron (Gorgon) as well as milestone projects in China and the Middle East.

Our sales teams are focused towards selling a combination of all AVEVA products to Engineering Procurement & Construction (EPC), Shipyard and Owner Operator customers. This 'One AVEVA' philosophy allows us to adapt our approach to reflect the commercial reality of the industries in which we operate, and will be beneficial to all of our customers including fully exploiting the 'pull-through' between our products and solutions, which is significant.

The Board

I spoke last year about how the Board was giving more focus to key areas including technology, strategy and people. This is starting to show clear benefits as the Board's role, from the perspective of supporting and reviewing the Group's growth strategy, has deepened and broadened in both scope and effectiveness. As a Board we closely monitor the achievements of business objectives as well as the oversight of risks and maintain strong governance processes.

During the year Hervé Couturier notified us of his intention to retire from the Board at the 2013 AGM to pursue other challenges, and he leaves with our good wishes for the future. We were delighted to welcome Jennifer Allerton who joined the Board as an Independent Non-Executive Director at the AGM in July 2013.

AVEVA harnesses innovation to deliver value to our customers, both existing and new, thus driving sustainable growth in our business over the long term.

R&D investment is critical to delivering future growth

£155m
5-year spend on R&D

+8%
Increase in R&D

Over 500
R&D employees

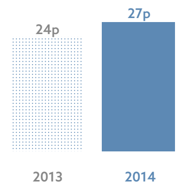
Dividend

AVEVA has a progressive dividend policy which reflects our confidence in the underlying strength of the business including cash generation as well as the outlook for future growth and profitability. The Board is recommending a final dividend of 22 pence (2013 – 19.5 pence), an increase of 13% over the prior year, payable on 25 July 2014 to shareholders on the register on 27 June 2014. This gives a full year dividend of 27 pence (2013 – 24 pence), when combined with the interim dividend of 5 pence, an increase of 12.5% over last year. In addition to the ordinary dividend, we paid a special dividend of 147 pence per share, returning £100 million to shareholders in August 2013, in light of the Group's strong performance and strong cash generation over many years.

Outlook

It has been a year of significant progress on a number of fronts – operationally, through innovation as well as strategically and financially. This is principally due to the quality and commitment of our people and on behalf of the Board I would like to thank everyone throughout the organisation for their efforts and dedication. This is an exciting time to be part of AVEVA and tremendous opportunities lie ahead. With strong long-term market drivers and a broadening product footprint we are confident in our ability to deliver further progress against our growth plans in the future.

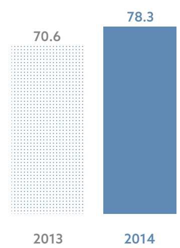
DIVIDEND PER SHARE



+12.5%
27 pence

Our progressive dividend policy reflects our confidence in the underlying strength of the business

ADJUSTED PBT



+11%
£78.3m

The profit margin for the year showed further improvement to 33% (2013 – 32%)

REDUCE

Eliminating waste and barriers to efficiency

Read more on page 8

COST
Optimising costs is critical to both successful projects and asset operation. AVEVA's Integrated Engineering & Design solution cuts rework costs through efficient collaboration between project disciplines, while our Information Management technologies save costs through access to reliable asset information throughout the entire life cycle.

TIME
Missing or unreliable information is the principal cause of project overruns and excessive asset downtime. AVEVA's engineering information management solutions provide relevant, trustworthy and complete information to the right people, at the right time, to get the job done on time.

RISK
Capital engineering projects carry huge commercial risk. Large engineering assets, often in challenging environments, carry their own operating risks. AVEVA technology helps to reduce both project and operational risks by bringing under control the many complex interdependencies within the digital asset.

We help our customers transform risk into opportunity

INCREASE

Setting new standards for performance and capability

Read more on page 10

QUALITY
Quality must be designed in from the start. AVEVA's engineering and design solutions not only enable high-quality design through built-in industry standards and rigorous compliance validation, they also create best-in-class deliverables for high-quality fabrication and construction. AVEVA's powerful Information Management technologies enable asset operators to achieve 'right every time' execution of life cycle management activities.

COLLABORATION
Ever larger, more complex projects demand seamless collaboration between design, engineering and management organisations around the world, both for project delivery and asset management. AVEVA leads the industry with tightly integrated solutions that support efficient global collaboration, whether in the office or on the move.

DECISION MAKING
Building engineering assets involves thousands of decisions, from the overall project plan down to the smallest detail. Managing these assets through decades of safe, productive operation requires many thousands more. AVEVA's Information Management solutions increase the quality and timeliness of decision making through ready access to information that is relevant, consistent, verified and easily understood.

ENABLE

More powerful technologies for better management of projects and assets

Read more on page 12

PROJECT EFFICIENCY

While EPCs and shipbuilders operate in different markets, they share a common business objective: to deliver high-quality capital projects on time and on budget. AVEVA enables this through its Integrated Project Execution strategy for EPCs and Integrated Shipbuilding strategy for shipyards. Each combines best-in-class specialist software and built-in best practice working methods to maximise project efficiency and profitability.

ASSET OPTIMISATION

Engineering assets are complex entities, subject to continual maintenance and improvement throughout their working lives. Owner Operators must therefore continually re-optimise their asset management processes. AVEVA's Operations Integrity Management strategy provides Owner Operators (OOs) with the tools to do this, ensuring sustained regulatory compliance, optimum asset productivity, minimum total cost of ownership and safe extension of operational life.

Mastering change across the project and asset life cycle

Improving project efficiency and optimising asset operations for our customers.

Mastering change to deliver value

The only thing that is constant for AVEVA's customers is change. They are responsible for increasingly complex engineering projects, often in harsh environments under tight deadlines with potentially catastrophic consequences. This demands partners that understand their business and have the technology and support to reduce risk, increase quality and enable greater efficiency. AVEVA has been helping our customers with precisely these challenges for decades.

The AVEVA vision to be **"Always the leading innovator…"** is documented by generations of award-winning software technology that has been used to design, construct and operate some of the world's most impressive engineering achievements. Rooted in object-based technology, an evolving Digital Asset is at the heart of our products and solutions. Our customers are not only able to solve very specific engineering problems, but are also able to realise a much bigger vision of mastering change by creating, managing, maintaining and exploiting their Digital Asset.

To realise our goal of becoming **"…our customers' most trusted partner"**, AVEVA has established sales and support offices in all the major engineering centres around the world. We have more than 48 offices in 30 countries, close to where our customers operate. We understand their technical and business priorities and speak their languages. AVEVA has an outstanding team of professionals that works hand-in-hand with our customers. This represents a major investment, but we believe that there are no short cuts to providing great customer support and we have been rewarded with many long-term customer relations, some that span three decades.

Our vision to be **"Always the leading innovator and our customers' most trusted partner"** is ambitious, but we are confident in our technology and in the abilities of our people to master the ever-changing engineering and operational challenges that lie ahead.

REDUCE

COST

REDUCED COSTS OF PROJECT REWORK AND THROUGHOUT THE ASSET LIFE CYCLE

Improved decision making reduces time and cost

RISK

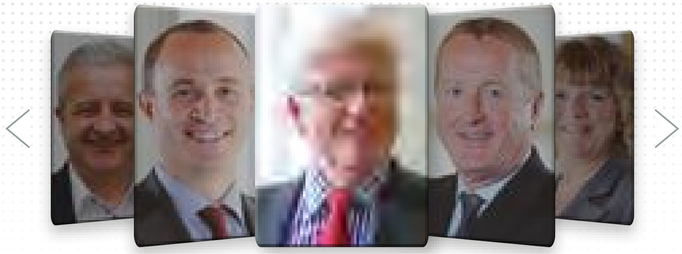
REDUCED PROJECT AND OPERATIONAL RISK BY MANAGING COMPLEXITY

We help our customers transform risk into opportunity

TIME

TRUSTWORTHY INFORMATION DELIVERED TO THE RIGHT PEOPLE AT THE RIGHT TIME

Eliminating waste and barriers to efficiency



Dave Wheeldon
Chief Technology Officer and
Head of Engineering & Design Systems

How we do it…

Q. How exactly does AVEVA help EPCs and shipbuilders deliver more efficient capital projects?

A. Creating a complex facility such as a chemical plant is an iterative, multi-discipline process that progressively develops and refines a design from initial concept to operational readiness. Each discipline must not only be aware of the maturity status of information created by others, but must also be able to manage its own workflows to accommodate continual changes in a controlled, efficient manner. Our unique Compare & Update capability within our Integrated Engineering & Design solutions delivers this cross-discipline management, helping our customers to control their 'design spiral'.

Q. AVEVA talks about Engineering & Design for Lean Construction. What does Lean Construction mean for your customers?

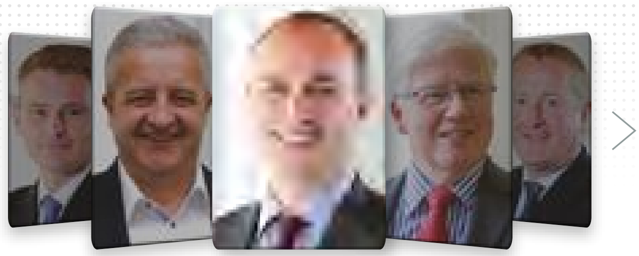
A. Lean Construction is the capital projects industries' long-sought equivalent to Lean Manufacturing, which has transformed efficiency in volume manufacturing. AVEVA's next-generation 3D design solution, AVEVA Everything3D, supports Lean methodologies by providing essential capabilities for closing the feedback loop between design, fabrication and construction. And our recently announced AVEVA E3D Insight eliminates bottlenecks in the design review and approval stages by putting the live 3D design model literally at a manager's fingertips, anytime, anywhere. These same core principles also apply to other areas of our business such as our Enterprise Resource Management solutions. In this case, it is essential to deliver the right information at the right time, helping our customers to make the informed decisions that reduce risk.

Q. Owner Operators have a very different set of requirements. How is the AVEVA technology used in an operational environment?

A. A well established and maintained Digital Asset is as important to OPEX activities as it is to CAPEX. Our Owner Operator customers use the information within their digital asset to actively manage their complex facilities. For example, with millions of operationally critical pieces of equipment, we give them the tools to monitor, track and control all aspects of their maintenance activities and intelligently interface into discipline specific applications. This is not just about saving cost, it also helps to deliver a safer working environment.

INCREASE

Setting new standards for performance and capability



Mat Truche-Gordon
Executive Vice President
Business Strategy

How we do it...

Q. How does AVEVA improve the quality of deliverables?

A. Both in our engineering and design products and our Information Management solutions, AVEVA builds in rules, templates and best practice functionality that leave nothing to chance. Fully detailed construction deliverables are generated directly from the 3D model, ensuring accuracy and completeness. Operational procedures are supported by applications that demand correct use and approvals, and which create permanent audit trails.

Q. How is AVEVA responding to the new mobile generation of technology?

A. Tablet devices, pervasive internet access and Cloud technology are poised to revolutionise the engineering industries. AVEVA is driving this revolution with new technologies that put trustworthy information right in the hands of decision makers and front-line personnel. One outstanding example is AVEVA E3D Insight – the world's first tablet app for design review, anywhere, anytime. This new app has already been recognised by our industry with prestigious innovation awards and universal praise from industry analysts.

Q. How is laser technology being used by AVEVA customers to increase quality and collaboration?

A. High-definition 3D laser surveying has come of age and AVEVA leads the market with technologies for exploiting the huge potential value represented by photorealistic laser scans of as-built assets. These powerful technologies are delivering new capabilities and new levels of efficiency, both in 'greenfield' projects and in-life extension and upgrades of existing 'brownfield' assets. Our customers are visualising and rapidly modelling existing assets to streamline maintenance and revamp projects, saving time and money and reducing risk.

Q. Is there a single process or methodology that your customers should use to make decisions when working with your technology?

A. No. In fact this is exactly the point of the Digital Asset. Each decision must be made with the information available at the time and based on the key business objectives. AVEVA technology provides users with the most trustworthy information in an easily accessible way, enabling rapid, informed decisions that will drive their business forward. We give people what they need to do their job as effectively as possible without constraining them with entirely impractical processes that demand rules and standards be defined up front.

ENABLE


DIGITAL ASSET
Helping OOs, EPCs & shipbuilders
PROJECT EFFICIENCY
HIGH-QUALITY CAPITAL PROJECTS ON TIME AND ON BUDGET

ASSET OPTIMISATION

REGULATORY COMPLIANCE AND ASSET PRODUCTIVITY WITH LOW TOTAL COST OF OWNERSHIP

More powerful technologies for better management of projects and assets

Helmut Schuller
Executive Vice President
Sales

How we do it...

Q. What are the principles that define an Integrated Project Execution (IPE) strategy for your customers?

A. AVEVA technology provides a common environment for the sharing and use of information by all disciplines and business processes, from initial order taking through to final handover. Information is created and controlled by the relevant disciplines and made available, at specified levels of maturity, for use across the entire project. Information accuracy and reliability is assured; double-handling and duplication of data is eliminated. Planning, procurement, scheduling, fabrication and construction all work with definitive information created and updated by engineering and design. It is very rewarding to see how our customers use our products and solutions to implement IPE strategies that meet their specific business objectives.

Q. How does the priority and reality of EPC and shipyard projects differ?

A. The business objectives of an EPC or shipyard project are very similar; both focus on project efficiency in order to meet schedules and budgets. Many of the specific skills and processes are, of course, very different. This is where the industry expertise of our global team is so important. We have talented, experienced professionals who know the plant and marine industries that we serve. They speak our customers' industry and cultural languages and work closely with them to implement the right technology for their business.

Q. Can you give a few examples of how an Operations Integrity Management strategy delivers tangible benefits to your customers?

A. AVEVA Information Management technology enables OOs to develop and operate robust asset management strategies based on rigorously controlled, quality assured and readily accessible information. The unique AVEVA NET technology aggregates, validates, contextualises and makes readily available all types of asset information, from whatever source, and independent of the original authoring programmes, to support all aspects of asset operation. New industrial gaming technology – AVEVA Activity Visualisation Platform (AVEVA AVP) now brings an unmatched level of capability to operator training, task rehearsal and Work Order visualisation.

Organisation

Operations
Driving AVEVA's business strategy across all geographic regions to support the long-term growth of the Company

sharing talent & resource across the organisation

Business Strategy & Marketing
Defining our business strategy and communicating AVEVA's vision internally and externally

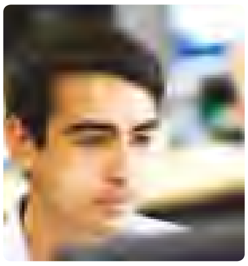
Global Sales
Focused on selling AVEVA's full product and solution portfolio to all of our EPC, OO and Shipbuilding customers

EDS – Engineering & Design Systems
Supporting the creation and evolution of the Digital Asset with engineering and design solutions for the entire life cycle

ES – Enterprise Solutions
Building solutions that create, manage, maintain and exploit the Digital Asset for business processes across the life cycle

Finance & Legal
Meeting the essential financial management, legal and contractual requirements of a growing global organisation

Business Services
Delivering the people, talent and IT business systems that are critical to the efficiency and growth of the organisation



Business model

At the core of AVEVA's business is the intellectual property generated in its software products. The Group sells its proprietary software products by licensing rights to use the software directly to customers through our network of global sales offices rather than through resellers or distributors. This strategy provides customers with local sales and support and helps AVEVA to work closely with the leading companies principally in the Oil & Gas, Power and Marine markets.

We operate a 'right to use' licensing model for both Enterprise Solutions software and engineering and design products. Customers license our software for a specified number of users by paying an initial licence fee followed by an obligatory annual fee or by paying a rental fee over a fixed period of time. In both cases, the customer has to continue to pay a fee in order to use the software. This model continues to provide a strong recurring revenue base for AVEVA which allows us to invest in the future roadmap of our products. Our Enterprise Solutions software involves a higher degree of services compared to our engineering and design tools. These services consist of implementation and customisation of these solutions and are provided either on a time and materials basis or under fixed price contracts.

Continual Progression

Number of employees

1,491

Total number of employees globally

1,102 Male
389 Female

Turnover

7.6%

Percentage of people that left the Company throughout the financial year

Longevity

38%

Percentage of people that have been with AVEVA for more than five years

New employees

309

13% net growth

Number of additional new employees over the financial year

Learning & Development

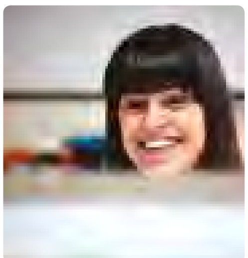
>1,200 training course places were provided for AVEVA employees

- Employee Induction
- Graduate Development Programme
- Management Development Programmes
- Advanced Leadership Programmes
- Personal and Skills Development Workshops
- Mentoring Programmes
- eLearning Modules
- Technical Training

Engagement survey

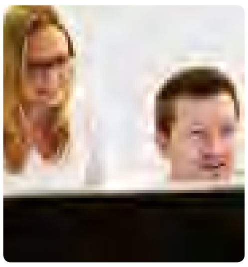
84%

Employee engagement index of 84%, 3% up from 2011



Investing in people

AVEVA is driven by our ambition for constant improvement – Continual Progression. This is a theme that runs throughout our organisation and can be seen in the software and services we have delivered to our customers over the last five decades and how we develop the skills and talents of the AVEVA team. We have a well-established track record for success, but we do not rest on our past achievements. Instead, we are constantly innovating with the technology we develop and with the programmes and activities for our employees. In the same way that success with our customers can be measured by their increasing investment in AVEVA technology, success with our colleagues can be viewed through their increasing commitment to the Company and training is a key area of focus. AVEVA is proud of the skills and talents of our employees and we invest in their Continual Progression to empower them as individuals so we can meet the business challenges that lie ahead.



Scale and complexity

Customer types and routes to market

EPCs
AVEVA's products are most applicable in industries where scale and complexity are greatest, and as a result many of the world's largest Engineering, Procurement & Construction companies are our customers. Our 3D design technology enables EPCs to achieve many of the advanced engineering developments necessary to meet the global energy and infrastructure demands of a rapidly growing population.

This can be seen in our customers' end markets: Oil & Gas reserves are increasingly remote and difficult to extract, and here offshore projects have proven to be a key business driver for us. AVEVA's tools are also used to design power plants and we are a preferred supplier to the world's nuclear industry, where we expect significant investment in complex infrastructure over the long term. The majority of the world's major shipyards also use AVEVA technology for both conventional shipbuilding and, increasingly, complex specialist offshore platforms.

Our EPC customers are involved in delivering plants for the world's process industries. Given the nature and scale of these assets, a key feature of our industry is that design, fabrication and construction occur concurrently. This presents a number of challenges for our customers in terms of both design and delivery, and the focus of AVEVA's technology is to enable error-free design and apply the principles of lean construction to the industries we serve through an Integrated Engineering & Design approach. The solutions we deliver to our EPC customers enable them to compress schedules, eliminate expensive rework and drive efficiency across major engineering projects and through-life 'in-plant' engineering.

Owner Operators
AVEVA's Enterprise Solutions help our customers to effectively manage their business and access timely and accurate project and asset information. Our technology and expertise thus helps to bring tremendous value to these customers through the efficient support of operational processes and execution of in-plant engineering projects. In recent years we have been successful in extending our involvement with this operational phase in the life cycle of our customers' assets.

Partners
As AVEVA increases its involvement in the operational phase of these complex assets, we are increasingly working with expert partners who can help us to identify opportunities, act as a channel into new markets, and implement our Enterprise Solutions products across large-scale deployments. This is a key part of our strategy to accelerate the adoption of our technology by Owner Operators. We have seen our partner strategy begin to bear fruit, particularly in the Nuclear and Oil & Gas markets.

Key markets

Oil & Gas, Marine, Power, Other

Revenue split
AVEVA has a strong association with the global Oil & Gas industry, which currently accounts for around 45–50% of the usage of our software by our customers. The Power sector currently represents around 10–15%, and Marine around 20–25% of our customers' usage of our software products.

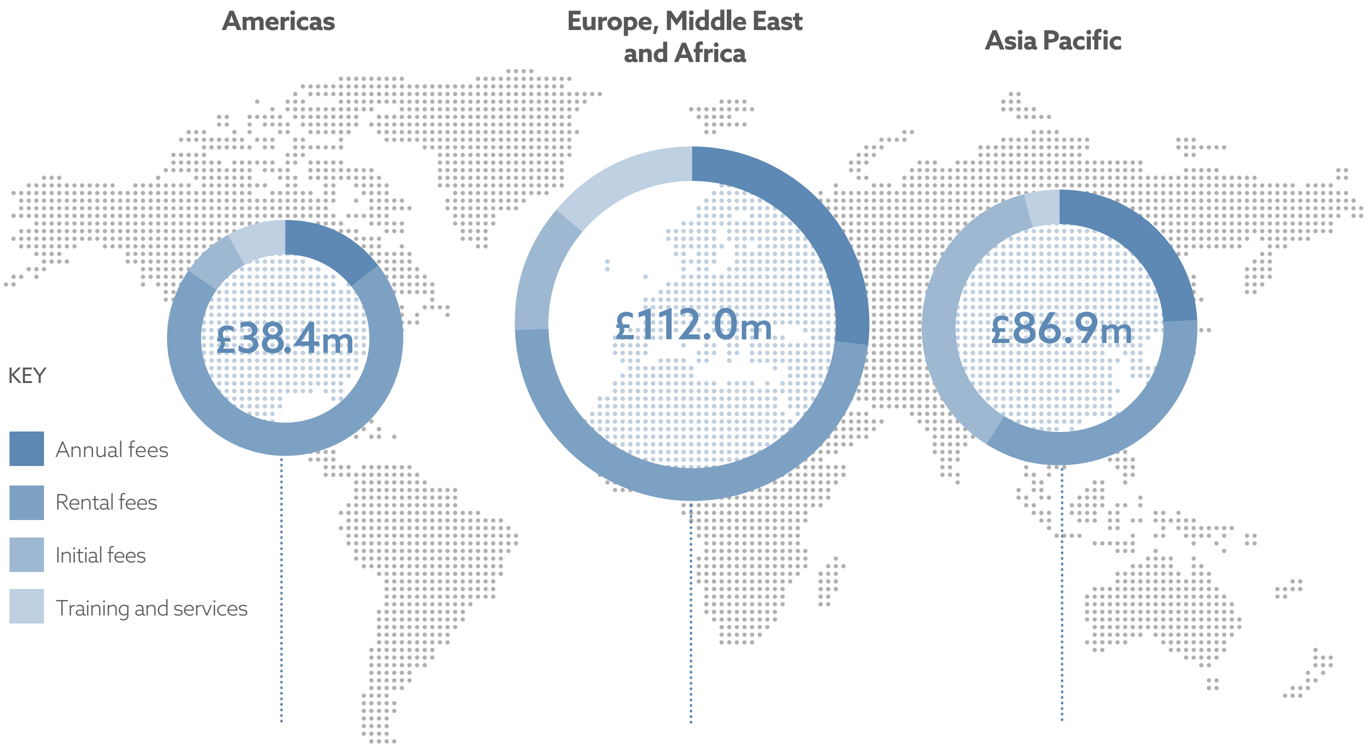
We estimate that around 15–20% of the usage of our products is derived from a number of other industries, including Chemicals, Metals & Mining Processing, Pulp & Paper, and other specialist manufacturing sectors.

Market drivers
A key driver of the Oil & Gas market is the increasing complexity of the engineering challenges involved in extracting the resources from remote and hostile environments, as well as an ever-tighter regulatory and safety regime.

Power is experiencing long-term secular growth in demand driven by increasing consumption, with the world's energy consumption expected to expand by 40% by 2035. Drivers include the need to build new power infrastructure in emerging markets, as well maintain and extend the lifespan of ageing infrastructure in developed markets.

Marine is traditionally a cyclical industry, and has been experiencing a prolonged period of downturn in demand for conventional shipbuilding. Many of our shipyard customers in South Korea have successfully retuned their capacity towards offshore projects, building FPSO, LNG and FLNG platforms for Oil & Gas customers.

Geographic markets



2013 : **£39.3m (2%)**

North America mid-teens growth, Latin America broadly flat + effect of currency

2013 : **£107.6m +4%**

Robust growth in Central and Western EMEA, soft demand in Russia and Middle East

2013 : **£73.3m +19%**

Strong performance in South Korea

AVEVA continues to benefit from the breadth of its international operations.

Strong growth in Asia Pacific

We saw an excellent performance from our Asia Pacific operations during 2013/14, with revenue up 19% over the prior year to £86.9 million (2013 – £73.3 million). North East Asia was a particular area of strength as our South Korean shipyard customers benefited from an increase in prime contracting activities related to large Oil & Gas projects. This was balanced by weaker economic conditions contributing to softer growth in China. Our investment in India has continued, dramatically increasing the number of employees in our Hyderabad offices.

EMEA and Americas

EMEA was affected by more difficult economic conditions compared to previous years, particularly in Russia and the Middle East, as well as the impact of the reduction in revenue in Enterprise Solutions. Our core markets remained resilient, with further growth in sales of our design tools to our global EPC customers. In Brazil there remains a sizable opportunity, but delays in the new project investment has impacted regional performance. This was balanced by our North American operations which delivered robust growth during the year, reflecting our renewed focus and investment in developing our presence in the region.

Our objectives

AVEVA has been a consistent leader in the markets we serve, but we cannot afford to rest on our past success. This is why we are driven by a clear set of strategic growth objectives that are designed to ensure that we continue to expand our presence in both new and established markets.

- Be the world's fastest-growing provider of engineering, design and information management solutions
- Create a Digital Asset for each of our customers that enables them to master change to deliver clear business value
- Expand our solutions through world-class technology innovation and targeted acquisitions
- Extend our presence in North America and high-growth markets
- Expand our business to target more Owner Operators

Our strategy

High growth markets

- Build a stronger presence in North America
- Continue to invest in growing economies
- Further develop our Integrated Project Execution strategy
- Invest early in next-generation high growth markets
- Expand our operations within our customers' growing markets to deliver the highest level of customer support

Investing in key markets for AVEVA

Opportunity

AVEVA will be working to exploit the tremendous opportunities in the shale oil and gas market in North America which could be transformational to the industry. We also recognise the continued importance of BRIC markets (Brazil, Russia, India, China) and the growth of the MIST markets (Mexico, Indonesia, South Korea, Turkey) and will continue to invest in customer service and support infrastructure in these important regions.

Plant operations

- Target Asset Information Management using AVEVA NET
- Further position laser technology as best-practice for brownfield projects
- Deliver Integrated Engineering & Design to Owner Operators for in-plant engineering
- Support the capture of knowledge and share experience between design and operations
- Deliver a highly differentiated SaaS based in-plant engineering solution

Opportunity

AVEVA's technology and global sales network is extremely well positioned to help Owner Operators meet their safety, production and uptime targets. With asset life cycles greater than 25 years and an addressable market that is more than twice the size of the design market, the plant operations domain represents a major opportunity for our digital asset solutions.

Extending the design footprint

- Strengthen the position of AVEVA NET and Enterprise Resource Management (ERM) within the Integrated Project Execution Strategy
- Leverage AVEVA Engineering to drive Integrated Engineering & Design
- Expand technology footprint through development and acquisition
- Establish third party partners to drive AVEVA adoption with operators

Expanding our traditional markets

Opportunity

The introduction of AVEVA Everything3D last year further cemented our dominant role as a global provider of 3D design solutions. This position, combined with our investment in schematics and structural solutions, means that we can use our relationships with engineering and design budget holders to extend the reach of our products within the design discipline and into adjacent markets. We are able to further penetrate our traditional design market and extend our reach into other disciplines such as in-plant engineering, materials and construction.

Accelerating Life Cycle Solutions

- Increase focus on Owner Operators with the Digital Asset proposition
- Further strengthen the integration between our Engineering Design and Information Management solutions to accelerate cross-selling opportunities
- Invest in a partner ecosystem to increase scalability and build new channels
- Continue to prioritise AVEVA NET development further expanding Cloud capabilities
- Accelerate penetration with Owner Operators through targeted acquisitions

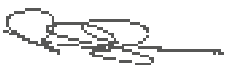
Opportunity

AVEVA has always had a clear objective and underpinning values to be firmly established as a partner to our customers. The power of our solutions, particularly in combination, gives our customers the ability to transform business processes across the entire life cycle. Success in this area is fundamental to the long-term objectives of AVEVA in our core markets. Accelerating our Life Cycle Solutions enables us to create new opportunities for cross-selling and market expansion. This will secure new customers and increase the use of our technology far beyond the project phase, supporting the entire asset life cycle.

Building on our strengths

In order to carve out our position around the creation and management of the Digital Asset, we will build upon our core strengths. With the majority of our installed base involved in the execution of major capital projects, this gives us a competitive advantage to establish our technology earlier in the life cycle. As we continue to expand our reach in engineering, while also targeting the needs of the operator, we have the opportunity to gain larger market share and drive the mandate of our solutions throughout engineering. By helping our customers master change with a Digital Asset we are further establishing AVEVA as the leading supplier in the creation, data assimilation and management of the digital asset. We are greatly strengthening our ability to sell across the entire life cycle and benefit from the ongoing management and modification of assets well beyond the initial project phase.

Richard Longdon
Chief Executive Officer



27 May 2014

Another period of strong growth in both revenue and profitability

Summary of performance

This is a strong result and reflects the robust underlying drivers of the markets we serve as well as the value our technology brings

Constant currency growth

+19%

Adjusted basic EPS
A period of strong growth combined with margin improvement.

+10%

Strong headline revenue growth
Underlying constant-currency organic growth achieved in EDS was an impressive 14% during the year.

Overview

It has been another period of strong growth in both revenue and profitability for AVEVA in 2013/14. Our customer base can be broadly categorised as the complete supply chain involved in building and operating large capital-intensive facilities in the Process, Power and Marine industries. Our primary customers fall into three broad categories: Engineering, Procurement and Construction companies (EPCs); Shipyards; and Owner Operator customers. AVEVA's industry-leading technology solutions are tied to our vision of an evolving Digital Asset, undergoing continual change to support the creation and operation of our customers' capital intensive assets.

In the face of this challenge, increasingly our customers require a combination of products from Engineering & Design Systems (EDS) and Enterprise Solutions (ES). Going forward we will be selling more of the 'One AVEVA' solution comprising common products sold to each type of customer by a single sales force. This approach is being particularly successful in driving wider use of the entire AVEVA product portfolio where customers are adopters of AVEVA NET.

Engineering & Design Systems performed strongly during the year with revenue increasing 12% to £211.5 million (2013 – £189.5 million). This was driven by strong sales in Asia Pacific and further expansion within our global EPC customers.

A key priority for us has been to develop the opportunity for our new, market-leading 3D design platform, AVEVA Everything3D (AVEVA E3D). I am pleased to report that significant progress has been made. Some of our biggest customers are now beginning to licence the platform and benefit from the competitive advantage it offers. AVEVA intends to continue to lead the industry through innovation, and we see particular opportunities in Cloud and Mobile technologies.

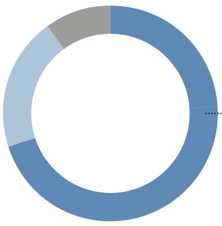
Our Enterprise Solutions (ES) division – which provides solutions for information management throughout the operational life of an asset – experienced more difficult market conditions and longer sales cycles in the second half of the year. This, combined with the loss of two key customer contracts in the first half, resulted in the division recording a loss for the year. Since the year end we have implemented some further refinements to our delivery model for all of AVEVA's solutions, in order to maximise their impact across our customer base.

Overall, our broad balance across geographies, market verticals, EPCs and Owner Operators enabled us to make excellent progress despite mixed economic situations. Regionally, we saw continued strength in North East Asia, particularly South Korea where many of the major shipyards are increasingly involved in large offshore Oil & Gas related projects, and in North America where we achieved acceleration in growth mainly because of the buoyant Oil & Gas market, including the shale gas revolution driving more downstream facilities investment. This contrasted with a more challenging year in China and softer markets in EMEA and Latin America, with generally weak economic conditions in Brazil, Russia and the Middle East.

In Oil & Gas we continued to see strong rental renewals as well as initial licence sales, notably in Asia Pacific. Our EPC customers are seeing the effects of lower capital expenditure growth amongst the Super Majors, although in offshore, where we are traditionally strong, investment has continued to grow. In Power we have been encouraged to see some early indications of increasing activity in new Nuclear builds in Europe and Asia, and we are starting to see very early signs of a potential pick up in conventional shipbuilding in Marine, although it is still too early to predict when a cyclical recovery might occur and how quickly this might feed through to an increase in licence usage for AVEVA.

What we are focused on

Recurring revenue

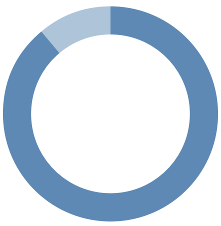


Recurring
70%
24% annual fees
46% rental fees

Initial licence fees
20%

Services
10%

Divisional revenue split



Derived from EDS
89%
£211.5m

Derived from ES
11%
£25.9m

+90bps

Improvement in profit margin
During 2013/14 we delivered a tangible improvement in profitability, with a rise in the adjusted PBT margin to 33%.

A measure of profitable growth

Innovation

We are proud of the fact that over the course of the past five years AVEVA has invested over £150 million on Research & Development to broaden the number of products we offer and deepen our involvement with our customers to help them to compete more effectively. The benefit of this investment is clear: we have delivered ground-breaking new products like AVEVA E3D and our product pipeline is now stronger than ever. At the heart of our technology strategy is a principle that the Digital Asset must evolve in tandem with the physical asset, enabling our customers to adapt to continual change.

With this in mind AVEVA intends to continue to lead the industry through innovation, and we see additional opportunities in Cloud and Mobile technologies. We recently delivered a new tablet-based application, AVEVA E3D Insight, and we are now working with a Super Major oil company to develop novel collaboration applications built with AVEVA E3D and AVEVA NET technology, using large form-factor touch-screens. We are also continuing our successful collaboration with Microsoft to Cloud-enable additional solutions on the Microsoft Azure™ platform.

As we deepen our relationship with Owner Operators we have aligned much of our acquired technology to meet the demand for software tools which enhance the safety and operation of complex brownfield facilities, as well as improving safety in the construction and fabrication of new build assets. We recently introduced the AVEVA Advanced Visualisation Platform (AVEVA AVP), which utilises our Global Majic virtual avatar technology to enable customers to provide training within the 3D model of their plant facility, increasing safety and reducing cost. Further innovative visualisation techniques are in the pipeline and will be showcased later this year.

A new version of AVEVA NET is also close to beta testing and will be available in the second half of the year. One focus of this product has been to make installation and start-up much easier reenforcing this competitive advantage. Another focus area is to improve the graphical interaction.

We have also continued to invest heavily in our Research & Development facilities in India, where we expanded significantly our operations in Hyderabad and Mumbai during the year.

Global growth opportunities

A fundamental strength of our business lies in our global presence and the truly international market reach we enjoy. We take pride in the fact that we can, as a result of past investment, support our customers locally wherever they are in the world, and we see this as a key point of differentiation for AVEVA.

We aim to target expansion in high growth economies, and during the past year saw good growth in a number of regions, particularly North East Asia, where the Korean shipyards have seen a resurgence in business as they become prime contractors

Construction of a refinery module
Photograph courtesy of EDC

CUSTOMER CASE STUDY

EDC

Daring to be Great

Industry: Steel Fabrication and Construction
Solution: Structural steel design with AVEVA Bocad
Country: Australia

"AVEVA Bocad give us so much competitive advantage that we would not be the business we are today without it. No other solution could do this, and the support we have had from the local AVEVA team has been outstanding."

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2013/2/edc

What we are focused on continued

for large, complex offshore Oil & Gas projects, and North America, where we benefited from major investment directed towards the energy sector infrastructure as the shale gas opportunity drives new business for our customers. Elsewhere, we expect to see a number of long-term growth opportunities unfold in Latin America, through infrastructure investment driven by the liberalisation of the energy industry particularly in Brazil, Indonesia, India and China, and potentially in Mexico, where we are well positioned to capitalise on these opportunities.

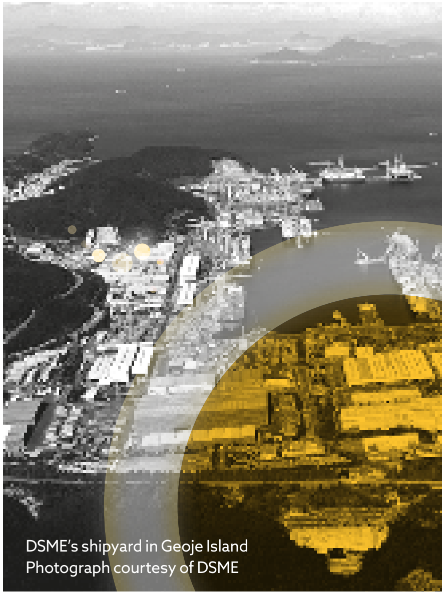
Optimising our organisation

The dynamics of the markets we serve are changing. The evolution towards token-licensing and the convergence between product sets means that our solutions are increasingly including products from both EDS and ES. In response to this we have a more clearly defined sales approach, focused on Owner Operators and EPCs, where we sell the entire AVEVA product range to all of our customers.

Evolution of Enterprise Solutions

The industries we serve are undergoing constant change, often facilitated by technology which creates new ways of doing business and managing risk. There is a major opportunity for AVEVA to exploit its unquestioned strength in design by helping our Owner Operator customers to manage the ever-changing information about their assets. During the year Chevron went live with AVEVA NET on the Gorgon project, one of the world's largest ever LNG projects with an estimated life of forty years. We also signed a follow-on deal with another Super Major Oil & Gas company to provide AVEVA NET.

ES has been affected by cuts in discretionary spend amongst Operators over the past year, which has tempered the outlook for growth pending an improvement in the market backdrop. However, ES products are strategically essential including having a 'pull-through' effect on sales of our other solutions. In Korea we have made a number of sales of AVEVA NET which have driven the use and mandating of our EDS products across entire projects.



DSME's shipyard in Geoje Island
Photograph courtesy of DSME

CUSTOMER CASE STUDY

DSME

DSME's migration from Tribon to AVEVA Marine

Industry: Marine
Solution: Migration to AVEVA Marine
Country: Korea

"It was particularly helpful that local engineers were located close to us. We had regular meetings with AVEVA to review the status of the project and to exchange information. Migration was a complex project, but AVEVA's support team worked hard to enable a smooth and effective implementation process."

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2013/2/dsme

The Samcheok thermal power plant project
Image courtesy of KOSPO

CUSTOMER CASE STUDY

KOSPO

Integrated Information Management for Power Projects

Industry: Power
Solution: Project Information Management with AVEVA NET
Country: Korea

"As an integrated Information Management system, AVEVA NET Portal was appealing to KOSPO for its cost-effectiveness, simple installation and easy-to-use interface. AVEVA NET's strong reputation in the global market and positive reference cases from other companies were also key in our final decision."

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2014/1/kospo

What we have achieved

Competitive and strategic wins

Our focus on EPC global accounts continues to pay off. Over the course of the last year AVEVA has seen successful wins with a number of the large global players, signing strategic multi-year licence agreements with AMEC (UK), Fluor (USA) and Jacobs (USA). These new contractual agreements provide a platform for our largest customers to realise the value delivered from the AVEVA Integrated Engineering & Design™ solution-set as well as AVEVA Everything3D. In addition to these deals we have continued to see increased adoption of AVEVA technology amongst other customers, for example Technip and Worley Parsons, across all areas of the portfolio. We also closed a large deal in South Korea with a major shipyard for our design tools which reflects their increased workload from Oil & Gas projects.

On track with AVEVA E3D

A number of AVEVA's major existing global EPC customers have now licensed AVEVA E3D. We expect these customers to begin to use AVEVA E3D on new projects beginning in 2014/15. One of our Swiss customers in the chemical industry migrated fully from AVEVA PDMS to AVEVA E3D mid-project, citing the benefits of generating design drawings directly from the 3D model. In China, a major chemical EPC is scheduled to migrate the bulk of its design licences to AVEVA E3D over the next 12 months.

Delivering on our investment in innovation

Utilising the technology we acquired with Global Majic at the end of 2012, we unveiled our new AVEVA Advanced Visualisation Platform during 2013 which transforms operator training by enabling users to create immersive, multi-person environments from an AVEVA Everything3D or AVEVA PDMS model, as well as models created using third-party software. In November 2013, AVEVA won the coveted UK Tech award for 'Tech Innovation of the Year', for the release of its new AVEVA E3D Insight tablet application, selected from an impressive field of technology companies in the software, manufacturing and engineering sectors. During the year we also released significant enhancements across many of our other products, including major new capabilities within AVEVA PDMS, AVEVA NET and AVEVA Bocad™.

The Dunlin A platform
Photograph courtesy of AMEC

CUSTOMER CASE STUDY

AMEC

Offshore Asset Management

Industry: Offshore Oil & Gas
Solution: Enterprise Asset Management with AVEVA WorkMate
Country: United Kingdom

"AVEVA WorkMate is absolutely critical for a well-planned and prepared shutdown. In years gone by we used spreadsheets, which worked, but WorkMate is so much more effective. Planning and preparation has moved into a new era..."

www.

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2014/1/amec

The Castor Gas storage facility
Photograph courtesy of OFD

CUSTOMER CASE STUDY

OFD

How Oil Field Development Engineering (OFD) is Driving Down Rework Time

Industry: Offshore Oil & Gas
Solution: Project Optimisation with AVEVA PDMS
Country: United States of America

"The accuracy of the information produced from the PDMS design model enables fabrication and construction to proceed confidently, with little or no rework due to design errors or clashes, leading to a truly lean construction process.

www.

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2014/1/amec

£167.0m

Recurring revenue
Recurring revenue remained strong at 70% of total revenue

Provides a sustainable base to invest in R&D

The future

Embracing change

Our markets are changing. New technologies, such as Cloud and Mobile, are beginning to enable our customers to achieve more than ever before with their Digital Assets. More connected devices, more data, more intuitive interfaces, all combine to mean that there are more opportunities for us to add value within the industries we serve. For example, by enabling new forms of collaboration within the design department via gesture-based navigation on large touchscreens and tablet devices; improving workflows and expanding our user base; integrating key aspects of operational data back into the design phase of a major project, improving efficiency; immersing the designer in the as-built, real world environment using 3D laser modelling technologies, thus reducing the need for reworking the design due to errors in fabrication and construction, or even using the latest gaming technologies to extend the use of the 3D model into areas such as avatar-based operational training, to improve safety and reduce risk and cost. AVEVA is doing all of these things today, and it is shaping our future direction, and giving a glimpse at the exciting range of new capabilities our customers can benefit from by using our industry-leading Engineering & Design Systems and Information Management tools.

The challenge for us is to deliver new technologies to our customers in a well-judged and measured way, ensuring that we preserve our reputation for reliability as well as the essence of what they appreciate most about the solutions we offer today. We call this 'continual progression' and protecting the investment our customers have already made in technology is fundamental to our vision of the future.

Taking a disciplined approach to acquisitions

We take a highly disciplined approach to the acquisitions that we make, and over the years have built up a strong track record of identifying the right assets to add value to the AVEVA product and solution suite. This has produced tangible results as we have successfully introduced a number of acquired technologies into the AVEVA product portfolio in recent years. The evidence of this can be seen in the 'Bubble View™' laser modelling capabilities in the AVEVA E3D platform, which were made possible through our acquisition of LFM in 2011, as well as in the recent release of AVEVA AVP, utilises the avatar technology we acquired with Global Majic in 2012. Acquisitions remain a high priority for us as we execute our strategy to build our presence in operations, and scale our business around the world, particularly in North America and we expect them to continue to complement our own Research & Development efforts.

Efficient development

As our business scales, we need to continue to invest in making AVEVA as efficient as it possibly can be. Over the past year we have started a project to upgrade many of our internal systems, to ensure they are able to scale as we continue to grow and handle the increased complexity of the business. We expect this process to continue as we grow still further.

Summary and outlook

The broad international spread of our business combined with robust underlying market drivers, has once again proved effective in enabling us to deliver strong underlying growth and an improvement in profit margin, despite varied economic conditions across some of the regions in which we operate, and different rates of expansion across our chosen markets. This reflects the strong competitive position of the Group, and the value that our Engineering & Design and Information Management solutions deliver to our customers. We are confident we can achieve our targets for further growth given our resources, technology leadership and the many exciting opportunities across the markets we address.


Okarshamns nuclear power plant
Photograph courtesy of OKG

CUSTOMER CASE STUDY

OKG

Creative Engineering Dramatically Reduces Reactor Outage Time at OKG

Industry: Nuclear Power
Solution: Asset Modification with AVEVA Everything3D, AVEVA Laser Model Interface
Country: Sweden

"When AVEVA E3D was launched, OKG realised that they could use it to further improve the efficiency of the design work and to cause the photorealistic installation images and printouts used by the installation teams to be of an even higher quality and more intuitive..."

The case study can be found in the AVEVA World Magazine 2013, Issue 2
www.aveva.com/awm/2014/1/okg

33%

Adjusted profit before tax margin
The adjusted profit before tax margin improved by 90bps to 33%

We continue to deliver operational leverage

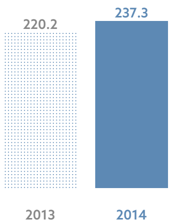
Key performance indicators

Measuring our financial health

We aim to deliver good sustainable growth, balanced by our need to continue to invest in innovation, sales and marketing in order to achieve this. The goal is to deliver profitable growth as the business expands, whilst maintaining a healthy balance sheet. We have set out a range of the financial key performance indicators (KPIs) that help to present a meaningful picture of how AVEVA is performing. Taken overall, we believe that this range of KPIs – which offers insights into our revenue, investment, profitability, and cash generation – illustrates the high levels of recurring revenue, strong margins and ability to convert profits to cash effectively that are features of our business. Particular highlights over the past year include the increase in the adjusted net profit margin to 33%, through operational gearing and careful cost control, and the fact that recurring revenue has been maintained at 70% of total revenue. We were also pleased to see strong cash conversion of 102%, reflecting our continued focus on working capital during the period.

Revenue (£m)

Consistent growth in Group revenue



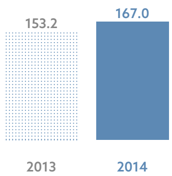
+8%

Constant currency +10%

Strong organic growth

Recurring revenue (£m)

Recurring revenue provides visibility

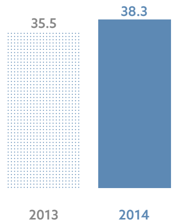


+9%

We have maintained a high level of recurring revenue

R&D expenses (£m)

Investment in innovation

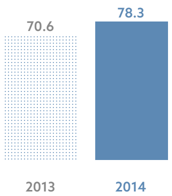


+8%

Innovation enables us to maintain our competitive lead

Adjusted* profit before tax (£m)

We adjust to exclude non-operating items

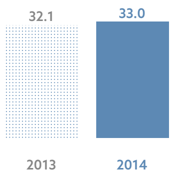


+11%

This best represents the underlying profitability of the group

Adjusted* profit before tax margin (%)

We aim to deliver profitable growth

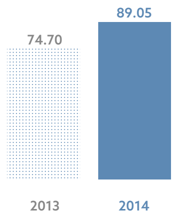


+90BPS

We have improved the margin whilst investing for growth

Adjusted* basic EPS (p)

We adjust to exclude non-operating items



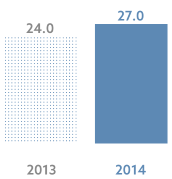
+19%

We have delivered another year of solid organic earnings growth

solid earnings growth

Dividend per share (p)

AVEVA has a progressive dividend policy

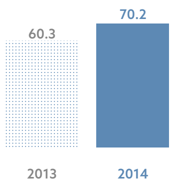


+12.5%

During the year we returned £100 million to shareholders via a special dividend

Cash generated from operating activities (£m)

AVEVA is a highly cash generative business

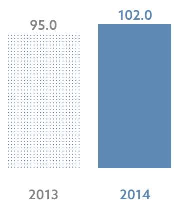


+16%

Growth in cash from operations reflects a healthy business

Cash conversion (%)

A measure of our ability to turn profits into cash



+7%

This reflects our ability to convert profits into cash

* Adjusted profit before tax 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.

Principal risks and uncertainties

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

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 driven predominantly by growth in the Oil & Gas, Power and Marine markets. World economic conditions or funding constraints for new capital projects may adversely affect our financial performance.	AVEVA already has a broad spread across existing and new market segments. 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 ever-expanding global presence provides some mitigation from over-reliance on key geographic markets.
Enterprise Solutions The development of the Group's Enterprise Solutions business represents a significant opportunity for the Group. This is a relatively new market with different characteristics compared to our traditional Engineering & Design Systems business. This brings different challenges and opportunities for the Group which we believe we are well positioned to manage and exploit. However, there remains a risk that our investment in this area does not produce the financial returns as quickly as expected.	We continue to manage our investment into Enterprise Solutions carefully: employing experienced industry professionals; building commercial partnerships with third party systems integrators; and carefully selecting our target markets and customers. In 2013/14, Enterprise Solutions' financial results were disappointing but the pipeline of opportunities remains strong. For 2014/15, we have put more focus within our salesforce into selling our solutions into Owner Operators. We are optimistic that Enterprise Solutions will return to a positive contribution in 2014/15.
Competition AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. We believe that there are a relatively small number of significant competitors serving our markets. However, some of these competitors could, in the future, pose a greater competitive threat, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies. A further threat is posed by the entrance, into AVEVA's markets, of a much larger technology competitor.	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. Recently we have launched AVEVA Everything3D and our vision for the future of plant design. This, together with a number of other new products, will help cement our relationships with our customers and reinforce barriers to competition.
Identification and successful integration of acquisitions In recent years, the Group has successfully completed a number of acquisitions and expects to continue to review acquisition targets as part of its strategy. The integration of acquisitions involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition, and successful integration of the acquired intellectual property.	While each acquisition and integration is unique, AVEVA now has an experienced team to appraise and complete acquisitions. The Group's experience of previous 'bolt-on' acquisitions provides a good understanding of potential integration risks and as a result we feel well placed to successfully manage these risks. Were the Group to undertake a much larger acquisition, we would ensure that appropriate resources and experience were applied to manage the risks and that we had access to the best possible professional advice.

Risk change from 2013

No change — Risk decreased — Risk increased

Operational risks

	Risk	Mitigation
No change	**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.
No change	**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.
No change	**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.
No change	**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.

Financial risks

	Risk	Mitigation
Risk increased	**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 Group also trades in a number of other currencies that over the past year have shown greater volatility in exchange rates with GBP – notably Japanese Yen, Indian Rupee, Brazilian Real and Australian Dollar.	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. As the Group expands its product development team in India we plan to hedge forecast outflows of Indian Rupee where appropriate.

Summary of review

Total revenue increased 8% to £237.3 million (10% growth on a constant currency basis), adjusted profit before tax increased 11% to £78.3 million and operating cash inflows were £52.0 million resulting in a year-end cash balance of £117.5 million which was after a special dividend payment of £100 million.

James Kidd
Chief Financial Officer

27 May 2014

Strong growth in profit

£237.3m

Revenue
Revenue increased by 8% to £237.3 million

£78.3m

Adjusted profit before tax
Adjusted profit before tax increased by 11% to £78.3 million

AVEVA has reported a strong financial performance in 2013/14 during which we continued to deliver against our key financial metrics

Revenue

AVEVA's revenue increased 8% in the year to £237.3 million (2013 - £220.2 million). During the second half of the year we faced a foreign currency headwind which negatively impacted reported revenue by £7.1 million following a £2.3 million benefit in the first half. This resulted in an overall negative impact for the year of £4.8 million. This was mainly due to the strengthening of sterling against a number of currencies including Brazilian Real, Australian Dollar, Japanese Yen and Russian Rouble. Constant currency revenue growth for the year was 10%.

The Group has continued to maintain high levels of recurring revenue, which increased 9% to £167.0 million (2013 – £153.2 million) and continues to represent 70% of total revenue.

The geographic performance across the Group was mixed where some territories performed very strongly whilst others faced tougher economic conditions. In EMEA revenue increased by 4% during the year to £112.0 million (2013 – £107.7 million) and we saw good performances in Central and Western Europe driven by further expansion within the global EPCs and our other customers involved in Oil & Gas, petrochemicals, chemicals and conventional power projects. On a constant currency basis, revenue growth in EMEA was 4%.

Asia Pacific revenue was £86.9 million, an increase of 19% (2013 – £73.3 million). South Korea had an outstanding year benefitting from many of the major shipyards working on Oil & Gas offshore projects. Although the overall long-term growth opportunity in China remains strong, we had a tougher year in the face of generally weaker economic conditions and with shipbuilding remaining subdued. We saw good growth in India where our customers are busy on naval, downstream Oil & Gas and conventional and nuclear power projects. On a constant currency basis, revenue growth in Asia Pacific was 23%.

Americas' revenue decreased by 2% from £39.3 million in 2012/13 to £38.4 million. North America had a good year which reflects the increased focus and investment that we have put into the region. We have benefitted from increased activities in shale gas projects and in Oil & Gas more generally. In Latin America, we continued to face a tougher economic environment in Brazil where the delays in Oil & Gas projects continue to make trading challenging. On a constant currency basis, revenue growth in the Americas was 2%.

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

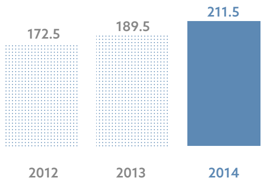
Engineering & Design Systems (EDS)

EDS had a successful year despite facing a currency headwind, with revenue increasing 12% to £211.5 million (2013 – £189.5 million). On a constant currency basis, revenue growth was 14%.

A key component of this growth was the strong sales of initial licences in the year, up 25% on 2012/13. This was primarily driven by the performance in South Korea where a number of the large shipyards purchased additional licences for Oil & Gas projects.

Engineering & Design Systems
Revenue

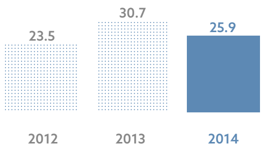
£211.5m
+12%



Constant currency growth was 14%

Enterprise Solutions
Revenue

£25.9m
(16)%



Rental licences increased by 13% to £105.5 million (2013 – £93.3 million). Our focus on the key global EPC customers continues to prove successful in driving both revenue growth and token usage as well as expansion within some of those accounts. Pleasingly, we have also secured some of the global accounts on longer-term contracts which gives us improved visibility of future revenue.

EDS costs increased by 7% to £48.5 million (2013 – £45.4 million). During the year we completed the establishment of our dedicated Research & Development centre in Hyderabad, India where we have added additional headcount. This was later than anticipated as a result of delays in obtaining beneficial tax status for this operation. We are now in the process of transitioning projects away from third party providers to the new operation and there have been additional costs incurred in the handover. We expect to benefit from cost savings in future years as the centre becomes fully operational.

We continue to invest in innovation to create new software as well as develop our existing portfolio to take advantage of new technologies and new approaches. We launched AVEVA E3D Insight, our first tablet-based mobile application, as well as releasing a significant upgrade to AVEVA PDMS and fully integrating AVEVA Bocad software with AVEVA's range of 3D design tools including AVEVA Everything3D.

We also made further investment in technical sales resources to support selling our wider portfolio of schematic products and Bocad. In addition, we focused on improving our internal training and sales collateral to help our sales teams promote the wider product portfolio and this activity will continue into FY15 when we expect to see the benefits come through.

EDS had a segment contribution of £163.0 million (2013 – £144.1 million), up 13% and representing a contribution margin of 77% (2013 – 76%).

Enterprise Solutions (ES)

Enterprise Solutions had a disappointing year with revenue falling by 16% to £25.9 million (2013 – £30.7 million). As highlighted in our interim results, the performance was impacted by two customer-specific factors which together partially explain the disappointing result. A major Latin American shipyard customer ran into serious financial difficulties and a major Oil & Gas operator abandoned its plan to roll-out an enterprise-wide information management solution. There are indications that some International Oil Companies are more focused on limiting discretionary spend.

The ES business is inherently more difficult to forecast with the purchase often more discretionary in nature (compared to EDS) and with this comes longer sales cycles. Individual customer sales can be significant (£1 million+) and are often on initial licences. For a division still growing in scale, this is causing 'lumpier' revenue growth trends. Nevertheless, developing our Enterprise Solutions offerings for Owner Operators remains an important component of medium-term growth for AVEVA and is strategically fundamental to our offering across the entire portfolio in playing an important role in generating a 'pull-through' effect on the sales of our other products.

The performance of ES also had an impact on the revenue backlog, which we define to include all contracted ES revenue (including software licences, annual fees and services) that has not yet been recognised. The backlog in ES at 31 March 2014 was £10.7 million, compared to £11.4 million at 30 September 2013 and £14.7 million at 31 March 2013.

ES costs were £29.2 million compared to £28.7 million in the prior year, an increase of 2%. We have continued to apply tight cost control in ES and have continued to improve the efficiency and effectiveness of service delivery as well as our business development and sales processes. We have made some additional cost savings through expanding our Research & Development and service and support teams in Hyderabad, India.

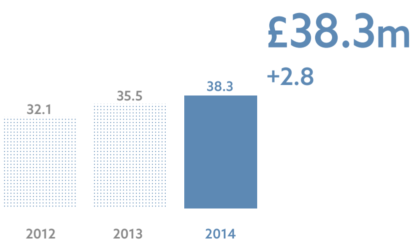
ES incurred a segment loss of £3.4 million compared to a segment contribution of £2.0 million in the previous year.

£70.2m

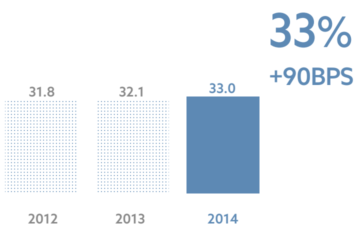
Cash generated from operating activities

Net cash deposits decreased to £117.5m but only after payment of dividends of £116.5m

Investment in R&D (£m)



Adjusted profit before tax margin (%)



Shared operating costs

Shared selling and distribution expenses increased by 5% to £58.0 million (2013 – £55.0 million). We have continued to invest in our sales organisation, principally in North America where we can see strong growth opportunities principally in Oil & Gas, the Middle East where we are focusing on Owner Operators, and India to capture the growing investment in Oil & Gas and Power infrastructure. These investments have been offset by lower bonuses and commissions in certain sales areas, such as Latin America and China, where results have been below plan.

Other shared operating expenses increased by 10% to £23.8 million (2013 – £21.7 million).

Exceptional items totalled £3.4 million in the year (2013 – £1.1 million). This included: a charge of £0.1 million incurred in respect of the final phase of the Bocad acquisition and integration; a charge of £1.8 million in respect of redundancy costs relating to the reorganisation of Bocad and transfer of roles and responsibilities to a lower cost product development centre in India; and a charge of £1.5 million as the Group provided against a potential underpaid sales tax liability, together with interest for late payment, in respect of sales at one of the Group's subsidiary companies.

Headcount

Total headcount at 31 March 2014 was 1,491 (2013 – 1,317), a net increase of 174 from the previous year. The average headcount during the year was 1,432 (2013 – 1,238) with 505 (2013 – 407) in Research & Development and product support, 665 (2013 – 597) in sales, marketing and customer support and 262 (2013 – 234) in administration.
Staff costs for the year were £100.2 million (2013 – £92.8 million), an increase of 8%. This was due to the increased headcount and annual salary increases where the average pay rise across the Group was 4%. The average total cost per head (including salary, bonus, social security and pension) was £70,000 compared to £75,000 in 2012/13; reflecting lower sales commissions paid in certain sales areas, the foreign currency translation impact of our overseas staff costs and our strategy to use resources in India for Research & Development and service delivery.

Profit before tax and margins

The adjusted profit before tax (as disclosed and defined within the income statement) for the year was £78.3 million (2013 – £70.6 million), an increase of 11%. Reported profit before tax was £69.0 million (2013 – £63.5 million).

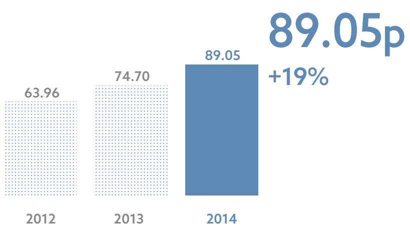
The adjusted profit margin was 33.0% compared to 32.1% for last year; demonstrating that the business continues to deliver operational leverage. Reported profit margin was 29.1% (2013 – 28.9%).

Taxation

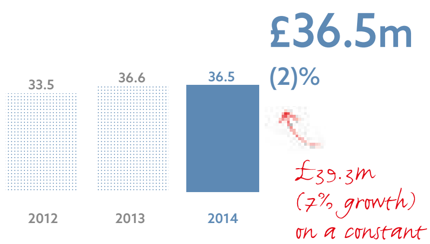
The Group's effective tax rate for the year was 26% (2013 – 28.5%) which is higher than the underlying UK tax rate of 23% (2013 – 24%) due to profits earned in higher tax jurisdictions as well as non-deductible expenses.

The UK Government has substantively enacted a 2% reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014. It has further proposed reducing the UK rate by a further 1% to 20% from 1 April 2015. These changes have no material impact on the tax charge in 2013/14 but the Group expects to benefit from these reductions in future periods as future UK profits are earned and subject to the lower rates of corporation tax.

Adjusted basic earnings per share (pence)

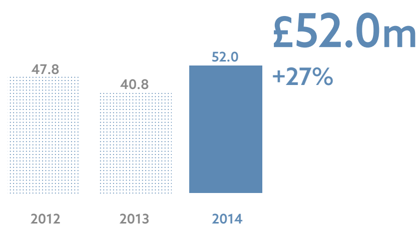


Deferred revenue



£39.3m
(7% growth)
on a constant
currency basis

Cash generated from operating activities



Earnings per share and final dividend

Basic earnings per share were 78.12 pence (2013 – 66.80 pence), an increase of 17%, and diluted earnings per share were 77.99 pence (2013 – 66.65 pence). Adjusted basic earnings per share rose 19% to 89.05 pence (2013 – 74.70 pence) and by 16%, after excluding the impact of the share consolidation and the related reduction in interest income following the associated special dividend of £100 million paid during the year. Adjusted diluted earnings per share was 88.80 pence (2013 – 74.53 pence).

During the year the Company paid a special dividend of 147 pence per share; totalling £100 million, which was also accompanied by a share consolidation of 15 new ordinary shares for every 16 ordinary shares held. This reduced the number of shares in issue at the time of the share consolidation from 68,115,648 shares to 63,858,420 ordinary shares and also amended the nominal value of the shares to 3 5/9 pence each.

The Board is declaring a final dividend of 22.0 pence per share (2013 – 19.5 pence per share), an increase of 13%. The dividend will be payable on 25 July 2014 to shareholders on the register on 27 June 2014.

Balance sheet and cash flows

AVEVA continues to maintain a strong Balance sheet supported by net assets at 31 March 2014 of £185.0 million (2013 – £251.6 million), having paid out a special dividend during the year of £100 million as noted above.

Gross trade receivables at 31 March 2014 were £82.9 million (2013 – £78.8 million). We have increased the bad debt provision to £5.1 million (2013 – £4.8 million) to cover the risk of non-payment of certain debts.

Deferred revenue was £36.5 million at 31 March 2014 compared to £36.6 million in the prior year mainly due to movements in foreign exchange rates. If the foreign currency spot rates at 31 March 2013 were applied to the balances at 31 March 2014, the deferred revenue balance would have been £39.3 million.

Net cash (including treasury deposits) at 31 March 2014 was £117.5 million compared to £190.4 million at 31 March 2013 with the reduction reflecting the special dividend payment in the year offset by strong operating cash inflows. During the year we have paid £116.5 million out in dividends (2013 – £14.6 million), corporate tax payments of £18.2 million (2013 – £19.6 million), capital expenditure of £5.2 million (2013 – £5.2 million) and a one-off pension payment of £2.5 million (2013 – £0.6 million). Total cash and treasury deposits held in the UK represented 66% of the total balance held (2013 – 80%). The Group continues to have no debt.

Non-current liabilities include retirement benefit obligations of £8.8 million (2013 – £17.0 million) which relate to defined benefit pension obligations in the UK and Germany and the South Korean severance pay provision. The significant reduction in pension liabilities reflects principally a reduction in the liability associated with the UK defined benefit scheme where, during the year, the liability reduced as a result of an additional cash contribution from the Company of £2.5 million along with some improvement in actuarial assumptions used to value the liabilities. In addition, during the year we fully insured a defined benefit liability in Germany relating to Bocad which we had inherited through the acquisition.

The Group continues to remain highly cash generative and generated £52.0 million (2013 – £40.8 million) from operating activities after tax, an increase of 27%. This was as a result of our continued focus on cash collection from customers during the year. Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 102% compared to 97% in the previous year, which is in line with our internal targets.

Capital structure

At 31 March 2014, the Group had 63,873,360 shares of 3.56 pence each in issue (2013 – 68,079,078 shares of 3.33p each). As noted above, the special dividend paid during the year was accompanied by a share consolidation of 15 new ordinary shares for every 16 ordinary shares held which reduced the number of shares in issue by approximately 4.3 million shares. During the year the AVEVA Group Employee Benefit Trust 2008 purchased 31,937 ordinary shares in the Company in the open market at an average price of £22.46 per share for total consideration of £717,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2014, the Trust owned 72,626 ordinary shares in the Company.

Treasury policy

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

AVEVA CSR framework

Last year we introduced our four-module approach to Corporate Social Responsibility (CSR). This covered our relationship with both internal and external stakeholders, as well as our focus on the environment and the local and global community.

Continuing to use this framework, this section provides a report on each of these areas and demonstrates the broad range of activities we get involved with in this field, as well as emphasising our continued efforts to operate ethically and responsibly in all areas of the business and community.

External stakeholders

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

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

Our anti-piracy and compliance team have made further steps to protect our software and our customers' interest by continuing to seek out illegal use of AVEVA software, and enforcing compliance of our terms and conditions. Dedicated to meeting our customers' needs, we continue to develop the skills within our training and product support teams to provide a high level of customer service to our customers and ensure they are using their AVEVA products to maximum benefit.

Internal stakeholders

Last year we increased our headcount by 13% to 1,491 colleagues 74% of our employees are male and 26% are female. Amongst our senior management these proportions are 78% and 22% respectively operating in 48 offices in 30 countries.

As we continue to grow we maintain our focus on our internal stakeholders, our people, and this dedication has been demonstrated in our latest Employee Engagement Results and our low turnover rate of only 7.6%.

Employee engagement

In May 2013 we held our second 'My AVEVA, Your AVEVA, Our AVEVA' Employee Engagement Survey. We had a fantastic response rate with 91% of colleagues completing the survey. We scored an engagement index of 84%, 3% up from 2011, which after the growth over the last two years is a great achievement.

In line with our philosophy of continual progression we have reviewed the results and highlighted areas in which to make further improvements. Our Internal Communications and Global HR team have been conducting focus groups around the business to gain a greater understand of specific feedback and active plans focused on specific themes have been put in place for key locations and functional levels.

01 **Movember fund raiser**
02 **Chariots of Fire charity run**

Communication
Communication with our colleagues is an essential activity to ensure we maintain an engaged workforce. The Internal Communications (IC) team continues to develop our OneSpace intranet and through this channel we are able to deliver timely and effective communications to the Group.

Through OneSpace we have been able to increase our Executive team communications by providing Executive video updates, blogs and articles on the key business-related topics.

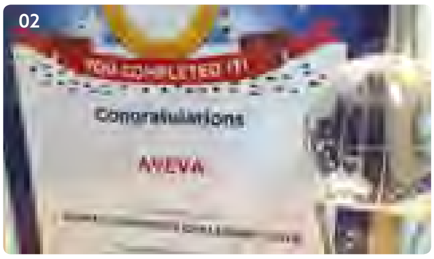
Learning and development
Dedicated to the development of all colleagues, we offer a broad range of development opportunities to all employees, including four well-established development programmes:

1) The Graduate Programme that offers four, six-monthly rotations across different areas of our business.
2) The Springboard Programme for graduates that is accredited by the Institute of Leadership & Management.
3) Management Development Programme – available for managers as individual courses or as a full development programme.
4) AVEVA ALP, the Advanced Leadership Programme, for future leaders.

As well as the development programmes, we offer individual training courses via classroom or eLearning. Colleagues' needs and interest in development and training are identified via our performance management procedure and last year we had record levels of participation:

- 234 colleagues attending our global Central Induction.
- 80 colleagues participating in a Colour Insight; a personal awareness and communication workshop.
- 53 new joiners on the Graduate Programme.
- 39 colleagues involved in the ILM-accredited Springboard Programme.
- 15 colleagues completing the intermediate Management Development Programme.
- 38 classroom courses held with 433 participants.
- 578 colleagues participating in eLearning courses.

01



01 **Kuala Lumpur Health Campaign – Hiking in Bukit Gasing**
02 **Global Corporate Challenge 2013 Award**

AVEVA is committed to minimising its carbon emissions, increasing the use of recycling opportunities and reducing the use of valuable natural resources

Wellness
Our focus on wellness has increased over the last year. At a global level, for the second year running we took part in the Global Corporate Challenge, a well-being initiative that encourages healthy living and an active lifestyle. In 2013 we had 357 colleagues take part and as an organisation we became 356% more active and achieved a total weight loss of 1,725 lbs.

Locally, our HR departments were busy in 2013 hosting a variety of wellness programmes. These included free fruit baskets in the UK, a 'Step into Spring' programme in Houston, health checks in Hyderabad, Pilates classes in Cambridge, and a general wellness programme in Malaysia that encouraged weight loss and introduced bike rides and hikes for teams of colleagues.

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

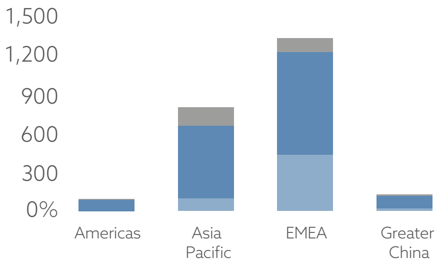
Education partnerships
The AVEVA Academic Initiative is a strategic investment that provides benefits to AVEVA, universities, and the broader engineering discipline.

The three key objectives for the AVEVA Academic Initiative are:

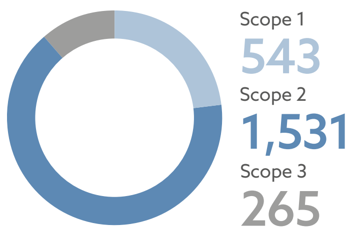
- work with universities to promote the use of AVEVA products during under and post-graduate studies by providing both software and training support;
- work with government agencies to re-skill engineers for employment in other disciplines by providing free training courses; and
- work with engineering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

We continue to work with Young Enterprise, a business and enterprise educational charity. Our involvement consists of colleagues volunteering to be Business Advisors to students studying for a range of qualifications, providing insight into the commercial world for these young people.

Tonnes of CO_2e by region



Tonnes of CO_2 equivalent



For period 1 April 2013 to 31 March 2014

Emissions from:	Tonnes CO_2e
Scope 1 – Combustion of fuel and operation of facilities	543
Scope 2 – Electricity, heat, steam and cooling purchased for own use	1,531
Scope 3 – Transmission and Distribution losses	265
	2,339
Intensity Measurement (Scopes 1 and 2)	
Tonnes CO_2e/£m revenue	8.74

Environment

Carbon emissions

AVEVA is committed to minimising its carbon emissions, increasing the use of recycling opportunities and reducing the use of valuable natural resources. We are continually improving the way in which we capture and record our emissions data. For the purposed of this report, the emissions have been calculated according to the 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' issued by the Department for Environment, Food and Rural Affairs (DEFRA), and by applying DEFRA's 2013 Conversion Factors.

We have aimed for the GHG emissions to be captured for all of our UK and overseas offices between April 2013 and March 2014.

On the rare occasion that the information was not available for a particular AVEVA office, an estimate has been produced based on the ratio between the local office size, and our Cambridge HQ office.

This is the first year in which we have collected and published our emissions data, and hence the 2013/14 financial year will form the baseline for future year targets.

For our carbon intensity ratio we have measured our carbon usage as it relates to our business performance, citing tonnes of CO_2e/£million of revenue.

Scope 1: **Combustion of fuel and operation of facilities**

Scope 2: **Electricity, heat, steam and cooling purchased for own use**

Scope 3: **Transmission and distribution losses**

Over £70,000 was raised last year, and here are some of our highlights:

- For the second year running a group of colleagues took part in the Cambridge Byte Night, an IT industry charity event raising money for Action for Children.
- Teams of men took part in Movember, a global charity event that raises money for men's health.
- In South America our colleagues initiated an 'Adopt a Child' campaign whereby colleagues collected money, clothes, and toys and then presented these to children in an orphanage. AVEVA also donated furniture for the orphanage to build their own computer centre.
- Colleagues in the Middle East raised funds and relief items following Typhoon Haiyan in the Philippines.
- Individual activities ranged from running marathons, climbing Kilimanjaro and a 24-hour golf challenge.

As an organisation, we continue to sponsor a range of charities by giving corporate donations. Organisations we have supported over the last year include the Villiers Park Educational Trust, the Outward Bound Trust, MAGPAS and Macmillan Cancer Support.

Charitable giving

As teams and individuals, 2013 saw AVEVA colleagues from around the globe give their money and time to raise money for charities.

Directors' report

Introduction

Philip Aiken
Chairman

27 May 2014

Board meeting attendance

8 meetings held

Philip Aiken

Jonathan Brooks

Philip Dayer

Hervé Couturier (100% up to retirement)

Jennifer Allerton (100% after appointment)

Richard Longdon

James Kidd

I am pleased to introduce the 2014 Corporate Governance statement.

The Company is committed to the principles of Corporate Governance contained in the UK Corporate Governance Code provided by the Financial Reporting Council and for which the Board is accountable to shareholders. The Company has complied with the provisions of the UK Corporate Governance Code throughout the year and to the date of this report. Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Remuneration Committee report on pages 47 to 64.

Composition of the Board

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

As announced on 30 May 2013, Jennifer Allerton was appointed to the Board in July 2013 and at the same meeting Hervé Couturier stepped down from the Board. Further details of the process for the appointment of Jennifer Allerton are contained in the Nominations Committee report below.

Brief biographical details of all Board members are set out on pages 42 and 43. The membership of all Board Committees is set out on pages 40 and 41.

Operation of the Board

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

- The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Limited, the main operating company in the Group which owns the entire Group's trading subsidiaries. The AVEVA Solutions Limited Board includes as members the Chief Technical Officer and Head of Engineering & Design Systems and the Chief Operations Officer and Head of Enterprise Solutions as well as all the members of the Group Board. This ensures that the AVEVA Group Board is well informed on technical and market factors driving the Group's performance as well as on financial outcomes.
- The Board met eight times during the year. These meetings, together with any Committee meetings, are generally held at the Group's Head Office in Cambridge or in our London office and are approximately one day in duration.
- Each Board meeting has an over-arching theme. These include annual technology review, business plan/strategy day, succession planning, annual budget, presentations from Engineering & Design Systems and Enterprise Solutions and interim and final results.
- The Board aims that once per year a Board meeting will be held outside the UK at one of the Group's overseas offices. During 2013/14, the September Board meeting was held in Houston, Texas, USA.
- In addition, the Board holds a full-day strategy meeting every year at which Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- The Board delegates the day-to-day responsibility for managing the Group to the Executive Directors.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each Executive is distributed to the Board on a monthly basis.
- Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.
- The Chairman ensures that the Directors take independent professional advice where they judge it necessary to discharge their responsibilities as Directors at the Group's expense. All members of the Board have access to the advice of the Company Secretary.
- Non-Executive Directors and Executive Directors are encouraged annually to undertake training in furtherance of their specific roles and general duties as a director.

Group structure 2014

The Board

Executive Directors
Richard Longdon
James Kidd

Non-Executive Directors
Philip Aiken (Chairman)
Jonathan Brooks
Philip Dayer
Jennifer Allerton

Company Secretary
Helen Barrett-Hague

Executive management team

Chief Executive Officer
Richard Longdon

Chief Financial Officer
James Kidd

- Chief Operations Officer and Head of Enterprise Solutions
- Chief Technology Officer and Head of Engineering & Design Systems
- Executive Vice President Global Sales
- Executive Vice President Business Strategy
- Head of Regional Operations
- Executive Vice President Human Resources and Business Services

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

Independence of Non-Executive Directors and segregation of duties

The Board has considered the independence of the Chairman and the Non-Executive Directors and believes that all are currently independent of management and free from any material business or other relationships that could materially interfere with the exercise of their independent judgement. Their biographies on pages 42 and 43 demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

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

Matters reserved for the Board

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

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

	Board meetings
Meetings held	8
Meetings attended	
Philip Aiken	8
Jonathan Brooks	8
Philip Dayer	8
Hervé Couturier (100% up to retirement)	2
Jennifer Allerton (100% after appointment)	6
Richard Longdon	8
James Kidd	8

Internal control and risk management

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

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

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

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

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

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

Performance evaluation

The Board undertakes a formal and rigorous review of its performance and that of its Committees and Directors each financial year. Armstrong Bonham Carter LLP, the independent board performance consultants who have no other connection with the Company, conducted the review between November 2013 and March 2014. This took the form of a series of structured interviews with all the Directors and various members of the senior executive team covering the performance of the Board, each of the Board's Committees and a peer group review of each Director's individual performance. Armstrong Bonham Carter collated and analysed the results from each interview and prepared separate reports on the performance of the Board as a whole, one for each Committee and reports on each Director.

The reports on the performance of the Board and those of the Committees were subsequently presented and discussed at the March 2014 Board meeting. The individual Director's performance reports were provided to the Chairman, which the Chairman then discussed with each Director as appropriate. The Chairman's performance was discussed initially with the Senior Independent Director before he provided feedback to the Chairman.

Overall, the review concluded that the Board had demonstrated a high degree of effectiveness. There were some recommendations on how to further improve the development of strategy, Board composition and how operations are monitored. Subsequently the Board has addressed some of these issues and for others these are being managed by an action plan which will be regularly monitored.

Indemnities to Directors

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

Policy on appointment and reappointment

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

On appointment, all Directors are asked to confirm that they have sufficient time to devote to the role, which is confirmed together with details of their duties in the letter of appointment. All Directors undergo an induction as soon as practical following their appointment. As part of the induction process, Directors are provided with background information on the Group and attend the Group's headquarters in Cambridge for meetings and presentations from senior management. Jennifer Allerton received a briefing on the role, responsibilities and duties of being a Company director from the Company Secretary and reviewed the financials and business models with the Chief Financial Officer. She met with the Executive Vice Presidents of Business Strategy; Human Resources and Business Services; the Chief Operations Officer and the Vice President of Corporate Marketing. In addition, where appropriate, meetings are also arranged with the Group's advisers.

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

Dialogue with institutional shareholders

Communication with shareholders is given high priority by the Board. The Chief Executive, Chief Financial Officer and Head of Investor Relations have meetings with representatives of institutional shareholders and hold analyst briefings at least twice a year, following the announcement of the interim and full year results, but also at other times during the year as necessary. Senior managers from Product Development, Business Strategy and Finance also attended analyst and shareholder meetings during the year. In September 2013, the Company held a capital markets day in Houston, Texas, USA; where analysts and shareholders were updated on the activities of the Group including its North American operations. All of these meetings seek to build a mutual understanding of objectives with major shareholders by discussing long-term strategy and obtaining feedback. The Board also receives formal feedback from analysts and institutional shareholders through the Company's financial PR adviser and financial advisers. The Board is appraised of discussions with major shareholders to ensure that Executive and Non-Executive Directors consider any matter raised by shareholders and to enable all Directors to understand shareholder views. In addition, during 2014, the Group consulted with shareholders in respect of proposals for the remuneration of Executive Directors. The Senior Independent Non-Executive Director, Philip Dayer, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Chief Financial Officer has failed to resolve or if such contact would be inappropriate. The Chairman, Senior Independent and Non-Executive Directors are available for dialogue with shareholders at any time and attend (together with the other members of the Board) the Annual General Meeting, but are not routinely involved in investor relations or shareholder communications. Corporate information is also available on the Company's website, www.aveva.com.

Constructive use of the Annual General Meeting

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

Share capital structure

Further information on the share capital structure of the Company is contained on pages 65 and 66.

Committees of the Board

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

Audit Committee

		No. of meetings: 4
Committee Chairman:	Jonathan Brooks	4
Committee members:	Philip Dayer	4
	Hervé Couturier (100% to the date of resignation)	1
	Jennifer Allerton (100% from the date of appointment)	3

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. It tests and challenges these areas in conjunction with management and the auditor as appropriate. The Audit Committee met four times during the year. Following the decision in May 2013 to absorb the Treasury Risk Management Committee (TRMC), the Audit Committee commenced oversight of the Group's treasury activities and associated risks.

The Audit Committee report on pages 44 to 46 sets out in more detail the Audit Committee's policies, practices and areas of focus.

Nominations Committee

		No. of meetings: 3
Committee Chairman:	Philip Aiken	3
Committee members:	Jonathan Brooks	3
	Philip Dayer	3

The activities of the Nominations Committee include nomination, selection and appointment of Non-Executive and Executive Directors, succession planning and the composition of the Board, particularly in relation to the diversity of background, skills and experience. The Nominations Committee are committed to attracting, recruiting and retaining the best people by creating and sustaining an inclusive work environment offering equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The Nominations Committee meets periodically when required. In addition to the meetings there are a number of adhoc meetings to address specific matters. The Chief Executive is invited to attend meetings as appropriate to the business being considered.

During 2013 Hervé Couturier communicated his desire to retire from the Board at the forthcoming AGM. The Nominations Committee met under Philip Aiken's Chairmanship and with the participation of the Chief Executive Officer, to consider an appropriate process for choosing a successor. Spencer Stuart, an external executive search firm with a strong Board practice was appointed to assist with the identification of appropriate candidates, having considered the requisite skills, knowledge and experience for the position with a particular focus on information technology and global operations. Spencer Stuart has no connection with the Company. The Chairman and the Chief Executive Officer interviewed the short-listed individuals. The other members of the Nominations Committee then interviewed the final candidate. As a result, the Nominations Committee recommended the appointment of Jennifer Allerton to the Board, subject to shareholder approval at the AGM on 9 July 2013. Upon her appointment Jennifer Allerton was considered to be independent.

The Chairman of the Committee and the remainder of the Board also considered the independence of Philip Dayer and Jonathan Brooks now that both are in their third term of office. It was concluded that both remained independent and continued to contribute to the operation of the Board.

Remuneration Committee

		No. of meetings: 4
Committee Chairman:	Philip Dayer	4
Committee members:	Philip Aiken	4
	Jonathan Brooks	4

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

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

The Committee has access to professional advice, both inside and outside the Company, in the furtherance of its duties. During the year the Committee asked Deloitte LLP to conduct an executive remuneration bench marking survey in accordance with the Remuneration Committee's policy to commission such a survey triennially. The Directors' remuneration report sets out in more detail the Remuneration Committee's policies and practices on Executive remuneration.

Treasury Risk Management Committee (TRMC)

		No. of meetings: 1
Committee Chairman:	Philip Dayer	1
Committee members:	Jonathan Brooks	1
	James Kidd	1

The TRMC was formed to oversee the Group's treasury function. In addition to the above members, the Head of Finance and Group Treasurer attended the meetings. The TRMC reviewed the Group's overall financial risk management, including:

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

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

In May 2013 it was decided in the interests of efficiency to merge the Treasury Risk Management Committee with the Audit Committee.

Board of Directors

Philip Aiken
Chairman

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

Length of tenure

2 Years (appointed 1 May 2012)

Richard Longdon
Chief Executive

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

Length of tenure

20 Years (appointed 16 August 1994)

James Kidd
Chief Financial Officer

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

Length of tenure

3 Years (appointed 1 January 2011)

Jonathan Brooks
Non-Executive Director

Jonathan Brooks is a Fellow of the Chartered Institute of Management Accountants and has some 20 years' experience in the technology sector. Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings Plc where he was a key member of the team that developed ARM to be a leader in its sector. Since 2002, he has been a director of a number of technology companies in both the software and hardware sectors. Most recently, he was Chairman of Xyratex Limited, a Nasdaq-listed provider of enterprise class data storage sub-systems and network technology, which was acquired by Seagate at the end of March 2014. He is currently a Non-Executive Director and Chair of the Audit Committee of IP Group PLC, which commercialises intellectual property from leading universities.

Length of tenure

6 Years (appointed 12 July 2007)

Philip Dayer
Non-Executive Director

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

Length of tenure

6 Years (appointed 7 January 2008)

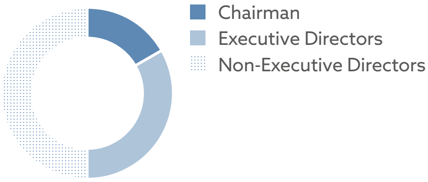
Jennifer Allerton
Non-Executive Director

Jennifer Allerton has more than 38 years' information technology experience, gaining extensive knowledge of working in large companies across the globe, particularly in emerging markets. Between 2002 and 2012 she was Chief Information Officer at F. Hoffmann-La Roche with responsibility for IT strategy and operations for the Pharma division and all Group IT operations. Jennifer holds a B.Sc in Mathematics and a B.Sc in Geosciences as well as an M.Sc in Physics. Jennifer is a member of the Advisory Board of the University of Bath Management School. Jennifer is also Non-Executive Director of Oxford Instruments plc.

Length of tenure

Appointed 9 July 2013

Balance of Executive and
and Non-Executive Directors



Audit Committee report

The Board places a very high priority on the integrity of the Group's financial statements, the quality and transparency of its financial reporting and the effectiveness of AVEVA's risk management and internal control systems.

Jonathan Brooks
Audit Committee Chairman
27 May 2014

The Audit Committee assists the Board in its oversight and governance of these critical areas.

In line with the requirement in the UK Corporate Governance Code applicable to financial years commencing on or after 1 October 2012, based on confirmations from management and external audit review, the Committee and the Board consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Overview of the year's activities

In addition to its prescribed duties, the Audit Committee undertook several additional projects during the year. Firstly, it commissioned an extensive review of the Group's revenue recognition policies, undertaken in association with a third party professional services firm, so as to enable the Group to be better prepared for the new accounting standard for revenue recognition which is expected to be released in 2014. Secondly, following the BIS initiative, work was undertaken on assessing the potential cyber risks open to the Group. Thirdly, following a decision to tender the audit from the 2016 year end, efforts were made to develop relationships with other accounting firms in anticipation of a tender process which will be held in 2015. Fourthly, with the general need to upgrade the Group's IT systems, attention was devoted to the major project to upgrade the Business Systems. Finally, the challenging trading conditions in which the Enterprise Solutions business found itself led to an extensive review of whether its goodwill and intangible assets required impairment.

Audit Committee terms of reference

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

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

In May 2013, the Audit Committee assumed the responsibilities of the Treasury Risk Management Committee which had been established following the financial crisis of 2008. A full copy of the Committee's terms of reference is available from the Company's website at www.aveva.com.

Committee membership

The Committee is formed of three independent Non-Executive Directors. As Chairman of the Committee, I am deemed by the Board to have recent and relevant financial experience. I am a Fellow of the Chartered Institute of Management Accountants and I have held a number of senior financial positions in my career, the most relevant of which being the Chief Financial Officer of ARM Holdings Plc between 1995 and 2002. ARM is a major global technology company as well as having a similar software licensing business model to AVEVA. Philip Dayer and Jennifer Allerton make up the other two members of the Audit Committee, Jennifer having joined the Committee in place of Hervé Couturier who stepped down from the Board at the AGM in July 2013. Brief biographical details of all the members of the Committee are included on pages 42 and 43.

Information flows to the Audit Committee

The Audit Committee meets at least four times per annum. The Company Chairman and CFO are invited to attend all meetings. The external auditor and the Group's Head of Finance are also invited to attend. Members of senior management are invited from time to time to make presentations such as the Committee's agenda necessitates. For example, in March 2014, the Audit Committee met during the Group's annual Corporate Finance Conference held in the UK, and so were able to meet the most senior members of the global finance team, representing the EMEA, Asia Pacific, Chinese, Latin American and Enterprise Solutions businesses.

The Committee meets quarterly with the auditor without any members of the executive management team being present. I also meet with the external auditor two or three times each year away from the Company's offices.

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 39. The principal risks the Group faces are set out on pages 26 and 27. Annually, the Audit Committee considers the Group risk register and related management controls. Throughout the process, the Board or the Audit Committee:

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

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

Valuation of assets and liabilities

The Audit Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates. These include revenue recognition, provisions for impairment of receivables, the valuation of intangible assets and retirement benefit obligations and the uncertainty of taxation items in certain jurisdictions.

Annually, the Committee considers the going concern principle on which the financial statements are prepared and also considers and approves the impairment review of goodwill prepared by management.

Revenue recognition

Revenue recognition represents a key risk to the integrity of the financial statements and as such the Committee spends a great deal of time in this area. This includes reviewing any non-standard or very large contracts as and when they arise. During the year the audit focused on ten locations which represented 79% of the Group's revenue and the auditor consulted with the Committee on the larger or non-standard contracts which arose during the course of their work.

Impairment review of Enterprise Solutions (ES) business

During the year, particular attention was paid to the carrying value of goodwill related to the Enterprise Solutions line of business for which there is lower headroom in the impairment test calculations. The ES business suffered a significant drop in revenues in 2013/14 compared to the prior year, and this precipitated a thorough review, since one of the key elements in supporting the carrying value of its intangible assets of £12.8 million was its revenue growth rate. The difficulty for the Committee lay in judging to what extent the drop in revenues in 2013/14 reflected a near-term issue rather than a fundamental change in the ES future outlook. One factor which reassured the Committee was the ability to reduce cost being carried by ES in an environment where the growth rate was reduced to no more than 10% per annum. In such a case, there was still no requirement for impairment, though the Committee agreed that any further deterioration in the growth rate in 2015 was likely to require an impairment. Further details can be found in note 16 to the Accounts – 'Goodwill'.

Audit Committee meeting dates 2013/14 and summary agendas

September 2013

- Scoping of project to review revenue recognition policies
- Scoping of project to review cyber security
- Business systems update: presentation from management
- Consideration of FRC recommendations on auditor rotation
- Internal audit planning for coming year/extended external audit
- Consideration of the potential financial reporting risks for the six-month interim report
- Review and confirmation of Audit Committee terms of reference

November 2013

- Receipt of the report from the auditors on their interim review procedures
- Review and approval of the six-month interim report
- Report from Deloitte LLP following their review of Group's cyber security
- Progress report from management on interim review of revenue recognition project

March 2014

- Presentation of reports on extended external audit procedures – China and South Korea
- Full review by the Committee of Group risk register
- Discussion of the auditor's 2013/14 audit plan
- Consideration of potential financial reporting risks and regulatory changes for the full year report
- Presentation from management on the Group's tax status and current risks
- Progress report from management on revenue recognition project following external input from PwC
- Review of treasury function and formal adoption of Group treasury policy
- Ratification of priorities for 2014/15 procedures over system of internal financial and operational controls
- Assessment of effectiveness of external auditor
- Presentation by senior members of regional finance teams based in Brazil, China, Dubai, Germany and Malaysia

May 2014

- Receipt of reports from management considering significant financial reporting risks
- Formal going concern review and internal audit function review
- Review of annual goodwill impairment test, particularly with respect to the Enterprise Solutions business
- Receipt of the report from the auditors on their audit findings
- Review and approval of the preliminary announcement and 2014 annual report

Audit Committee report

continued

Internal audit

The Group does not maintain a separate internal audit function. This is principally due to the geographical spread of the Group's operations which means that there is a clear advantage in any internal audit work or review of controls being undertaken by teams with specific local regulatory knowledge and without any local language barrier. The Group uses a combination of extended external audit procedures and outsourced internal audit projects to meet its control review needs, as this is considered most cost-effective. However, the Audit Committee does review the need to have its own separate internal audit function each year.

The Audit Committee has developed a framework to gain assurance over the system of internal financial and operational controls. This comprises:

- A risk assessment performed by operational management and the Board to identify key areas for assurance.
- A series of peer and head office reviews of key risk areas of financial internal control.
- The use of qualified third parties to undertake specialist reviews in more technical areas. During 2013/14 the Committee appointed Deloitte LLP to conduct a review of cyber security and PwC to assist in the review of the Group's revenue recognition policies.
- An extension of the external auditors' work in certain areas and geographies to cover other key financial risks, such as operations in fast growth areas as well as new taxation risks arising from trading in emerging markets. During 2013/14, following a similar exercise in Brazil and Russia in the prior year, additional testing was carried out in South Korea and China.
- An annual assessment by the Audit Committee of the whole system of internal financial and operational controls.

External audit

The Audit Committee advises the Board on the appointment of the external auditor and on its remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the external auditor. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. Controls in place to ensure this, include: monitoring the independence and effectiveness of the audit; implementing a policy on the engagement of the external auditor to supply non-audit services; and a review of the scope of the audit and fee and performance of the external auditor. An analysis of non-audit fees is provided in note 7 to the financial statements.

The Audit Committee monitors fees paid to the auditor for non-audit work and delegates the authority for approval of such work to the Chief Financial Officer where the level of fees involved are insignificant. During the year the auditor did perform non-audit work which mainly consisted of tax compliance work for subsidiaries of the Group and some other statutory filing work. Any significant non-audit work such as reporting accountant engagements would require prior approval from the Audit Committee. The Group engages other independent firms of accountants to perform tax consulting work and other consulting engagements to ensure that the independence of the auditor is not compromised. For example, during 2013/14, the Audit Committee authorised a review of the Group's revenue recognition policies by PwC, a review of Cyber security by Deloitte and advice related to defined benefit pension scheme matters with KPMG.

Audit partners are rotated every five years and a formal statement of independence is received from the auditor each year. The Board and the Audit Committee are satisfied that the independence of the auditor has been maintained. The current audit partner, Bob Forsyth, will commence his fifth year with the Group in 2014/15 before rotating off the audit.

At the March 2014 meeting, the Committee assessed the effectiveness of the external auditor. This assessment was based upon individual questionnaire feedback from key members of the Group's finance team as well as from the Audit Committee members. The overall conclusion was that while the audit process was effective, some areas of potential improvement were identified.

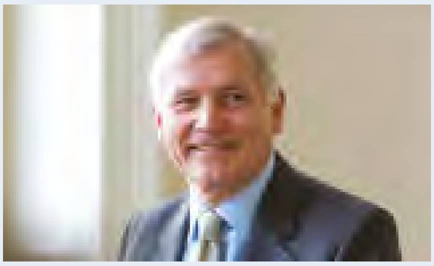
The audit was last tendered in 2002/03. The Audit Committee considers the re-appointment or tendering of the audit each year. The Committee's intention is currently to tender the audit starting from the 2016 financial year, being the first year following the current audit partner's five-year term. At the time of writing, the Committee expects that the current auditors, Ernst & Young, will be invited to tender along with two other firms of auditors.

Audit planning and main audit issues

At the March 2014 meeting of the Committee the auditors presented their audit plan for 2013/14. This included a summary of the proposed audit scopes for the year for each of the Group's subsidiaries and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group, together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the areas of significant judgements of revenue recognition, valuation of intangible assets, provisions for impairment of receivables, the uncertainty of taxation items in certain jurisdictions and retirement benefit obligations. These areas are described in more detail in note 3 to the financial statements.

Jonathan Brooks
Audit Committee Chairman

Directors' report
Remuneration Committee report
Introduction



I am pleased to present this year's Report on Directors' Remuneration. The Remuneration Committee believes that remuneration arrangements should align Executive Directors with the delivery of the long-term strategy and creation of shareholder value while rewarding Executives fairly if success is achieved.

Philip Dayer
Remuneration Committee Chairman
27 May 2014

Remuneration review
During the course of 2013/14 the Remuneration Committee undertook a detailed review of the current remuneration arrangements in operation at AVEVA, which included a review of the market positioning of remuneration. The last review of the market positioning of the remuneration arrangements was undertaken three years ago and since this time there has been a significant increase in terms of the size (market capitalisation and earnings have increased materially) and the complexity of the Group (we now operate in new product areas and have increased the spread of the Group's operation overseas). In light of this, the positioning of the Executive Directors' total remuneration arrangements, and in particular base salary, has fallen significantly behind market practice.

To ensure that the remuneration arrangements at AVEVA continue to be competitive to attract and retain executives of an appropriate calibre to run a business the size and complexity of AVEVA, we have made a number of changes to our remuneration arrangements going forward. The Committee believes that the changes, set out below, are in the best interests of our shareholders and are appropriate for the Executive Directors given their experience and performance.

- The CEO's base salary will be increased from £405,600 to £485,000 and the CFO's salary will be increased from £260,000 to £300,000. These increases will be implemented over the course of the next two years subject to continued good performance.
- The long-term incentive opportunity for the CEO will be increased to 150% of base salary (from 120% of base salary) and for the CFO will be increased to 120% of base salary (from 100% of salary).
- In line with previous years, the Committee continues to believe that earnings per share remains the most appropriate performance measure for the long-term incentives and as such this will continue to be the sole measure for 2014 awards. However, to reflect the increased opportunity under the plan, the Committee is proposing to increase the maximum performance target for awards to be granted in 2014 from 18% per annum to 20% per annum.

Following these increases, the remuneration opportunity for each of the Executive Directors will be positioned around market median against other companies of a similar size and scale.

The Committee feels that the above increases will ensure that the remuneration arrangements are more reflective of the size and scale of AVEVA and will further align the Executive Directors with the creation of long-term shareholder value.

The current Group Long Term Incentive Plan (LTIP) is due to expire at the end of the year. The Committee is therefore proposing to replace the current LTIP with a new LTIP (the 2014 LTIP) which will be subject to shareholder approval at the 2014 AGM. The 2014 LTIP reflects the provisions of the current LTIP but the plan has been updated to reflect current best practice. Awards for the Executive Directors will now be subject to a two-year holding period following the end of the three-year performance period. Further details of the proposed 2014 LTIP are set out in the Notice of AGM.

2013/14 out-turns
2013/14 has been a year of strong progress for AVEVA with demonstrable development against a number of our strategies for growth as well as growth in Adjusted Profit before Tax by £7.7m to £78.3m. Further details of the Company's progress and successes are described in the Strategic Report.

In this context, the Committee decided to pay bonuses of 63% of salary (50% of the maximum) to both the CEO and CFO. The Committee feels that this outcome is an appropriate reflection of the underlying performance of the business over the year.

Over the longer term, AVEVA has delivered EPS growth in excess of RPI of 12.6% p.a. over the past three years, which the Committee considered to be exceptional performance, particularly in light of an ever-changing external environment. The Committee therefore determined that 94% of the LTIP awards granted to Executive Directors in 2011 should vest.

Remuneration reporting
The 2013/14 financial year is the first year in which AVEVA is required to report under the new remuneration reporting regulations. Accordingly the Directors' Remuneration Report is now split into two sections:

- The Directors' remuneration policy which, subject to shareholder approval, will apply for three years from the 2014 AGM; and
- The annual report on remuneration, which sets out payments and awards made to the Directors and explains the linkage between the Group's performance and remuneration in respect of the 2013/14 financial year.

The Committee is appreciative of the significant shareholder support that it received for the 2012/13 Directors' Remuneration Report at the 2013 AGM which received 97% of votes in favour. We hope that you find this year's report clear and informative and that you will continue to support us by voting in favour of the resolutions at the 2014 AGM.

Agenda for 2014/15
The Committee will continue to keep the structure and details of our remuneration arrangements under review and will remain committed to strong communication with shareholders and will continue to consult with investors as appropriate.

The Remuneration Committee

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

The Remuneration Committee's principal responsibility is to determine the remuneration package of both the Company's Executive Directors and its senior management within broad policies agreed with the Board.

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

The conclusions and recommendations of the Remuneration Committee were finalised in four formal meetings during the year, but these were preceded by several informal discussions, including some with advisers (none of whom had any other connection with the Company).

The members of the Committee during 2013/14 were Philip Dayer (Chairman), Philip Aiken, Jonathan Brooks and Jennifer Allerton, who was appointed as a member of the Committee on 6 March 2014.

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

The Committee has access to external advisers as required. During the year the Committee received advice from Deloitte LLP. Deloitte also provided unrelated advisory services to the Group in respect of taxation during the year. Deloitte is one of the founding members of the Remuneration Consultants Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is independent. The fees paid to Deloitte LLP were calculated based on time spent and expenses incurred for the majority of advice provided but on occasion for specific projects a fixed fee may be agreed.

Shareholder voting

The table below sets out the results of the vote on the 2012/13 Remuneration Report at the 2013 AGM:

	Votes	%
Votes in favour	50,376,404	96.94
Votes against	1,590,216	3.06
Total votes	51,966,620	100.00

1,624,729 votes were withheld.

The Directors' remuneration policy

The following sets out our Directors' remuneration policy (the Policy). This Policy will be put forward for shareholder approval at the 2014 AGM in accordance with section 439A of the Companies Act 2006. Subject to shareholder approval at the AGM, this Policy will apply to payments made from 15 July 2014.

The annual report on remuneration (pages 57 to 64) includes further details on how this Policy will be operated for the 2014/15 financial year.

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

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

Remuneration commitments made which were consistent with the approved Remuneration policy in force at that time shall be honoured, even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.

Base salary

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
– Helps recruit and retain employees. – Reflects experience and role.	– Base salary is normally reviewed annually with changes effective from 1 April, although salaries may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate. – The Committee determines base salary taking into account factors including, but not limited to: • The individual's role, experience and performance in achieving financial and non-financial goals within his areas of responsibility. • Salaries at other companies of a similar size and complexity as well as global technology peers. • Remuneration of different groups of employees within the Company. • Total organisational salary budgets. – Paid in cash.	– In determining salary increases the Committee generally considers the factors outlined in the 'operation' column. – While there is no maximum salary level, salary increases will normally be in-line with the range of increases in the broader workforce salary. – The Committee retains the discretion to make increases above this level in certain circumstances, for example, but not limited to: • an increase in the individual's scope of responsibilities; • in the case of new executive directors who are positioned on a lower initial salary while they gain experience in the role; or • where the Committee considers that salary is behind appropriate market positioning for a company of AVEVA's size and complexity. Salaries with effect from 1 April 2014 are: – CEO (Richard Longdon) – £445,000 – CFO (James Kidd) – £280,000	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pensions			
– Provides a competitive retirement benefit in a way that is cost effective to the Company.	**CEO** – The CEO, Richard Longdon, participated in the CadCentre Pension Scheme, a defined benefit pension scheme, until 2010 when he accrued the maximum benefits that he is entitled to under the scheme. The plan is a contributory, funded, occupational scheme registered with HM Revenue and Customs (HMRC) and, since 1 October 2004, Career Average Revalued Earning benefits apply. – Mr Longdon is now a deferred member of the scheme and is no longer accruing any further benefits. **CFO** – The CFO is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme). **New appointment** – The intention is that new appointments to the Board would participate in the AVEVA Group Personal Pension Plan or receive an equivalent cash payment. However, if appropriate the Committee may determine that alternative arrangements for the provision of retirement benefit may apply. When determining pension arrangements for new appointments the Board will give regard to the cost of the arrangements, market practice and the pension arrangements received elsewhere in the Group.	**CEO** – The current CEO is entitled to a pension on normal retirement, or on retirement due to ill heath, equivalent to two-thirds of his pensionable salary provided he has completed (or would have completed in the case of ill health) 25 years' service. – A lower pension is payable on earlier retirement after the age of 55 by agreement with the Company and subject to HMRC guidelines. – Pensions are payable to dependants on the Director's death in retirement and a lump sum is payable if death occurs in service. **CFO** The Company currently contributes 10% of base salary to the plan.	None
Benefits			
– Help recruit and retain employees – Provide a competitive range of valued benefits – Assist toward early return to work in the event of illness or injury	– The benefit policy is to provide an appropriate level of benefit taking into account market practice at similar sized companies and the level of benefits provided for other employees in the Group. – In line with benefits provided for other senior employees in the Group, Executive directors currently receive a mobility allowance or company car, a fuel allowance and a £500 annual allowance toward a range of benefits. – In the event that an Executive was required to re-locate to undertake their role, the Committee may provide additional benefits to reflect the relevant circumstances (on a one-off or ongoing basis). – Benefits are reviewed by the Committee in the context of market practice from time to time and the Committee may introduce or remove particular benefits if it is considered appropriate to do so. – If the Company were to operate an all-employee share plan in the future, Executive Directors would be entitled to participate in the plan on the same terms as other employees.	– The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances and therefore there is no maximum value.	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Incentive Scheme & Deferred Share Scheme			
– Incentivises and rewards the achievement of annual financial and strategic business targets and delivery of personal objectives. – Deferred element encourages long-term shareholding, helps retention and discourages excessive risk taking.	– The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies. – Performance targets are set by the Committee on an annual basis. – The Committee determines the level of bonus paid taking into account performance against targets, the underlying performance of the business and Executive Directors' performance during the year. – The annual bonus is generally paid in a mix of cash and deferred shares. – For the core award, at 100% achievement of bonus performance targets, 60% of the bonus amount is payable in cash and the balance, 40%, is used to calculate the number of deferred shares. If the bonus amount is less than or equal to 70% of the potential maximum bonus, then 75% of the total bonus is paid in cash and 25% is deferred into shares. If the bonus amount is between 70% and 100% of the potential maximum then the proportion paid in deferred shares is determined by linear interpolation between 25% and 40%. The Committee may determine that a different balance of cash and deferred shares should apply. – The whole outperformance award would normally be delivered in deferred shares. – Further details of how the deferred share element operates are included as a footnote to this table.	– The maximum bonus opportunity is 125% of base salary (core award of 100% of salary, outperformance award of 25% of base salary).	**Core Award** – The core bonus award is based on a mix of financial and individual objectives. For 2014/15, 90% of the bonus is based on financial measures with 10% based on individual measures agreed by the Committee at the start of the year. The Committee reserves the right to vary these proportions for future years. However, in any year, financial performance will always account for at least 70% of the bonus. – For the financial performance element, up to 10% of the bonus can be earned based on interim financial performance. Other than for this element performance is assessed over a financial year. – The core award starts being earned for entry level performance from 0% of salary and accrues linearly up to 100% for achievement of stretch target. Around 50% of the core award bonus is paid if target levels of performance are achieved. **Outperformance award** – The outperformance award is based on financial performance over the financial year and is only delivered for the over-achievement of stretch targets. For further details of metrics for the 2014/15 annual bonus please see page 57.
The AVEVA Group Long Term Incentive Plan 2014 (the 2014 LTIP)			
– Establishes a motivational and performance-orientated structure to incentivise Directors to focus on the creation of shareholder value aligned with the longer term strategy for the Group.	– Up to 2013, the Company's long term incentive arrangement was the AVEVA Group Long Term Incentive Plan adopted with shareholder approval in 2004 (the 2004 LTIP). – Subject to shareholder approval, from 2014 onwards the Committee intends to make awards under the 2014 LTIP, which will be put to shareholders for approval at the 2014 AGM. – Awards normally vest based on performance over a period of three years and are subject to a subsequent two-year holding period. Awards may be subject to a different vesting period as may be determined by the Committee. – Awards under the 2014 LTIP may be granted in the form of conditional awards or nominal cost options or phantom options which will be settled in cash. – The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders while remaining motivational for management. – The Committee shall determine the extent to which the awards will vest based on performance against targets and taking into consideration the wider performance of the Group. – Awards are subject to malus and clawback provisions (details set out on page 52).	– The maximum limit under the plan rules is 250% of base salary. – The current intention is that awards will be limited to: • 150% of base salary for the CEO • 120% of base salary for the CFO – The intention is the maximum award will only be awarded in exceptional circumstances (e.g. recruitment). – The Committee retains the discretion to grant awards up to the maximum limit under the plan rules. The Committee's intention would be to consult with shareholders in the event that awards were to be increased.	– Awards vest based on earnings per share performance. – The Committee retains the discretion to introduce alternative or additional performance measures if it considers that these would be better aligned with strategy and incentivise Executive Directors to deliver long-term shareholder value. However, in any, year financial performance will always account for at least 75% of an award. – For threshold levels of performance 25% of the award vests, increasing to 100% of the award for maximum performance. There is straight-line vesting of awards between these points.

Policy table footnotes

- The deferred share element for both the core and outperformance annual incentive will be structured as a nil-cost option.
- Deferred awards will normally deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted. The Committee has discretion to determine an alternative vesting profile.
- Awards granted from 2012 onwards under the LTIP and the deferred share scheme are subject to malus and clawback provisions. Those provisions may apply at the discretion of the Committee if accounts are corrected or published that indicate the relevant performance was materially worse than in the accounts used to assess vesting.
- Other elements of remuneration are not subject to clawback or malus.
- The Committee may operate the 2014 LTIP and the deferred share scheme in accordance with its terms. This includes amending the scheme and the terms of awards (including adjustments to take account of any variation of capital, demerger or special dividend).

Legacy plans

Up to 2013, the Company's long term incentive arrangement was the AVEVA Group Long Term Incentive Plan adopted with shareholder approval in 2004 (2004 LTIP). Awards under the plan were granted in the form of nominal priced options and vest based on the achievement of EPS performance over a three-year period. No holding period applies. At the 2007 AGM, shareholders approved the Executive Share Option Scheme 2007 (2007 ESOS). No grants have been made under the scheme. The Committee may operate the 2004 LTIP and 2007 ESOS in accordance with its terms. This includes amending the scheme and the terms of awards or performance conditions (including adjustments to take account of any variation of capital, demerger or special dividend).

Committee discretion

The Committee reserves the right to make any remuneration payments and payments for loss of office (including the exercise of any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' include the Committee satisfying awards of variable remuneration and an award over shares is 'agreed' at the time the award is granted.

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Information supporting the policy table

Remuneration arrangements throughout the Group

Throughout the Group remuneration is determined based on the same principles – that remuneration arrangements should be appropriate for the role without paying more than is necessary and that pay should be structured to incentivise individuals to deliver the objectives of their role. AVEVA employs over 1,500 employees in over 40 locations with roles ranging from administrators to technical specialists and sales staff. The structure and level of reward therefore differs from role to role depending on skills, experience, level of seniority and market practice for the role. AVEVA's sales employees participate in commission plans that are designed to encourage the growth objectives of the Group. Around 200 employees have annual bonus plans with 19 receiving a portion of bonus in shares which is deferred for up to three years; all other employees are eligible for a Company Discretionary Award subject primarily to the Group's financial performance and secondarily subject to individual performance. Around 40 members of senior management also participate in the LTIP based on the same performance targets as Executive Directors. All staff participate in a similar benefit structure to the Executive Directors.

Selection of performance measures

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

Our annual bonus arrangements incentivise the delivery of financial performance and the achievement of key individual objectives that are aligned with the delivery of our strategy. EPS growth is the primary measure used for long-term incentive arrangements (although the Committee retains discretion to use different performance measures for future awards). The payment of bonuses and the vesting of long-term incentives are subject to stretching targets established by the Committee at the beginning of each performance period. These targets are set taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance.

Remuneration policy for new hires

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of an individual of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- The structure of the on-going remuneration package would normally include the components set out in the policy table for Executive Directors.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors, which may include the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining such 'buy-outs' the guiding principle would be that awards would generally be on a 'like for like' basis to those forfeited unless not considered appropriate.
- The maximum level of variable remuneration which may be awarded (excluding any "buy-out" awards) is 375% of salary.
- Where an Executive Director is required to relocate to take-up their role the Committee may provide reasonable assistance with relocation (either via one-off or on-going payments or benefits) taking into account the individual's circumstances and prevailing market practice.
- In the event that an internal candidate was promoted to the Board legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

To facilitate awards outlined above, in the event of recruitment, the Committee may grant awards to a new executive director in accordance with Listing Rule 9.4.2. This provision permits the granting of long term incentive plan awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval, or under any other appropriate Company incentive plan. Awards under Listing Rule 9.4.2 would normally be limited to 'buy-out' awards.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors.

Remuneration outcomes in different performance scenarios

The remuneration package at AVEVA is structured so that the majority of the package is related to the delivery of performance over the short and long-term to ensure that reward is aligned with shareholder value creation.

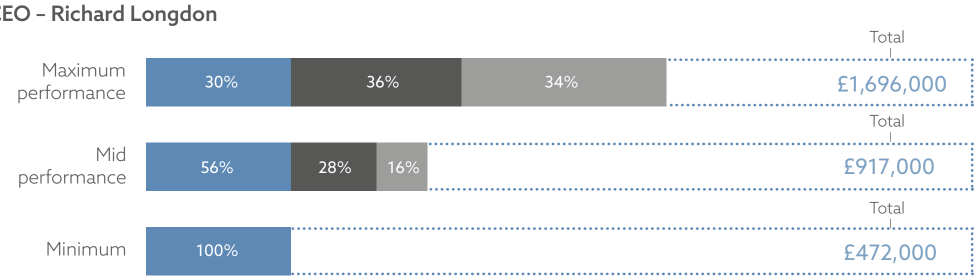
The charts below show hypothetical values of the remuneration package for Executive Directors under three assumed performance scenarios:

		CEO	CFO
Maximum award opportunities % of salary	Annual Bonus	125%	125%
	LTIP	150%	120%
Minimum	– No annual incentive pay-out – No vesting under the LTIP		
Mid performance	– 50% of salary pays out under the Annual Bonus (40% of maximum i.e. half of the core award and none of the outperformance award) – 0–50% of maximum vesting under the LTIP		
Maximum performance	– 100% of maximum annual incentive pay-out – 100% of maximum LTIP vesting		

No share price growth has been assumed. Potential benefits under all employee share schemes and dividend equivalents have not been included.

Performance – related rewards 2014/2015

CEO – Richard Longdon



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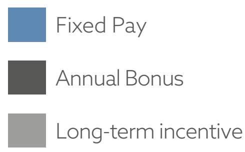
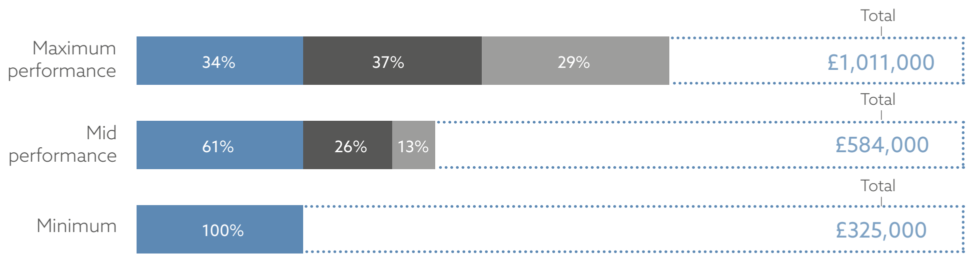


CFO – James Kidd



Fixed pay is comprised of the following:

	Salary (Salary with effect from 1 April 2014)	**Benefits** (Paid in 2013/14)	**Pension** (Based on salary with effect from 1 April 2014)	**Total fixed pay**
CEO (Richard Longdon)	£445,000	£27,000	£0	£472,000
CFO (James Kidd)	£280,000	£17,000	£28,000	£325,000

The Directors' remuneration policy continued

Executive Director Service contracts and policy on payment for loss of office

When determining leaving arrangements for an Executive Director the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

The service contracts for Executive Directors include the following terms:

Name	Date of contract	Date of appointment	Expiry/review date of current contract	Continuous service date
Richard Longdon	28 November 1996	28 November 1996	Rolling	29 May 1984
James Kidd	1 January 2011	1 January 2011	Rolling	5 January 2004

The service agreements are available to shareholders to view on request from the Company Secretary.

Notice period	The CEO's service contract can be terminated by the Company or the Executive Director on 12 months' notice. The CFO's service contract can be terminated by the Company or the Executive Director on 9 months' notice. The service agreements provide for a period of garden leave not exceeding six months. The Committee will determine the appropriate notice period for any new director taking into account the circumstances of the individual and market practice. Any notice period will normally be no longer than 12 months. The Committee reserves the right to provide a longer initial notice period of up to 24 months reducing to 12 months over the first 12 months of employment if it considers this to be appropriate.
Payment in lieu of notice	In the event of termination of contract without notice, the Executive shall be entitled to a payment in respect of salary and benefits for the period of notice. Such payment will normally be made in instalments and subject to mitigation but the Committee shall have discretion to make a single payment if this is considered appropriate.
Annual Bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial year in which they ceased employment. Such Annual Bonus award will be determined by the Committee taking into account the circumstances for leaving, time in employment and performance.
Deferred Share Scheme	**Death** In the event of a participant's death unvested awards shall vest. Where awards are in the form of options they may be exercised for a period of up to 12 months from death. **'Good leaver'** At the discretion of the Committee, leaving by reason of injury, or disability, redundancy, the Company or business for which the participant works leaving the group & any other reasons determined by the Committee. Awards shall continue in full and vest on the originally anticipated vesting dates. Alternatively, the Committee may determine that awards should vest when the participant ceases employment. Awards in the form of options may be exercised in accordance with the rules of the scheme. **Leavers in other circumstances** Awards will normally lapse.
2014 Long Term Incentive Plan	**Good leavers** If a participant leaves as a 'good leaver', unvested awards shall continue in existence for the remainder of the performance period. At the end of the performance period, the awards may be permitted to vest to the extent determined in accordance with the applicable performance conditions and, unless the Committee determines otherwise, then reduced to reflect the period that elapsed from the start of the performance period to the date of cessation as a proportion of the performance period. 'Good leavers' are those that leave the employment of the company as a result of death, injury, disability, redundancy, retirement, the Company or business he works for being transferred from the Group or any other reason at the discretion of the Committee. **Leavers in other circumstances** Awards will normally lapse. Vested but unexercised options held by participants who leave employment other than due to gross misconduct may be exercised for a period following cessation of employment.

Other payments	An Executive Director who joined the Company before January 2008 and who is made redundant, may receive, in addition to a payment in lieu of notice, any statutory redundancy payment and any other payment to which he is entitled, a payment under the Company's enhanced redundancy policy. This policy applies to all employees who joined the Company before January 2008. Under the policy, an eligible person will receive a payment calculated by reference to their length of service and weekly pay (by reference to gross annual salary) as follows: – 7 weeks' pay for service of up to 6 years; plus – 1.5 weeks' pay for each completed year of service over 7 years up to 20 years; plus – 2 weeks' pay for each completed year of service over 20 years. Under the Company's enhanced redundancy policy, eligible participants, including Executive Directors, may also receive a payment in lieu of a 90 day redundancy consultation period. In the event of termination of an Executive Director's employment, a payment may be made in lieu of any accrued but untaken holiday. The Remuneration Committee would be responsible for considering the circumstances of the early termination of an Executive Director's contract and determining whether in exceptional circumstances there should be compensation payments in excess of the Company's contractual obligations.

Prior to 2014, long-term incentive awards were granted under the 2004 LTIP. Under this plan, if a participant leaves for any reason other than gross misconduct, unvested awards will vest to the extent performance conditions have been met at the date of cessation. To the extent performance conditions have not been met at the date of cessation, if the participant is a 'good leaver', unvested awards will vest at the date of cessation to the extent determined by the Committee at its absolute discretion taking into account the extent to which any performance condition has been satisfied on cessation and, unless the Committee determines otherwise, the period of time that has elapsed from grant to cessation. For these purposes, a person is a 'good leaver' if he leaves because of death, injury, disability, redundancy, retirement, the Company or business he works for being transferred from the Group or any other reason at the discretion of the Committee.

Change of control

In the event of a change of control or a voluntary winding-up of the Company and ultimately at the discretion of the Remuneration Committee:

1. Unvested awards under the Deferred Share Scheme will vest in full at the time of change of control.
2. Unvested awards granted under the 2004 LTIP will vest having regard to the extent to which performance conditions have been met and, in the case of awards granted after 16 May 2012, unless the Committee determines otherwise, the time elapsed between the date of award and the date of the change of control or winding-up.
3. Unvested awards granted under the 2014 LTIP will vest having regard to the extent to which performance conditions have been met and unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the date of the change of control or winding-up.

Employee context

When setting Executive Directors' pay, the Committee considers the remuneration arrangement of other senior managers and employees in the Group more generally to ensure that Executive remuneration arrangements are appropriate in this context.

AVEVA undertakes an annual salary review in April each year and uses this opportunity to reward strong performance and ensure salaries are in line with market rates. It manages this in a competitive environment particularly in the fast-growing economic areas. When determining salary increases for Executive Directors the Committee considers the outcome of the wider pay review for the Group.

The Committee does not consult directly with employees regarding Executive Directors' remuneration. However, at regular intervals the Company conducts a survey of the views of employees in respect of their experience of working at AVEVA including their own reward.

Dialogue with shareholders

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

Over the past few years we have regularly consulted with shareholders regarding the operation of remuneration arrangements including the structure and stretch of the annual bonus plan, performance measures for the LTIP and the level of stretch in LTIP targets. In 2014 the Committee consulted with shareholders regarding the increases in basic salary for the Executive Directors and the implementation of a new LTIP in light of the expiry of the 2004 LTIP.

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

Remuneration Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
– Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities, the expected time commitment for the role and prevalent market rates. – The Board is responsible for setting fees for the Non-Executive Directors with the Committee being responsible for setting fees for the Chairman. – Fees are reviewed at appropriate intervals.	– Basic fees are subject to the aggregate limit in the Company's Articles of Association. Any changes in this limit would be subject to shareholder approval. – Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid to Non-Executive Directors who hold the position of Committee Chairman to take into account the additional responsibilities and workload. Additional fees may also be paid for other board responsibilities or roles if this is considered appropriate. – The Non-Executive Chairman receives an all-inclusive fee for the role. – Fees are paid in cash. – Current fees are follows: • Chairman's fees – £165,880 • Basic non-executive director fees – £47,150 • Committee Chairman fee (Audit and Remuneration) – £10,700 • Senior Independant Director fee – £10,700 – Fees may be increased in future years in line with the policy outlined above.	– Non-Executive Directors do not receive incentive pay or share awards. – Non-Executive Directors do not currently receive any benefits. Benefits may be provided in the future if, in the view of the Board (or, in the case of the Chairman, the Committee), this was considered appropriate. – Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors.

Non-Executive Director Letters of appointment

The Non-Executive Directors have appointment letters, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services is at the direction of the shareholders.

The letters of appointment for Non-Executive Directors include the following terms:

Name	Date of contract	Date of appointment	Expiry/review date of current contract	Notice period months
Philip Aiken	1 May 2012	1 May 2012	30 April 2015	3
Philip Dayer	2 January 2014	7 January 2008	2 January 2017	3
Jonathan Brooks	11 July 2013	12 July 2007	11 July 2016	3
Jennifer Allerton	6 March 2013	6 March 2014	1 July 2016	3

All Non-Executive Directors submit themselves for election at the Annual General Meeting following their appointment and subsequent intervals of no more than three years.

There are no pre-determined special provisions for Non-Executive Directors with regard to compensation in the event of loss of office. Non-Executive Directors are not entitled to any payments in lieu of notice.

The letters of appointment are available for shareholders to view from the Company Secretary upon request.

Annual report on remuneration

Executive Directors

Statement of implementation of remuneration policy in 2014

Base salary

As set out in the introductory letter from the Remuneration Committee Chairman, during the course of 2013/14 the Remuneration Committee undertook a detailed review of the current remuneration arrangements in operation at AVEVA, which included a review of the market positioning of the current remuneration arrangements.

A review of market positioning was last undertaken three years ago and since this time there has been a significant increase in terms of both the size and the complexity of the Group illustrated by a near doubling of the Group's market capitalisation to c.£1.4bn, the employee base of the Group increasing from c.800 employees to around 1,500 in 2013/14, the Group diversifying into new product areas including Enterprise Solutions and developing AVEVA Everything3D and an increase in the spread of the Group's operations overseas. As a result of this, the positioning of the Executive Directors' remuneration arrangements, particularly base salary, has fallen significantly behind market practice.

In light of the above and taking into account the strong performance of the business and the Executives in recent years, the Committee considered it appropriate to increase the base salary for the CEO and CFO as follows:

Base salary with effect from	CEO	CFO
1 April 2014	£445,000 (c.9.7% increase)	£280,000 (c.7.6% increase)
1 April 2015	£485,000 (c.9% increase)	£300,000 (c.7% increase)

The salary increases with effect from 1 April 2015 will be subject to continued strong performance by the Executive and the Group.

Benefits

In line with benefits provided for other senior employees, in 2014/15 Executive Directors will be provided with a company car or a mobility allowance, a fuel allowance and a £500 annual allowance towards a range of flexible benefits.

Pension

As noted in the Policy Table above, Richard Longdon participated in the AVEVA Solutions Limited defined benefit pension scheme until 2010 when he accrued the maximum benefits that he is entitled to under the scheme. He is now a deferred member of the scheme and is no longer accruing any further benefits.

James Kidd is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme). For 2014/15, the Company contribution to the plan will be 10% of salary. James will continue to be provided with the flexibility to contribute to this plan via salary sacrifice.

Annual Incentive Scheme

For 2014/15, the maximum opportunity for Executive Directors under the annual bonus will be 125% of base salary (which will be made up of a core award of 100% of salary and an outperformance award of 25% of base salary).

It was agreed that for the core award 90% of bonus shall be based on achieving stretching Group adjusted profit before tax (PBT) targets. 10% of the core award is contingent upon achievement of key individual performance objectives which had been agreed by the Remuneration Committee at the start of the financial year.

Of the 90% of the core award based on financial performance, 10% is based on achievement for the six months to 30 September and the remaining 80% is based on the full year results for 2014/15.

The performance targets for the core and outperformance award are based on Group adjusted profit before tax (PBT) targets and the outperformance award will only be delivered for the achievement of stretch targets over and above the targets for the core award.

The Remuneration Committee believes that, given the annual incentive scheme rewards the achievement of the annual business plan, the targets are commercially sensitive and therefore should not be disclosed.

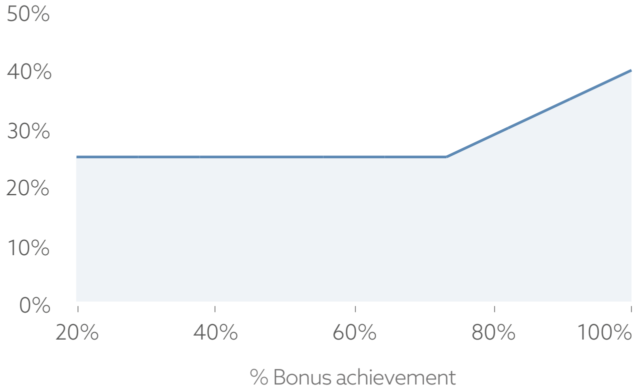
Deferral

For the core award, at 100% achievement of bonus performance conditions 60% of the bonus amount is payable in cash and the balance, 40%, is deferred into shares. If the bonus amount is less than or equal to 70% of the potential maximum core bonus, then 75% of the bonus is paid in cash and 25% paid in deferred shares. If the bonus amount is between 70% and 100% of the potential maximum core bonus then the proportion paid in deferred shares is determined by linear interpolation between 25% and 40%.

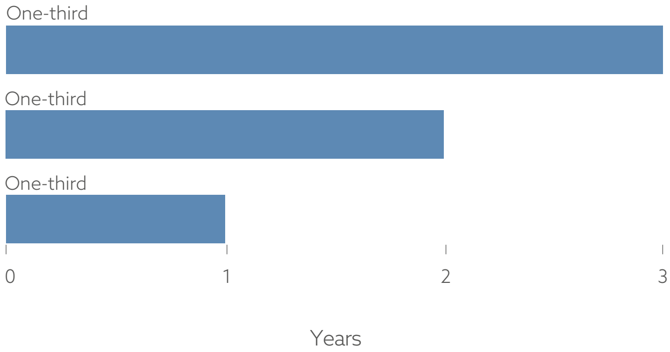
Any outperformance award will be paid in deferred shares.

Deferred awards vest pro-rata over three years.

Proportion of core bonus award payable in deferred shares



Period of deferral



Long-Term Incentive Plan
Subject to shareholder approval, it is intended that awards will be made under the 2014 LTIP following the 2014 AGM.

As set out in the introductory letter from the Remuneration Committee Chairman the award opportunity for the CEO will be 150% of base salary (increased from 120% of base salary) and for the CFO will be 120% of base salary (increased from 100% of salary).

As with previous years, the performance conditions for the award will be based on EPS growth over the three-year period from 2014/15 to 2016/17. To reflect the increased opportunity under the plan, the Committee is proposing to increase the performance range for awards to be granted in 2014 as follows:

	Average adjusted diluted earnings per share growth per annum		
Performance	Current targets*	Proposed targets	Proportion of vesting (% of total award)#
Threshold	12%	12%	25%
Maximum	18%	20%	100%

* For comparative purposes, current targets have been adjusted down by 2% to eliminate the effect of the share consolidation completed in 2013 and which affected the base year for performance measurement targets.
# If average EPS growth is between threshold and maximum then vesting shall be on a straight-line basis.

Single total figure of remuneration for Executive Directors (Audited)
The following table sets out the single figure for total remuneration for Directors for the 2013/14 and 2012/13 financial years.

Executive Directors

2014	Base salary (£'000)	Benefits (£'000)	Pension (£'000)	Annual incentive (£'000)	Long-term incentive (£'000)	Total (£'000)
Richard Longdon	406	27	—	254	510	1,197
James Kidd	260	17	26	163	204	670

2013	Base salary (£'000)	Benefits (£'000)	Pension (£'000)	Annual incentive (£'000)	Long-term incentive (£'000)	Total (£'000)
Richard Longdon	390	25	—	365	183	963
James Kidd	230	17	23	215	18	503

Elements of single figure of remuneration

Base salary

The CEO's salary over 2013/14 was £405,600 (2012/13 – £390,000). The CFO's salary over 2013/14 was £260,000 (2012/13 – £230,000).

Benefits

In 2013/14 and 2012/13 Executive Directors were provided with a company car or a mobility allowance, a fuel allowance and a £500 annual allowance towards a range of flexible benefits.

Pension

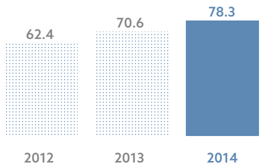
James Kidd is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme) and during 2013/14 the Company contributed 10% of salary to the plan.

Annual incentive

This reflects the total annual incentive paid and payable in 2014 based on performance in the year ended 31 March 2014. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

10% of the core award was paid for achieving the half year performance target. The Committee determined that for both the CEO and CFO, 10% of the core award will be paid following achievement of individual performance targets and 43% of the core award will be paid based on the full year financial performance as the target was only partially met. None of the outperformance award will be paid as targets were not met. Achievement for 2013/14 was 63% of the core award and 50% of the maximum payable for both Executive Directors (2012/13 – 94%).

Adjusted profit before tax (£m)
11% : £78.3m



2014	Cash bonus (£'000)	Deferred bonus (£'000)	Total bonus (£'000)
Richard Longdon	190	64	254
James Kidd	122	41	163

The Remuneration Committee believes that, given the annual incentive scheme rewards the achievement of the annual business plan, the targets are commercially sensitive and therefore should not be disclosed.

Long-term incentives

This includes the LTIP awards, granted under the previous Long-Term Incentive Plan, vesting based on performance in the three-year period ending 31 March 2014.

The values included in the single figure table are calculated by multiplying the number of shares granted on 9 July 2011 by the level of vesting (94% of maximum awards) and the three-month average share price to 31 March 2014 of 2,094p.

These awards were subject to the delivery of EPS growth. 0% of awards vest for diluted EPS growth of less than RPI plus 5%, with 100% of awards vesting for diluted EPS growth of more than RPI plus 12%. These targets were both subsequently increased by 1% (to 6% and 13% respectively) to reflect the effect of the share consolidation completed in July 2013. Average diluted EPS growth for the three year performance period exceeded RPI by 12.6% per annum and therefore 94% of the award shall vest on 6 July 2014. The Committee considered this level of vesting in the context of the wider performance of the business and returns to shareholders during the period and considered that it was appropriate.

For 2012/13, 33% of the maximum LTIP awards granted to the Executives in 2010/11 vested.

Other information in relation to 2013/14

Scheme interests awarded in the year (audited)

The table below sets out details of the LTIP 2004 and deferred share awards made to the Executive Directors during 2013/14:

Plan and type of award	Participant	Date of grant	Basis of award	Face value of awards (£)	Threshold vesting (% of face value)	Performance period	Details on performance measures
LTIP (nominal cost options)	Richard Longdon	21 August 2013	The CEO was made an award of 120% of base salary	£486,720[1]	25%	1 April 2013 – 31 March 2016	Diluted adjusted EPS growth. 25% vests for diluted adjusted EPS growth of 14% p.a. 100% vests for diluted adjusted EPS growth of more than 20% p.a. Linear interpolation between these points.
	James Kidd		The CFO was made an award of 100% of base salary	£260,000[1]			
Deferred Share Scheme	Richard Longdon	20 June 2013	Deferred element of 2012/13 annual incentive	£137,192	N/A	No performance period. Awards vest in equal tranches on 27 May 2014, 27 May 2015 and 27 May 2016	N/A
	James Kidd			£80,908			

1 Richard Longdon was awarded options over 19,931 shares and James Kidd options over 10,647 shares. The number of options awarded were determined using the average market share price for the 5 days preceding the award of 2,442p.

Shareholding guidelines and interests in shares (audited)

2013	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary)	Shares owned outright at 1 April 2013	**Shares owned outright at 31 March 2014**
Richard Longdon	200%	Yes	1270%[1]	353,159	**246,349**
James Kidd	100%	On-target	56%[1]	6,168	**6,901**

1 Calculated using the closing share price on 31 March 2014 of 2,094p and base salary for the 2013/14 year.

Outstanding scheme interests (audited)

	As at 1 April 2013	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2014	Exercise price (p)
Richard Longdon						
LTIP	77,764	19,931	—	(16,775)	**80,812**	0.3556
Deferred shares	14,037	5,903	(8,398)	—	**11,542**	nil
James Kidd						
LTIP	26,044	10,647	(804)	(1,631)	**34,256**	0.3556
Deferred shares	3,231	3,481	(1,404)	—	**5,308**	nil

Summary of LTIP targets

Performance conditions related to LTIP awards originally granted in 2011/12 and 2012/13 have been adjusted to reflect the impact of the special dividend of £100m and share consolidation during 2013/14. In respect of the July 2012 award, target growth rates were increased by 1.5% to 9.5% and 16.5%. In respect of the July 2011 award, target growth rates above RPI were increased by 1% to 6% and 13%.

Date of award	Options granted to Executive Directors	Period of performance measurement	Performance targets/measures	Achievement
26 July 2010	37,961	2010/11 – 2012/13	– 0% vest for diluted EPS growth of less than RPI plus 4% p.a. – 100% vest for diluted EPS growth of more than RPI plus 12% p.a. – Linear interpolation to determine the number of shares that vest between RPI plus 4% and RPI plus 12% p.a.	Target partially met, 33% of award vested
6 July 2011	35,155	2011/12 – 2013/14	– 0% vest for diluted EPS growth of less than RPI plus 6% p.a. – 100% vest for diluted EPS growth of more than RPI plus 13% p.a. – Linear interpolation to determine the number of shares that vest between RPI plus 6% and RPI plus 13% p.a.	Target partially met, 94% of award expected to vest
9 July 2012	41,180	2012/13 – 2014/15	– 0% for diluted adjusted EPS growth of less than 9.5% p.a. – 25% for diluted adjusted EPS growth of 9.5% p.a. – 100% for diluted adjusted EPS growth of more than 16.5% p.a. – Linear interpolation to determine the number of shares that vest between 9.5% and 16.5% p.a.	Performance period not yet completed
21 August 2013	30,578	2013/14 – 2015/16	– 0% for diluted adjusted EPS growth of less than 14% p.a. – 25% for diluted adjusted EPS growth of 14% p.a. – 100% for diluted adjusted EPS growth of more than 20% p.a. – Linear interpolation to determine the number of shares that vest between 14% and 20% p.a.	Performance period not yet completed

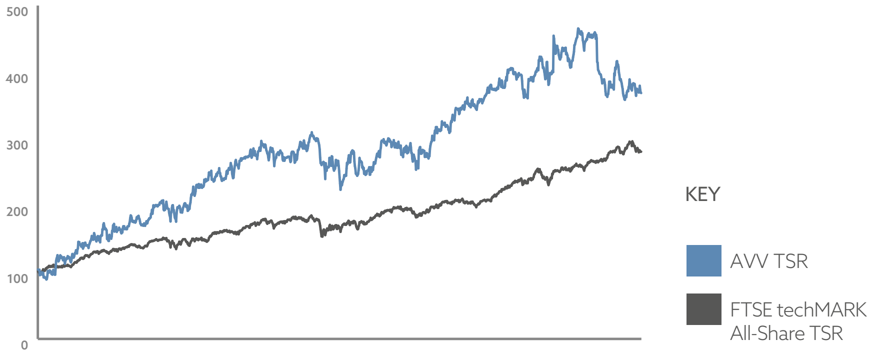
Dilution
The number of shares which may be allocated on exercise of any options granted under any of the Company's share option schemes (including employee schemes) shall not, when aggregated with the number of shares which have been allocated in the previous ten years under these schemes, exceed 5% of the ordinary share capital of the Company in issue immediately prior to that date.

Payments made to past directors (audited)
No payments were made during 2013/14.

Payments for loss of office (audited)
No payments were made during 2013/14.

Total shareholder return v. techMARK All-Share Index 2009–2014
The graph below shows performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index. Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period.

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



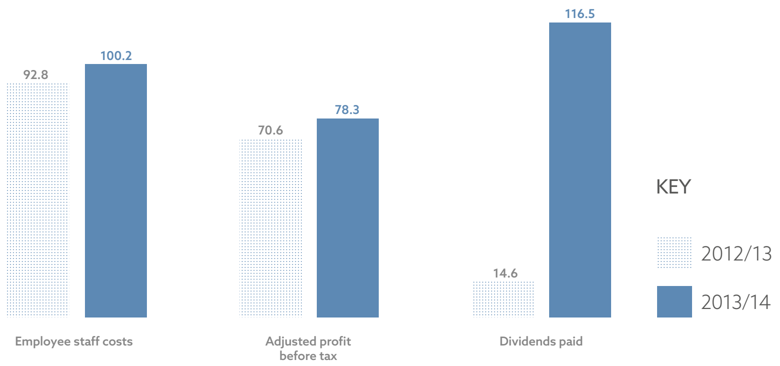
CEO single figure five year history
Table below shows the five year history of the CEO single figure of total remuneration:

	2009/10	2010/11	2011/12	2012/13	2013/14
CEO Single figure of total remuneration (£'000)	818	695	1,003	963	**1,197**
Annual incentive pay-out (% of maximum)	100%	100%	68%	94%	**50%**
LTIP pay-out (% of maximum)	100%	0%	100%	33%	**94%**

Change in remuneration of the CEO
The table below illustrates the percentage change in salary, benefits and annual bonus for the Group CEO and two selected sub-sets of employees (including only those employees who were employed at the start of the 2012/13 financial year through to the end of the 2013/14 financial year). The UK Group has been chosen because AVEVA is headquartered, and employs around one-third of its employees, in the UK. Typical salary inflation in some other AVEVA locations is materially higher than the UK, which would distort the comparison.

	CEO	Executive management group	UK employees
% change in base salary (2012/13 to 2013/14)	4%	5%	4%
% change in benefits (2012/13 to 2013/14)	8%	0%	0%
% change in annual bonus (2012/13 to 2013/14)	-30%	-30%	-11%

Relative importance of spend on pay
The chart below illustrates the year on year change in total remuneration for all employees in the Group compared to adjusted profit before tax and distributions to shareholders for 2013/14 and 2012/13. The Committee determined to include adjusted profit before tax in this chart as it is one of the Group's key performance indicators and is the primary measure for the annual incentive scheme.



Outside appointments
The Board believes that accepting non-executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case by case basis.

Richard Longdon was appointed as an adviser to Detica, a division of BAE Systems in July 2011, a position he subsequently resigned from during 2013/14. Prior to his appointment, the Board considered the impact on his role as CEO and concluded that he could still devote sufficient time to his role and therefore approved his appointment. Mr Longdon did not receive a salary for this role but was paid a daily fee for attendance. As Mr Longdon performed these services independently of his duties to the Company, he was entitled to receive such compensation.

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

	Accumulated accrued pension at 31 March 2014 £	Accumulated accrued pension at 31 March 2013 £	Increase in accrued pension during year £	Increase in accrued pension during the year, after removing the effects of inflation £	Transfer value of increase, after removing the effects of inflation, less Directors' contributions £
Richard Longdon	**164,300**	159,974	4,326	—	—

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

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

	31 March 2014 £	31 March 2013 £	Movement, less Directors' contributions £
Richard Longdon	**3,137,520**	3,147,575	(10,055)

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

Richard Longdon is entitled to a pension on normal retirement at age 62, or on retirement due to ill heath, in accordance with the arrangements under the scheme. A lower pension is available after the age of 55 by agreement with the Company and subject to HMRC guidelines.

James Kidd is a member of the AVEVA Group Personal Pension Plan and during 2013/14 received employer contributions of £26,000 (2012/13 – £23,000).

Non-Executive Directors

Implementation of remuneration policy for NEDs in 2014

As noted in the Policy Report, the fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities; time devoted to the role and prevalent market rates. Non-Executive Directors received a basic fee of £45,760 per annum. Additional fees are paid to Non-Executive Directors who hold the position of Committee Chairman (£10,400) and Senior Independent Director (£10,400).

Single total figure of remuneration for Non-Executive Directors (Audited)

The table below shows a single figure of remuneration for each of our Non-Executive Directors, for the years 2013/14 and 2012/13.

	2013/14 fees £	2012/13 fees £
Philip Aiken (Chairman)	150,800	127,000
Jennifer Allerton	34,320	—
Jonathan Brooks	56,160	54,000
Hervé Couturier	11,440	44,000
Philip Dayer	66,560	54,000
Nick Prest	—	32,000

NEDs' interests in shares

The table shows the interests in AVEVA ordinary shares of Non-Executive Directors and their connected persons as at 31 March 2014.

	Shares owned outright at 31 March 2014	Shares owned outright at 1 April 2013
Philip Aiken (Chairman)	937	1,000
Jennifer Allerton	1,000	—
Jonathan Brooks	—	—
Philip Dayer	6,562	7,000

There have been no changes to Directors' holdings between the year end date and the publication of this report.

Directors' report
Other statutory information

Results and dividends
The Group made a profit for the year after taxation of £51.0 million (2013 – £45.5 million). Revenue was £237.3 million (2013 – £220.2 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 22.0 pence per ordinary share (2013 – 19.5 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 25 July 2014 to shareholders on the register at close of business on 27 June 2014.

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

The Key Performance Indicators used by AVEVA to measure its own performance at the Group level are total revenue, recurring revenue, segment profit contribution, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2014 are set out on page 25, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group is included on pages 26 and 27.

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

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

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

Going concern
The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2014 the Group had cash and treasury deposit balances of £117.5 million (2013 – £190.4 million) and no debt. Therefore, after making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

Philip Aiken (Chairman)
Philip Dayer (Non-Executive Director and Senior Independent Director)
Jonathan Brooks (Non-Executive Director)
Jennifer Allerton (Non-Executive Director)
Hervé Couturier (Non-Executive Director)
Richard Longdon (Chief Executive)
James Kidd (Chief Financial Officer)

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2014 in respect of transactions notifiable under Disclosure and Transparency Rule 3.1.2 that have been disclosed to the Company are as follows:

	At 31 March 2014 ordinary shares	At 31 March 2013 ordinary shares
Philip Aiken	937	1,000
Philip Dayer	6,562	7,000
Jonathan Brooks	—	—
Jennifer Allerton	1,000	—
Richard Longdon	246,349	353,159
James Kidd	6,901	6,168

No changes took place in the interests of Directors in the shares of the Company between 31 March 2014 and 27 May 2014.

Directors' share options are disclosed in the Remuneration Committee report on pages 60 to 61.

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

Resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors. Brief biographical details of all Directors appear on pages 42 and 43.

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

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

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

There are no restrictions on the transfer of ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Conduct Authority whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares and pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares there are no special control rights in relation to the Company's shares.

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

Other statutory information
continued

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

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

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

Dividends, distributions and liquidation

Members can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the Board. The Board can pay interim dividends provided the distributable profits of the Company justify such payment. The Board may, if authorised by an ordinary resolution of the members, offer any member the right to elect to receive new shares, which will be credited as fully paid, instead of their cash dividend. Any dividend which has not been claimed for 12 years after it became due for payment will be forfeited and will then revert to the Company. Members may share in surplus assets on a liquidation.

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

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

Change of control

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

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

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

Substantial shareholdings

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

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

Name of holder	Number	As at 31 March 2014 Percentage held %	Number	As at 27 May 2014 Percentage held %
BlackRock	7,247,348	11.3%	6,879,961	10.8%
Standard Life Investments	4,695,313	7.4%	5,100,245	8.0%
Allianz Global Investors	4,314,964	6.8%	3,690,884	5.8%
Threadneedle Investments	2,281,905	3.6%	2,209,783	3.5%
Oppenheimer Funds	2,203,700	3.5%	2,191,120	3.4%
T Rowe Price Global Investments	2,035,221	3.2%	2,034,210	3.2%
Legal & General Investment Management	1,961,328	3.1%	1,945,528	3.0%

Articles of Association

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

Powers of the Directors

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

Appointment of Directors

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

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at the preceding two Annual General Meetings and who was not appointed or re-appointed then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2014 to stand for re-election.

Annual General Meeting
The Annual General Meeting will be held on 14 July 2014 at The Trinity Centre, 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN. The Notice of the Annual General Meeting is being sent to shareholders along with this annual report, which contains details of the resolutions proposed.

Employee benefit trust
The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on exercise of vested options under the various share option and deferred bonus share plans of the Company. The Trust holds a total of 72,626 ordinary shares in AVEVA Group plc representing 0.11% (2013 – 81,420 shares representing 0.12%) of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

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

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

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

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

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

Disclosure of information to auditor
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 65. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

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

Fair and balanced reporting
The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Responsibility statement pursuant to FCA's Disclosure and Transparency Rule 4 (DTR 4)
Each Director of the Company (whose names and functions appear on pages 42 and 43) confirms that (solely for the purpose of DTR 4) to the best of their knowledge:

- the financial statements in this document, prepared in accordance with the applicable UK law and applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and result of the Company and of the Group taken as a whole; and
- the Chairman's statement, Chief Executive's statement 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
Chief Financial Officer
27 May 2014

Richard Longdon
Chief Executive

Financial statements

Statement of Directors' responsibilities

Statement of Directors' responsibilities in relation to the Consolidated financial statements

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

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

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

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

Independent auditor's report

to the members of AVEVA Group plc

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

We have audited the Group financial statements of AVEVA Group plc for the year ended 31 March 2014 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 69, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Our assessment of risks of material misstatement

We identified the following risk that we believe to have had the greatest impact on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team:

- revenue recognition on software and service contracts in line with the AVEVA accounting policies and relevant accounting standards and the risk of management override in relation to revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £3.5 million (2013 – £3.2 million), which is approximately 5% of pre-tax profit. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 75% of materiality, namely £2.6 million (2013 – £2.4 million). Our objective in adopting this approach is to reduce to an appropriately low level the total undetected and uncorrected audit differences such that they do not exceed our materiality of £3.5 million (2013 – £3.2 million) for the financial statements as whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £173,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We used a risk-based approach for determining our audit strategy, ensuring that our audit teams performed consistent procedures and focused on addressing the risks that are relevant to the business. This approach focused our audit effort towards higher risk areas, such as revenue recognition and on locations that were considered material based upon size, complexity and risk. Our Group audit scope focused on ten locations, which represent 84% of the Group's profit before tax, 79% of the Group's revenue and 81% of the Group's net assets. Eight of the ten locations were subject to specific audit work which was based on our assessment of the risk of material error at the Group level. The other two of the ten locations were subject to full scope audit procedures. For the remaining locations, we performed other procedures to confirm there were no significant risks of material misstatement in the Group financial statements.

The audit work at the ten locations was executed at levels of performance materiality applicable to each individual entity, which were lower than Group materiality.

The Group audit team visits key locations on a rotational basis. In the last year, the Senior Statutory Auditor or his designate visited two locations. In addition, the Group audit team held a Group planning meeting with the audit teams of all in-scope locations to ensure direction and input into the local audit team's audit approach, including their assessment of the risk of material fraud or error. The Group audit team also participated in the local audit team's closing meeting if any significant issues were identified.

Our response to the risks of material misstatement identified above was as follows:

- the Group audit and local teams performed detailed substantive testing over revenue recognition (including the timing of revenue recognition, proof of delivery, the fair value of undelivered elements, the assessment of collectability and accounting for multiple element arrangements), analytical review procedures and an assessment of whether the revenue recognition policies adopted complied with IFRS;
- the Group audit team carried out analytical procedures and journal entry testing in order to identify and test the risk of material fraud arising from management override of control in respect of revenue recognition; and
- given the significant risk concentration around revenue recognition, the Group audit team performed additional substantive audit work on all contracts over £1 million of recognised revenue in the year.

The Audit Committee's consideration of these judgements is set out on page 45.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 65, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ernst & Young LLP

Bob Forsyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
27 May 2014

Consolidated income statement

for the year ended 31 March 2014

	Notes	2014 £000	2013* £000
Revenue	5, 6	**237,336**	220,230
Cost of sales		**(17,378)**	(16,141)
Gross profit		**219,958**	204,089
Operating expenses			
Research & development costs		**(38,278)**	(35,539)
Selling and distribution expenses		**(92,967)**	(87,588)
Administrative expenses		**(20,186)**	(18,570)
Total operating expenses		**(151,431)**	(141,697)
Profit from operations	7	**68,527**	62,392
Finance revenue	9	**1,208**	1,722
Finance expense	10	**(746)**	(619)
Analysed as:			
Adjusted profit before tax		**78,257**	70,562
Amortisation of intangibles (excluding other software)		**(4,677)**	(3,946)
Share-based payments		**(2,317)**	(1,226)
Gain/(loss) on fair value of forward foreign exchange contracts		**1,121**	(796)
Exceptional items	8	**(3,395)**	(1,099)
Profit before tax		**68,989**	63,495
Income tax expense	12	**(17,978)**	(18,098)
Profit for the year attributable to equity holders of the parent		**51,011**	45,397
Earnings per share (pence)			
– basic	14	**78.12**	66.80
– diluted	14	**77.99**	66.65

* Restated for the impact of IAS 19 Employee benefits (revised 2011). This is in respect of retirement benefit obligations, see note 2c for further details.

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 2014

	Notes	2014 £000	2013* £000
Profit for the year		**51,011**	45,397
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(6,933)**	2,886
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on retirement benefit obligations	28	**5,672**	(5,878)
Tax on items relating to components of other comprehensive income	12(a)	**(1,275)**	1,312
Total of items that will not be reclassified to profit or loss in subsequent periods		**4,397**	(4,566)
Total comprehensive income for the year, net of tax		**48,475**	43,717

* Restated for the impact of IAS 19 (revised 2011). See note 2c.

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

Consolidated balance sheet

31 March 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Goodwill	16	**38,474**	40,527
Other intangible assets	17	**21,540**	25,041
Property, plant and equipment	18	**8,395**	9,150
Deferred tax assets	27	**4,131**	6,291
Other receivables	20	**1,498**	1,113
		74,038	82,122
Current assets			
Trade and other receivables	20	**83,596**	80,277
Financial assets	21	**547**	—
Treasury deposits	22	**40,238**	136,085
Cash and cash equivalents	22	**77,309**	54,272
Current tax assets		**2,162**	1,865
		203,852	272,499
Total assets		**277,890**	354,621
Equity			
Issued share capital	30(a)	**2,271**	2,269
Share premium		**27,288**	27,288
Other reserves		**10,589**	17,712
Retained earnings		**144,829**	204,337
Total equity		**184,977**	251,606
Current liabilities			
Trade and other payables	23	**72,954**	73,543
Financial liabilities	24	**—**	574
Current tax liabilities		**9,108**	9,858
		82,062	83,975
Non-current liabilities			
Deferred tax liabilities	27	**2,003**	2,081
Retirement benefit obligations	28	**8,848**	16,959
		10,851	19,040
Total equity and liabilities		**277,890**	354,621

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

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2014. They were signed on its behalf by:

Philip Aiken
Chairman

Richard Longdon
Chief Executive

Company number 2937296

Financial statements
Consolidated statement of changes in shareholders' equity
31 March 2014

	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 2012	2,266	27,288	3,921	12,156	(1,106)	14,971	176,937	221,462
Profit for the year	—	—	—	—	—	—	45,397	45,397
Other comprehensive income	—	—	—	2,886	—	2,886	(4,566)	(1,680)
Total comprehensive income	—	—	—	2,886	—	2,886	40,831	43,717
Issue of share capital	3	—	—	—	—	—	—	3
Share-based payments	—	—	—	—	—	—	1,226	1,226
Tax arising on share options	—	—	—	—	—	—	415	415
Investment in own shares	—	—	—	—	(615)	(615)	—	(615)
Cost of employee benefit trust shares issued to employees	—	—	—	—	470	470	(470)	—
Equity dividends	—	—	—	—	—	—	(14,602)	(14,602)
At 31 March 2013	2,269	27,288	3,921	15,042	(1,251)	17,712	204,337	251,606
Profit for the period	—	—	—	—	—	—	51,011	51,011
Other comprehensive income	—	—	—	(6,933)	—	(6,933)	4,397	(2,536)
Total comprehensive income	—	—	—	(6,933)	—	(6,933)	55,408	48,475
Issue of share capital	2	—	—	—	—	—	—	2
Share-based payments	—	—	—	—	—	—	2,317	2,317
Tax arising on share options	—	—	—	—	—	—	(255)	(255)
Investment in own shares	—	—	—	—	(717)	(717)	—	(717)
Cost of employee benefit trust shares issued to employees	—	—	—	—	527	527	(527)	—
Equity dividends	—	—	—	—	—	—	(116,451)	(116,451)
At 31 March 2014	**2,271**	**27,288**	**3,921**	**8,109**	**(1,441)**	**10,589**	**144,829**	**184,977**

* Restated for the impact of IAS 19 (revised 2011). See note 2c.

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 2014

	Notes	2014 £000	2013* £000
Cash flows from operating activities			
Profit for the year		**51,011**	45,397
Income tax	12(a)	**17,978**	18,098
Net finance revenue	9, 10	**(462)**	(1,103)
Amortisation of intangible assets	17	**4,879**	4,022
Depreciation of property, plant and equipment	18	**2,932**	2,599
(Gain)/loss on disposal of property, plant and equipment	7	**(83)**	254
Share-based payments	29	**2,317**	1,226
Difference between pension contributions paid and amounts charged to operating profit		**(2,993)**	(261)
Research & development expenditure tax credit		**(875)**	—
Changes in working capital:			
Trade and other receivables		**(3,221)**	(11,136)
Trade and other payables		**(159)**	429
Changes to fair value of forward foreign exchange contracts		**(1,121)**	796
Cash generated from operating activities before tax		**70,203**	60,321
Income taxes paid		**(18,217)**	(19,567)
Net cash generated from operating activities		**51,986**	40,754
Cash flows from investing activities			
Purchase of property, plant and equipment	18	**(3,118)**	(3,862)
Purchase of intangible assets	17	**(2,119)**	(1,341)
Acquisition of subsidiaries and business undertakings, net of cash acquired	15	**—**	(12,485)
Proceeds from disposal of property, plant and equipment		**427**	693
Interest received	9	**1,208**	1,736
Maturity/(purchase) of treasury deposits (net)	22	**95,847**	(5,803)
Net cash flows from/used in investing activities		**92,245**	(21,062)
Cash flows from financing activities			
Interest paid	10	**(98)**	(165)
Purchase of own shares	30(b)	**(717)**	(615)
Proceeds from the issue of shares	30(a)	**2**	3
Dividends paid to equity holders of the parent	13	**(116,451)**	(14,602)
Net cash flows used in financing activities		**(117,264)**	(15,379)
Net increase in cash and cash equivalents		**26,967**	4,313
Net foreign exchange difference		**(3,930)**	1,290
Opening cash and cash equivalents	22	**54,272**	48,669
Closing cash and cash equivalents	22	**77,309**	54,272

* Restated for the impact of IAS 19 (revised 2011). See note 2c.

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

Notes to the consolidated financial statements

1 Corporate information

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

2 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2014. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

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

a) Statement of compliance

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2014. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

The parent Company financial statements of AVEVA Group plc have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and are included on pages 107 to 111.

b) Basis of consolidation

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

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

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

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

c) Adoption of new and revised standards

The Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in shareholders' equity and affected notes have been restated for the year ended 31 March 2014 to reflect changes in the way in which returns on scheme assets are recognised in accordance with IAS 19 'Employee Benefits (revised)'. The effect of this has been to reduce the element of finance revenue associated with retirement benefit obligations by £152,000 in the year to 31 March 2013. The tax charge for the same year has been adjusted accordingly (£36,000) and each measure of earnings per share has also been restated. The results of the Group for prior periods have been restated for this change in accounting policy. There was no impact on the disclosed defined benefit pension obligation at either period end.

The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time are now presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

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

New standards and interpretations not yet effective

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

		Effective for periods commencing after
IFRS 9	Financial Instruments (classification and measurement)	1 January 2015
IAS 32	Financial Instruments: presentation – amendment	1 January 2014

The Group intends to adopt these standards in the first accounting period after the effective date. The Directors do not anticipate that the adoption of these standards and interpretations listed will have a material effect on the Consolidated financial statements in the period of initial application.

3 Significant accounting estimates

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

a) Retirement benefit obligations

The determination of the Group's obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 28 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension obligations, actuarial gains and losses included in the Consolidated statement of comprehensive income in future years and the future staff costs. The carrying amount of retirement benefit obligations at 31 March 2014 was £8,848,000 (2013 – £16,959,000).

b) Provision for impairment of receivables

The Group makes provision for the impairment of receivables on a customer specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers and management consider a number of factors, including the financial strength of the customers, the level of default that the Group has suffered in the past, the age of the receivable outstanding and the Group's trading experience with that customer. The provision for impairment of receivables at 31 March 2014 was £5,161,000 (2013 – £4,771,000).

c) Revenue recognition

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

d) Income taxes

The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain – particularly when doing business in emerging economies. The Group recognises provisions for tax based on estimates of taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determinations are made.

e) Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Further details about the assumptions used are set out in note 16.

4 Summary of significant accounting policies

a) Revenue

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

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

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

Initial/annual licence agreements

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

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

Rental licence agreements

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

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

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

Services

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

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

b) Foreign currencies

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

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

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

c) Exceptional items

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

d) Goodwill

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

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

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

e) Intangible assets

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

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

4 Summary of significant accounting policies continued

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

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

f) Research expenditure
Research expenditure is written off in the year of expenditure.

g) Government grants
Grants in respect of specific research & development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related research & development costs for which the grant is compensating. The grant income is presented as a deduction from the related expense.

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

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

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

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

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

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

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

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

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

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

During the period, legislation was enacted to allow UK companies to elect for the Research & Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the existing super-deduction rules. At the balance sheet date management has concluded that the election will be made and therefore the RDEC is recorded as income included in profit before tax, netted against research & development expenses as the RDEC is of the nature of a government grant. In previous periods there was a reduction in the income tax expense.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the defined benefit schemes, the defined benefit obligation is calculated annually for each plan by qualified external actuaries using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The retirement benefit liability in the Consolidated balance sheet represents the present value of the defined benefit obligation (using a discount rate derived from a published index of AA rated corporate bonds) as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions. The current service cost is recognised in the Consolidated income statement as an employee benefit expense. The net interest element of the defined benefit cost is calculated by applying the discount rate to the net defined benefit liability or asset.

4 Summary of significant accounting policies continued

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

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

p) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 29.

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

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

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

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

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

q) Employee benefit trust

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

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

5 Revenue

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

	2014 £000	2013* £000
Annual fees	57,084	54,391
Rental licence fees	109,936	98,833
Total recurring revenue	167,020	153,224
Initial licence fees	48,394	42,431
Training and services	21,922	24,575
Total revenue	237,336	220,230
Finance revenue	1,208	1,722
	238,544	221,952

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

Services consist of consultancy, implementation services and training fees.

6 Segment information

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

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

Year ended 31 March 2014	Engineering & Design Systems £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	51,382	5,702	57,084
Rental licence fees	105,489	4,447	109,936
Initial licence fees	45,525	2,869	48,394
Training and services	9,090	12,832	21,922
Segment revenue	**211,486**	**25,850**	**237,336**
Operating costs	(48,457)	(29,233)	(77,690)
Segment profit/(loss) contribution	**163,029**	**(3,383)**	**159,646**
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(58,016)
Other shared operating expenses			(23,835)
Net finance revenue			462
Adjusted profit before tax			**78,257**
Exceptional items and other normalised adjustments#			(9,268)
Profit before tax			**68,989**

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

Year ended 31 March 2013	Engineering & Design Systems £000	Enterprise Solutions £000	Total* £000
Income statement			
Revenue			
Annual fees	49,032	5,359	54,391
Rental licence fees	93,343	5,490	98,833
Initial licence fees	36,268	6,163	42,431
Training and services	10,902	13,673	24,575
Segment revenue	189,545	30,685	220,230
Operating costs	(45,439)	(28,670)	(74,109)
Segment profit contribution	144,106	2,015	146,121
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(54,957)
Other shared operating expenses			(21,705)
Net finance revenue			1,103
Adjusted profit before tax			70,562
Exceptional items and other normalised adjustments#			(7,067)
Profit before tax			63,495

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

6 Segment information continued

Analysis of revenue by geographical location

	Year ended 31 March 2014			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	**21,013**	**30,400**	**5,671**	**57,084**
Rental licence fees	**30,036**	**53,047**	**26,853**	**109,936**
Initial licence fees	**32,364**	**13,135**	**2,895**	**48,394**
Training and services	**3,443**	**15,454**	**3,025**	**21,922**
Total revenue	**86,856**	**112,036**	**38,444**	**237,336**

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

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £20,667,000 and £216,669,000 (2013 – £19,190,000 and £201,040,000) respectively. South Korea accounted for 16% of the Group's total revenue. No other country accounted for more than 10% of the Group's total revenue. Revenue is allocated to countries on the basis of the location of the customer.

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £19,978,000 and £49,929,000 (2013 – £21,966,000 and £53,865,000) respectively. There are no material non-current assets located in an individual country outside of the UK.

No single external customer accounted for 10% or more of the Group's total revenue (2013 – none).

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

7 Profit from operations

Profit from operations is stated after charging:

	2014 £000	2013 £000
Depreciation of owned property, plant and equipment	**2,932**	2,599
Amortisation of intangible assets:		
– included in research & development costs	**3,824**	3,126
– included in selling and distribution expenses	**88**	71
– included in administrative expenses	**967**	825
Staff costs	**100,245**	92,769
Operating lease rentals – minimum lease payments	**5,880**	5,003
(Gain)/loss on disposal of property, plant and equipment	**(83)**	254
Net foreign exchange losses	**1,833**	1,247

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

	2014 £000	2013 £000
Fees payable to the Company auditor for the audit of parent Company and consolidated financial statements	**265**	265
Fees payable to the Company auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**220**	205
– tax, compliance services	**81**	73
– tax, advisory services	**106**	66
– corporate finance services (transaction support)	**—**	114
– other services pursuant to legislation	**3**	63
	675	786

8 Exceptional items

During the year the Group incurred exceptional costs of £3,395,000 (2013 – £1,099,000), relating to acquisition and integration costs of £102,000 (2013 – £1,099,000), exceptional restructuring costs of £1,762,000 and a provision for underpaid sales taxes in an overseas location of £1,531,000.

The restructuring costs relate to rationalisation of the Group's resources and principally relate to Bocad and the transfer of some roles and responsibilities to a lower cost product development centre in India.

The Group has provided for a potential underpaid sales tax liability, mostly 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.

9 Finance revenue

	2014 £000	2013* £000
Bank interest receivable and other interest earned	**1,208**	1,722

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

10 Finance expense

	2014 £000	2013* £000
Net interest on pension scheme liabilities	**661**	468
Bank interest payable and similar charges	**85**	151
	746	619

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

11 Staff costs

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

	2014 £000	2013 £000
Wages and salaries	**80,620**	75,879
Social security costs	**10,079**	9,312
Pension costs	**7,229**	6,352
Share-based payments expense	**2,317**	1,226
	100,245	92,769

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

	2014 Number	2013 Number
Research, development and product support	**505**	407
Sales, marketing and customer support	**665**	597
Administration	**262**	234
	1,432	1,238

Directors' remuneration

	2014 £000	2013 £000
Directors' remuneration	**1,127**	1,242
Aggregate contributions to defined contribution pension scheme	**26**	23
Aggregate gains on the exercise of share options	**714**	201
	1,867	1,466

	2014 No.	2013 No.
Number of Directors accruing benefits under defined contributions	**1**	1

12 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2014 and 2013 are as follows:

	2014 £000	2013* £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	8,440	8,432
Adjustments in respect of prior periods	(503)	(66)
	7,937	8,366
Foreign tax	9,962	9,871
Adjustments in respect of prior periods	267	920
	10,229	10,791
Total current tax	18,166	19,157
Deferred tax		
Origination and reversal of temporary differences	(246)	(1,253)
Adjustment in respect of prior periods	58	194
Total deferred tax (note 27)	(188)	(1,059)
Total income tax expense reported in Consolidated income statement	17,978	18,098

	2014 £000	2013* £000
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	236	(44)
Deferred tax on actuarial remeasurements on retirement benefit obligation	(1,511)	(1,268)
Tax credit reported in Consolidated statement of comprehensive income	(1,275)	(1,312)

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:

	2014 £000	2013* £000
Tax on Group profit before tax at standard UK corporation tax rate of 23% (2013 – 24%)	15,866	15,239
Effects of:		
– expenses not deductible for tax purposes	823	870
– irrecoverable withholding tax	256	228
– movement on unprovided deferred tax balances	933	5
– change in UK tax rate for deferred tax balances	(147)	42
– differing tax rates on overseas earnings	425	666
– adjustments in respect of prior years	(178)	1,048
Income tax expense reported in Consolidated income statement	17,978	18,098

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

At the balance sheet date the UK government had substantively enacted a 2% reduction in the main rate of UK corporation tax from 23% to 21% effective from 1 April 2014 and a further reduction in the UK corporation tax rate to 20% from 1 April 2015.

13 Dividends paid and proposed on equity shares

	2014 £000	2013 £000
Declared and paid during the year		
Interim 2013/14 dividend paid of 5.0 pence (2012/13 – 4.5 pence) per ordinary share	3,178	3,030
Final 2012/13 dividend paid of 19.5 pence (2011/12 – 17.0 pence) per ordinary share	13,261	11,572
Special dividend paid of 147.0 pence per share	100,012	—
	116,451	14,602
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2013/14 of 22.0 pence (2012/13 – 19.5 pence) per ordinary share	14,052	13,260

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 14 July 2014 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 25 July 2014 to shareholders on the register at the close of business on 27 June 2014.

14 Earnings per share

	2014 Pence	2013* Pence
Earnings per share for the year:		
– basic	78.12	66.80
– diluted	77.99	66.65
Adjusted earnings per share for the year:		
– basic	89.05	74.70
– diluted	88.90	74.53

	2014 Number	2013 Number
Weighted average number of ordinary shares for basic earnings per share	65,297,504	67,962,515
Effect of dilution: employee share options	112,020	153,801
Weighted average number of ordinary shares adjusted for the effect of dilution	65,409,524	68,116,316

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 £51,011,000 (2013 – £45,397,000). Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 29.

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

	2014 £000	2013* £000
Profit after tax for the year	51,011	45,397
Intangible amortisation (excluding software)	4,677	3,946
Share-based payments	2,317	1,226
(Gain)/loss on fair value of forward foreign exchange contracts	(1,121)	796
Exceptional items	3,395	1,099
Tax effect	(2,132)	(1,696)
Adjusted profit after tax	58,147	50,768

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

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

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

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

15 Business combinations

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

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

The fair value of the assets acquired of £3,762,000 consisted mainly of developed technology and customer relationships. Goodwill of £8,136,000 was recorded from this acquisition.

Fair value adjustments of £2.4 million were made to align with the Group's accounting policies as well as an adjustment to increase the value of an acquired property by £0.2 million to an estimate of market value.

16 Goodwill

	Engineering & Design Systems £000	Enterprise Solutions £000	Total £000
At 1 April 2012	21,975	8,864	30,839
Acquisition of Bocad group of companies	8,136	—	8,136
Exchange adjustment	1,403	149	1,552
At 31 March 2013	**31,514**	**9,013**	**40,527**
Exchange adjustment	**(1,604)**	**(449)**	**(2,053)**
At 31 March 2014	**29,910**	**8,564**	**38,474**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination.

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

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

Engineering & Design Systems
During 2013/14 the contribution of the Engineering & Design Systems CGU was £163.0 million (2013 – £144.1 million). This is far in excess of the attributable goodwill value. Therefore, the Directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated recoverable amount exceeds the carrying value.

Enterprise Solutions
The recoverable amount of the Enterprise Solutions CGU is determined from a value in use calculation. The key assumptions for this calculation are those regarding discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the year ending 31 March 2015 together with the most recent three year business plan and extrapolates cash flows for future years based on an average estimated new business growth rate of 4% (2013 – 4%). In addition, revenue is also forecast to grow from the impact of sales of initial licences driving increased annual fees in future periods. In total the revenue growth in periods beyond the period covered by the business plan is 7%. The long-term average growth rate is based on typical growth rates for companies with strong software and technology services that are exposed to high growth sectors (such as Oil & Gas and Power) and high growth economies such as Asia Pacific, India and Latin America.

Future cash flows are discounted in line with the weighted average cost of capital of approximately 12% pre-tax (2013 – 12%).

Headroom for goodwill based on current forecasts is £21 million. Sensitivity levels on these calculations indicate that impairment would need to be considered if:

- instead of 12%, a discount rate of 18% or higher had been used;
- if revenue growth during the three-year period covered by the budget and business plan was less than 10% per annum; or
- instead of 4%, a long-term new business growth rate of 2.5% or lower had been used.

17 Intangible assets

	Developed technology £000	Customer relationships £000	Other software £000	Purchased software rights £000	Total £000
Cost					
At 1 April 2012	22,163	11,505	1,422	6,751	41,841
Additions	—	—	709	632	1,341
Acquisitions	8,059	438	20	—	8,517
Disposals	—	—	(46)	—	(46)
Exchange adjustment	963	583	10	—	1,556
At 31 March 2013	31,185	12,526	2,115	7,383	53,209
Additions	230	—	674	1,215	2,119
Disposals	—	—	(4)	—	(4)
Exchange adjustment	(1,307)	(769)	(42)	—	(2,118)
At 31 March 2014	**30,108**	**11,757**	**2,743**	**8,598**	**53,206**
Amortisation					
At 1 April 2012	13,113	3,654	1,343	5,126	23,236
Charge for the year	2,890	818	76	238	4,022
Disposals	—	—	(46)	—	(46)
Exchange adjustment	687	258	11	—	956
At 31 March 2013	16,690	4,730	1,384	5,364	28,168
Charge for the year	3,210	853	202	614	4,879
Disposals	—	—	(4)	—	(4)
Exchange adjustment	(991)	(353)	(33)	—	(1,377)
At 31 March 2014	**18,909**	**5,230**	**1,549**	**5,978**	**31,666**
Net book value					
At 31 March 2012	9,050	7,851	79	1,625	18,605
At 31 March 2013	14,495	7,796	731	2,019	25,041
At 31 March 2014	**11,199**	**6,527**	**1,194**	**2,620**	**21,540**

For the purposes of the adjusted earnings per share calculation (note 14), intangible asset amortisation excludes the charge relating to other software of £202,000 (2013 – £76,000).

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

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

18 Property, plant and equipment

	Long leasehold buildings and improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2012	3,855	11,663	7,984	1,146	24,648
Additions	199	1,721	1,561	381	3,862
Acquisition	555	90	14	—	659
Disposals	(1,517)	(1,045)	(877)	(291)	(3,730)
Exchange adjustment	17	103	144	49	313
At 31 March 2013	3,109	12,532	8,826	1,285	25,752
Additions	552	1,555	651	360	3,118
Disposals	(132)	(522)	(182)	(546)	(1,382)
Reclassification	368	—	(368)	—	—
Exchange adjustment	(88)	(405)	(509)	(142)	(1,144)
At 31 March 2014	**3,809**	**13,160**	**8,418**	**957**	**26,344**
Depreciation					
At 1 April 2012	1,241	9,767	4,985	613	16,606
Charge for the year	214	1,284	818	283	2,599
Disposals	(918)	(984)	(637)	(244)	(2,783)
Exchange adjustment	7	68	81	24	180
At 31 March 2013	544	10,135	5,247	676	16,602
Charge for the year	335	1,498	830	269	2,932
Disposals	(132)	(335)	(160)	(411)	(1,038)
Reclassification	24	—	(24)	—	—
Exchange adjustment	(21)	(237)	(224)	(65)	(547)
At 31 March 2014	**750**	**11,061**	**5,669**	**469**	**17,949**
Net book value					
At 31 March 2012	2,614	1,896	2,999	533	8,042
At 31 March 2013	2,565	2,397	3,579	609	9,150
At 31 March 2014	**3,059**	**2,099**	**2,749**	**488**	**8,395**

19 Investments

At 31 March 2014 the Group had the following principal investments, which are held by AVEVA Solutions Limited unless stated and all of which have been included in the consolidation:

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

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

20 Trade and other receivables

	2014 £000	2013 £000
Current		
Amounts falling due within one year:		
Trade receivables	77,762	74,066
Prepayments and other receivables	5,402	5,155
Accrued income	432	1,056
	83,596	80,277

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.

	2014 £000	2013 £000
Non-current		
Prepayments and other receivables	1,498	1,113

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

20 Trade and other receivables continued

As at 31 March 2014 the provision for impairment of receivables was £5,161,000 (2013 – £4,771,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2012	3,431
Arising from business combination	427
Charge for the year, net of amounts reversed	2,625
Utilised	(1,844)
Exchange adjustment	132
At 31 March 2013	4,771
Charge for the year, net of amounts reversed	1,302
Utilised	(399)
Exchange adjustment	(513)
As at 31 March 2014	**5,161**

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
2014	**77,762**	**53,304**	**20,264**	**3,322**	**780**	**92**
2013	74,066	47,046	24,261	2,393	308	58

21 Financial assets

	2014 £000	2013 £000
Current		
Fair value of forward foreign exchange contracts	**547**	—

22 Cash and cash equivalents and treasury deposits

	2014 £000	2013 £000
Cash at bank and in hand	**64,293**	51,458
Short-term deposits	**13,016**	2,814
Net cash and cash equivalents per cash flow	**77,309**	54,272
Treasury deposits	**40,238**	136,085
	117,547	190,357

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

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

The fair value of cash and cash equivalents and treasury deposits is £117,547,000 (2013 – £190,357,000).

23 Trade and other payables

	2014 £000	2013 £000
Current		
Trade payables	**4,116**	4,093
Social security, employee taxes and sales taxes	**11,347**	8,827
Accruals and other payables	**20,521**	23,160
Deferred revenue	**36,490**	36,585
Deferred consideration	**480**	878
	72,954	73,543

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days. Social security, employee taxes and sales taxes are non-interest bearing and are normally settled on terms of between 19 and 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

24 Financial liabilities

	2014 £000	2013 £000
Current		
Fair value of forward foreign exchange contracts	—	574

Borrowing facilities
As at 31 March 2014 the Group had no committed bank overdraft or loan facilities.

25 Obligations under leases

As at 31 March 2014 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	4,308	284	4,049	277
After one but not more than five years	6,195	345	4,124	337
More than five years	553	—	—	—
	11,056	629	8,173	614

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

26 Financial risk management

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

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

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

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

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

Interest rate risk

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

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

A 1% point decrease in the Sterling and US Dollar interest rates would have reduced interest income by approximately £727,000 (2013 – £1,148,000) and profit after tax by £560,000 (2013 – £872,000).

Foreign currency risk

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

The Group manages exchange risks, where possible, by using currency exchange contracts for the sale of US Dollar, Euro and Yen as appropriate. Other currency exposures the Group faces are less easy to hedge cost effectively. The Group enters into specific forward foreign exchange contracts for individually significant revenue contracts when the timing of forecast cash flows is reasonably certain. In addition, the Group enters into forward foreign exchange contracts to sell US Dollars and Euro to match forecast cash flows arising from its recurring revenue base. These are renewed on a revolving basis as required. At 31 March 2014, the Group had outstanding currency exchange contracts to sell $9.0 million (2013 – $21.0 million), €9.75 million (2013 – €14.25 million) and ¥100.0 million (2013 – ¥304.0 million). It also had outstanding currency exchange contracts to buy, kr11.5 million (2013 – kr24.0 million).

26 Financial risk management continued

a) Market risk continued

Foreign currency risk continued

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

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

Foreign currency sensitivity analysis

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

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

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

31 March 2014	Increase/ (decrease) in average rate	Profit/(loss) £000	Equity £000
US Dollar	10%	(869)	(869)
	(10)%	956	956
Euro	10%	(241)	(241)
	(10)%	265	265

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

b) Credit risk

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

Counter-parties for cash and cash equivalents and treasury deposits are governed by the treasury policy, which has been approved by the Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies. As set out in the Group's treasury policy, the amount of exposure to each counter-party is subject to a specific limit, up to a maximum of 50% of the Group's total counter-party risk. Within this overall limit, some counter-parties are subject to more restrictive caps on counter-party exposure.

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

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

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

c) Liquidity risk

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

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

	Less than three months £000	Between three months and six months £000	Between six months and one year £000	Greater than one year £000
As at 31 March 2014				
Trade and other payables	**35,984**	**–**	**–**	**–**
As at 31 March 2013				
Trade and other payables	36,080	–	–	–

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

	Less than three months 000	Between three months and six months 000	Between six months and one year 000
As at 31 March 2014			
Forward foreign exchange contracts (Euro)			
Outflow	**€3,250**	**€3,000**	**€3,500**
Inflow	**£2,768**	**£2,545**	**£2,931**
Forward foreign exchange contracts (US Dollar)			
Outflow	**$4,000**	**$3,250**	**$1,750**
Inflow	**£2,630**	**£2,067**	**£1,078**
Forward foreign exchange contracts (SEK)			
Outflow	**£638**	**£469**	**–**
Inflow	**Kr6,500**	**Kr5,000**	**–**
Forward foreign exchange contracts (JPY)			
Outflow	**¥100,000**	**–**	**–**
Inflow	**£636**	**–**	**–**
As at 31 March 2013			
Forward foreign exchange contracts (Euro)			
Outflow	€4,500	€3,750	€6,000
Inflow	£3,739	£3,116	£5,036
Forward foreign exchange contracts (US Dollar)			
Outflow	$6,750	$8,000	$6,250
Inflow	£4,285	£5,007	£3,954
Forward foreign exchange contracts (SEK)			
Outflow	£571	£571	£1,141
Inflow	Kr6,000	Kr6,000	Kr12,000
Forward foreign exchange contracts (JPY)			
Outflow	¥101,000	¥101,000	¥102,000
Inflow	£713	£713	£722

26 Financial risk management continued

d) Interest rate profile of financial assets and liabilities

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

Year ended 31 March 2014

Fixed rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Cash and short-term deposits	**3,455**	**–**	**–**	**3,455**
Treasury deposits	**18,038**	**–**	**–**	**18,038**
Floating rate				
Cash and short-term deposits	**95,838**	**–**	**–**	**95,838**
Treasury deposits	**215**	**–**	**–**	**215**

Year ended 31 March 2013

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

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £77,309,000 (2013 – £54,272,000) and treasury deposits of £40,238,000 (2013 – £136,085,000). The carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

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

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

At 31 March 2014 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts was £547,000 at 31 March 2014 (2013 – £574,000 liability).

The resulting gain of £1,121,000 (2013 – loss of £796,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

f) Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 or 2014.

During 2013/14 a special dividend of 147 pence per share, totalling £100 million, was paid and this was accompanied by a share consolidation of 15 new ordinary shares for every 16 ordinary shares held. This reduced the number of shares in issue at the time of the share consolidation from 68,115,648 to 63,858,420 and also amended the nominal value of the shares to 3.56 pence each.

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

27 Deferred tax

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

	Accelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2012	(94)	(194)	1,874	(2,864)	785	2,647	2,154
Acquisition	—	—	—	(582)	—	—	(582)
Credit/(charge) to Income statement	68	39	(102)	445	193	416	1,059
Credit to other comprehensive income	—	—	1,268	44	—	—	1,312
Credit to equity	—	—	—	—	205	—	205
Exchange adjustment	(1)	—	—	4	—	59	62
At 31 March 2013	(27)	(155)	3,040	(2,953)	1,183	3,122	4,210
Reclassification from current tax liabilities	—	—	—	—	—	(193)	(193)
Credit/(charge) to Income statement	99	25	(358)	246	(27)	203	188
Credit/(charge) to other comprehensive income	—	—	(1,511)	236	—	—	(1,275)
Change to equity	—	—	—	—	(412)	—	(412)
Exchange adjustment	(14)	—	—	—	—	(376)	(390)
At 31 March 2014	**58**	**(130)**	**1,171**	**(2,471)**	**744**	**2,756**	**2,128**

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

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

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

	2014 £000	2013 £000
Deferred tax liabilities	**(2,003)**	(2,081)
Deferred tax assets	**4,131**	6,291
	2,128	4,210

At the balance sheet date, the Group has unused tax losses of £865,000 (2013 – £4,109,000) available for offset against future profits. Of the total deferred tax asset of £276,000 (2013 – £1,237,000), £68,000 (2013 – £1,051,000) has been recognised and is included in 'other' above. These losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was approximately £37,693,000 (2013 – £42,612,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemptions but may be subject to foreign withholding taxes.

28 Retirement benefit obligations

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

	UK* defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 31 March 2012	7,808	759	1,308	9,875
Arising from business combination	—	880	—	880
Current service cost	1,580	40	295	1,915
Net interest on pension scheme liabilities	370	37	61	468
Actuarial remeasurements	5,516	297	65	5,878
Employer contributions	(2,060)	(77)	(30)	(2,167)
Exchange adjustment	—	9	101	110
At 31 March 2013	13,214	1,945	1,800	16,959
Current service cost	1,628	55	312	1,995
Net interest on pension scheme liabilities	562	36	63	661
Actuarial remeasurements	(5,573)	10	(109)	(5,672)
Employer contributions	(3,978)	(951)	(60)	(4,989)
Exchange adjustment	—	(21)	(85)	(106)
At 31 March 2014	**5,853**	**1,074**	**1,921**	**8,848**

* Restated for the impact of IAS 19 (revised 2011), see note 2c.

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 and was converted to a Career Average Revalued Earnings basis on 30 September 2004. Pensions are payable to dependants on death in retirement and a lump sum is payable if death occurs in service. There is an insurance policy in place which covers this liability. Administration on behalf of the members is governed by a trust deed, and the funds are held and managed by professional investment managers who are independent of the Group.

The latest triennial valuation of the scheme's liabilities was completed as at 31 March 2013, and showed a funding deficit of £13,231,000. To eliminate this funding shortfall the Trustees and the Company agreed that additional cash contributions will be paid to the scheme. £2.5 million was contributed in February 2014, £2.5 million was contributed in April 2014 and 60 additional monthly payments of £116,667 will be made starting April 2014.

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

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

	2014 %	2013 %
Main assumptions:		
Rate of salary increases	**5.60**	5.50
Rate of increase of pensions in payment	**3.30**	3.30
Rate of increase of pensions in deferment	**2.60**	2.50
Discount rate	**4.30**	4.20
Inflation assumption	**3.60**	3.50

For the years ended 31 March 2014 and 2013, the following weighted average life expectancy at age 65 for mortality has been used:

	2014 Years	2013 Years
Male pensioners	**23.7**	24.5
Female pensioners	**24.9**	25.5
Non-retired males	**25.1**	26.7
Non-retired females	**26.4**	27.8

Member contributions were 7.5% (2013 – 7.5%) of pensionable salary. From 1 September 2011 most members' contributions were made by the Company through a salary sacrifice arrangement. Company contributions were £3,978,000 (2013 – £2,060,000). The total contributions in 2015 are expected to be approximately £5,747,000.

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

	Impact on deficit increase/(decrease)	
	2014 £000	2013 £000
0.25 percentage point increase to:		
– discount rate	**(3,152)**	(3,543)
– inflation (including pension increases linked to inflation)	**2,281**	2,204
Additional one year increase to life expectancy	**1,717**	1,441

The assets and liabilities of the scheme at 31 March 2014 and 2013 were as follows:

	2014 £000	2013 £000
Equities	**28,931**	22,232
Bonds	**16,257**	26,414
Other	**17,317**	10,561
Total fair value of assets	**62,505**	59,207
Present value of scheme liabilities	**(68,358)**	(72,421)
Net pension liability	**(5,853)**	(13,214)

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

	2014 £000	2013 £000
Recognised in the Consolidated income statement		
Current service cost		
Research & development costs	**964**	974
Selling and distribution expenses	**568**	465
Administrative expenses	**96**	141
Total operating charge	**1,628**	1,580
Finance costs		
Net interest on pension scheme liabilities	**562**	370
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	**542**	7,710
Less: amounts included in net interest expense	**(2,489)**	(2,323)
	(1,947)	5,387
Changes in assumptions and experience adjustments on liabilities	**7,520**	(10,903)
Actuarial gain/(loss) recognised in Consolidated statement of comprehensive income	**5,573**	(5,516)

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

	2014 £000	2013 £000
At 1 April	**72,421**	58,253
Current service costs	**1,628**	1,580
Contributions by employees	**4**	4
Interest on pension scheme liabilities	**3,051**	2,693
Benefits paid	**(1,193)**	(979)
Premiums paid	**(33)**	(33)
Actuarial (gain)/loss	**(7,520)**	10,903
At 31 March	**68,358**	72,421

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

28 Retirement benefit obligations continued

a) UK defined benefit scheme continued

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

	2014 £000	2013 £000
At 1 April	59,207	50,445
Expected return	2,489	2,475
Contributions by employer	3,978	2,060
Contributions by employees	4	4
Benefits paid	(1,193)	(979)
Premiums paid	(33)	(33)
Actuarial (loss)/gain	(1,947)	5,235
At 31 March	62,505	59,207

The history of experience adjustments is as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of scheme assets	62,505	59,207	50,445	47,898	40,736
Present value of defined benefit obligations	(68,358)	(72,421)	(58,253)	(49,306)	(52,428)
Deficit in the scheme	(5,853)	(13,214)	(7,808)	(1,408)	(11,692)
Experience adjustments on scheme liabilities	4,279	(1,702)	(107)	3,353	1,452
Experience adjustments on scheme assets	(1,947)	5,235	(697)	1,729	8,506

b) German defined benefit schemes

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

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

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

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

	2014	2013
Rate of increase of pension in payment	1.34%–2.5%	2.0%–2.5%
Discount rate	3.00%	3.25%
Mortality	15 years	14.8 years
Rate of salary increases	N/A	0%–2.5%

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2013 – 60 and 63 years of age).

The contributions in 2014 are expected to be approximately £80,000.

c) South Korean severance pay

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

	2014 %	2013 %
Rate of salary increases	5.00	5.00
Discount rate	3.99	3.68

The retirement age for AVEVA Korea Limited employees is 60 years of age (2013 – 60 years of age).

d) Other retirement schemes
All Swedish employees employed by AVEVA AB aged 28 or over are members of the ITP, an industry scheme for salaried employees which provides benefits in addition to the state pension arrangements. The ITP scheme is managed by Alecta, a Swedish insurance company. It is a multi-employer defined benefit scheme with a supplementary defined contribution component. AVEVA AB pays monthly premiums to the insurers which vary by age, service and salary of the employee. AVEVA AB is unable to identify its share of the underlying assets and liabilities in the scheme on a fair and reasonable basis because this information is not provided by the scheme and therefore has accounted for the scheme as if it was a defined contribution pension scheme. At 31 March 2014, Alecta's surplus in the form of collective funding level was 147% (2013 – 135%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £836,000 (2013 – £733,000).

e) Defined contribution schemes
The Group operates defined contribution retirement schemes for certain UK, US, German, French, Norwegian and Asian employees. The assets of the schemes are held separately from those of the Group. The total cost charged to income of £4,398,000 (2013 – £3,704,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

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

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

	2014 Number	2014 WAEP Pence	2013 Number	2013 WAEP Pence
Outstanding at start of year	**510,975**	**2.82**	460,029	2.67
Effect of share consolidation (July 2013)	**—**	**0.21**	—	—
Granted during year	**173,631**	**2.90**	201,615	2.73
Forfeited during year	**(80,520)**	**3.56**	(13,275)	3.33
Exercised during year*	**(87,335)**	**2.10**	(137,394)	0.00
Outstanding at end of year	**516,751**	**3.12**	510,975	2.82
Exercisable at end of year	**29,205**	**2.40**	47,714	2.80

*The weighted average share price at the date of exercise for the options exercised is £23.02 (2013 – £17.71).

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

Date of grant	Share option plan	Number of options 2014 Number	Number of options 2013 Number	Exercise price Pence
2 July 2007	LTIP	**—**	5,413	3.56
7 July 2009	LTIP	**3,611**	34,769	3.56
15 June 2010	Deferred Share Scheme	**—**	16,185	—
26 July 2010	LTIP	**16,116**	94,108	3.56
4 July 2011	Deferred Share Scheme	**18,106**	25,795	—
6 July 2011	LTIP	**131,563**	137,630	3.56
6 July 2012	Deferred Share Scheme	**25,106**	36,345	—
9 July 2012	LTIP	**154,137**	160,730	3.56
20 June 2013	Deferred Share Scheme	**31,226**	—	—
21 August 2013	LTIP	**136,886**	—	3.56
		516,751	510,975	

The weighted average remaining contractual life for the options outstanding at 31 March 2014 is 4.71 years (2013 – 4.62 years).

The average fair value of options granted during the year was £22.80 (2013 – £16.67). In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The range of exercise prices for options outstanding at the end of the year was £nil to £0.0356 (2013 – £nil to £0.0333).

The Group recognised total expenses of £2,317,000 and £1,226,000 related to equity-settled share-based payment transactions in the years ended 31 March 2014 and 2013 respectively.

29 Share-based payment plans continued

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

The following awards have been made under the LTIP. The exercise price is equal to the nominal value of the underlying shares, which is 3.56 pence. Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant.

Performance conditions related to LTIP awards originally granted in 2011/12 and 2012/13 have been adjusted to reflect the impact of the special dividend of £100 million and share consolidation during 2013/14.

2013/14 awards

In 2013/14, a total of 136,886 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2013/14 to 2015/16. If average adjusted diluted EPS growth is more than 20% then all shares shall vest. If average adjusted diluted EPS growth over the same period is less than 14% then none of the shares will vest. For growth rates between 14% and 20% the number of shares that vest will be determined by linear interpolation between 25% and 100%.

2012/13 awards

In 2012/13, a total of 160,730 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2012/13 to 2014/15. If average diluted EPS growth is more than 15% then all shares shall vest. If average diluted EPS growth over the same period is less than 8% then none of the shares will vest. For growth rates between 8% and 15% the number of shares that vest will be determined by linear interpolation between 25% and 100%. Following the share consolidation in July 2013, target growth rates were increased by 1.5% to 9.5% and 16.5%.

2011/12 awards

In 2011/12, a total of 140,820 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on EPS growth over the three years from 2011/12 to 2013/14. If average diluted EPS growth is more than 12% above RPI for the same period then all the shares under this option will vest. If average diluted EPS growth is less than 5% above RPI then none of the shares will vest. If average EPS growth is between 5% and 12% per annum above RPI then the number of shares that shall vest shall be determined by linear interpolation. Following the share consolidation in July 2013, target growth rates above RPI were increased by 1% to 6% and 13%.

2010/11 awards

In 2010/11, a total of 112,576 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions are based on average EPS growth over the three years from 2010/11 to 2012/13. If average diluted EPS growth is more than 12% above RPI for the same period then all of the shares under this option will vest. If average diluted EPS growth is less than 4% above RPI then none of the shares will vest. If average EPS growth is between 4% and 12% per annum then the number of shares that shall vest shall be determined by linear interpolation. During 2012/13, the vesting conditions were tested and 33% of the award vested.

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

	2013/14 awards	2012/13 awards	2011/12 awards	2010/11 awards
Dividend yield	**1.01%**	1.21%	1.03%	0.70%
Expected volatility	**28%**	28%	34.5%	47.9%
Risk-free interest rate	**0.76%**	1.51%	1.51%	1.51%
Expected life of the option	**3 years**	3 years	3 years	3 years
Weighted average share price	**£23.72**	£17.29	£17.73	£13.55
Weighted average exercise price	**£0.04**	£0.03	£0.03	£0.03

b) Deferred annual bonus share plan

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

In June 2013, the AVEVA Group Employee Benefit Trust 2008 awarded 31,937 (2012 – 36,345) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2013 (2012 – bonus earned in year ended 31 March 2012).

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

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

	2013/14 awards	2012/13 awards
Dividend yield	**1.06%**	1.21%
Expected volatility	**28%**	28%
Risk-free interest rate	**0.76%**	1.51%
Expected life of the option	**3 years**	3 years
Weighted average share price	**£22.71**	£17.29
Weighted average exercise price	**£0.00**	£0.00

c) AVEVA Group plc Executive Share Option Scheme 2007

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

30 Share capital and reserves

a) Share capital

	2014 £000	2013 £000
Allotted, called-up and fully paid		
63,873,360 (2013 – 68,079,078) ordinary shares of 3.56 pence (2013 – 3.33 pence) each	**2,271**	2,269

On 15 July 2013, a consolidation of the Company's ordinary share capital was completed. The share consolidation replaced every 16 existing ordinary shares with 15 new ordinary shares. At the same date, the nominal value of the ordinary shares changed from 3.33 pence to 3.56 pence.

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

	2014 Number	2014 £000	2013 Number	2013 £000
At 1 April	**68,079,078**	**2,269**	67,990,372	2,266
Exercise of share options	**51,511**	**2**	88,706	3
Effect of share consolidation	**(4,257,229)**	**—**	—	—
At 31 March	**63,873,360**	**2,271**	68,079,078	2,269

Year ended 31 March 2014

Date of issue	Number of shares 2014	Nominal value 2014 £	Share premium 2014 £	Market price £
5 June 2013	**3,973**	**131**	**—**	**25.11**
21 June 2013	**3,183**	**105**	**—**	**23.59**
9 August 2013	**37,875**	**1,348**	**—**	**24.82**
12 August 2013	**773**	**28**	**—**	**24.65**
29 August 2013	**920**	**33**	**—**	**23.59**
16 September 2013	**1,510**	**54**	**—**	**25.60**
26 September 2013	**682**	**24**	**—**	**26.02**
8 January 2014	**954**	**34**	**—**	**22.61**
30 January 2014	**1,106**	**39**	**—**	**21.77**
25 March 2014	**535**	**19**	**—**	**21.16**
	51,511	**1,815**	**—**	

Year ended 31 March 2013

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

Notes to the consolidated financial statements continued

30 Share capital and reserves continued

b) Other reserves

Other reserves consist of the following:

Cumulative translation adjustment reserve

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

Merger reserve

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

Own shares held

Own shares held reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 31,937 shares were purchased by the EBT at a price of £22.46 and 35,824 shares (2013 – 48,688) with an attributable cost of £526,550 were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2012	1,106
Own shares purchased 6 July 2012	615
Shares issued to employees	(470)
At 31 March 2013	1,251
Own shares purchased 20 June 2013	717
Shares issued to employees	(527)
At 31 March 2014	**1,441**

31 Related party transactions

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

Remuneration of key management personnel

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

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 58 and 61.

	2014 £000	2013 £000
Short-term employee benefits	**2,586**	2,498
Share-based payments	**1,151**	1,009
	3,737	3,507

Statement of Directors' responsibilities

Statement of Directors' responsibilities in relation to the Company financial statements

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

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

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

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

Independent auditor's report

to the members of AVEVA Group plc

We have audited the parent Company financial statements of AVEVA Group plc for the year ended 31 March 2014 which comprise the Balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 105, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

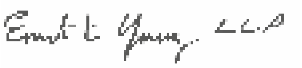
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of AVEVA Group plc for the year ended 31 March 2014.



Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
27 May 2014

Company number 2937296

Company balance sheet

31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	5	**31,726**	29,743
Current assets			
Debtors	6	**219,994**	159,841
Cash at bank and in hand		**9**	146
		220,003	159,987
Creditors: amounts falling due within one year	7	**(178,270)**	(61,287)
Net current assets		**41,733**	98,700
Total assets less current liabilities		**73,459**	128,443
Net assets		**73,459**	128,443
Capital and reserves			
Called-up share capital	8	**2,271**	2,269
Share premium account	9	**27,288**	27,288
Merger reserve	9	**3,921**	3,921
Profit and loss account	9	**39,979**	94,965
Shareholders' funds	9	**73,459**	128,443

The financial statements on pages 107 to 111 were approved by the Board of Directors on 27 May 2014 and signed on its behalf by:

Philip Aiken
Chairman

Richard Longdon
Chief Executive

Company number 2937296

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

Notes to the Company financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Result for the year

As permitted by Section 408 (3) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. AVEVA Group plc reported a profit for the financial year ended 31 March 2014 of £59,149,000 (2013 – £29,207,000).

Audit fees of £7,000 (2013 – £7,000) are borne by another Group Company.

The Company does not have any employees (2013 – nil). Directors' emoluments are disclosed in the Annual report on remuneration on pages 57 to 64 and are paid by a UK subsidiary company.

4 Dividends

	2014 £000	2013 £000
Declared and paid during the year		
Interim 2013/14 dividend paid of 5.0 pence (2012/13 – 4.5 pence) per ordinary share	**3,178**	3,030
Final 2012/13 dividend paid of 19.5 pence (2011/12 – 17.0 pence) per ordinary share	**13,261**	11,572
Special dividend paid of 147.0 pence per share	**100,012**	—
	116,451	14,602
Proposed for approval by shareholders at the Annual General Meeting		
Final 2013/14 proposed dividend of 22.0 pence (2012/13 – 19.5 pence) per ordinary share	**14,052**	13,260

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 14 July 2014 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 25 July 2014 to shareholders on the register at the close of business on 27 June 2014.

5 Fixed asset investments

	£000
Cost and net book value	
At 1 April 2013	29,743
Additions	1
Share-based payments	1,982
At 31 March 2014	**31,726**

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

6 Debtors: amounts falling due within one year

	2014 £000	2013 £000
Amounts owed by Group undertakings	**219,994**	159,841

7 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Accruals	**110**	141
Amounts owed to Group undertakings	**178,160**	61,146
	178,270	61,287

8 Called-up share capital

	2014 £000	2013 £000
Allotted, called-up and fully paid		
63,873,360 (2013 – 68,079,078) ordinary shares of 3.56 pence (2013 – 3.33 pence) each	2,271	2,269

On 15 July 2013, a consolidation of the Company's ordinary share capital was completed. The share consolidation replaced every 16 existing ordinary shares with 15 new ordinary shares. At the same date, the nominal value of the ordinary shares changed from 3.33 pence to 3.56 pence.

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

	2014 Number	2014 £000	2013 Number	2013 £000
At 1 April	68,079,078	2,269	67,990,372	2,266
Exercise of share options	51,511	2	88,706	3
Effect of share consolidation	(4,257,229)	—	—	—
At 31 March	63,873,360	2,271	68,079,078	2,269

Year ended 31 March 2014

Date of issue	Number of shares 2014	Nominal value 2014 £	Share premium 2014 £	Market price £
5 June 2013	3,973	131	—	25.11
21 June 2013	3,183	105	—	23.59
9 August 2013	37,875	1,348	—	24.82
12 August 2013	773	28	—	24.65
29 August 2013	920	33	—	23.59
16 September 2013	1,510	54	—	25.60
26 September 2013	682	24	—	26.02
8 January 2014	954	34	—	22.61
30 January 2014	1,106	39	—	21.77
25 March 2014	535	19	—	21.16
	51,511	1,815	—	

Year ended 31 March 2013

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

During the year the Company issued 51,511 (2013 – 88,706) ordinary shares of 3.56 pence (2013 – 3.33 pence) each with a nominal value of £1,815 (2013 – £2,965) pursuant to the exercise of share options. The total proceeds were £1,815 (2013 – £2,965), which included a premium of £nil (2013 – £nil).

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

9 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2012	2,266	27,288	3,921	79,044	112,519
Profit for the year	—	—	—	29,207	29,207
Share issues	3	—	—	—	3
Share-based payments	—	—	—	305	305
Share options granted to employees of subsidiary companies	—	—	—	1,011	1,011
Dividends paid	—	—	—	(14,602)	(14,602)
At 31 March 2013	**2,269**	**27,288**	**3,921**	**94,965**	**128,443**
Profit for the year	—	—	—	59,149	59,149
Share issues	2	—	—	—	2
Share-based payments	—	—	—	334	334
Share options granted to employees of subsidiary companies	—	—	—	1,982	1,982
Dividends paid	—	—	—	(116,451)	(116,451)
At 31 March 2014	**2,271**	**27,288**	**3,921**	**39,979**	**73,459**

10 Related party transactions

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

Five year record

	2014 £000	2013# £000	2012# £000	2011# £000	2010# £000
Summarised consolidated results					
Revenue	**237,336**	220,230	195,935	173,988	148,334
Recurring revenue	**167,020**	153,224	137,890	117,199	102,701
Research & development expense	**(38,278)**	(35,539)	(32,121)	(28,082)	(20,946)
Adjusted* profit before tax	**78,257**	70,562	62,419	54,556	50,892
Profit before tax	**68,989**	63,495	57,880	49,631	49,781
Income tax expense	**(17,978)**	(18,098)	(17,806)	(15,257)	(16,192)
Profit for the financial year	**51,011**	45,397	40,074	34,374	33,589
Basic earnings per share	**78.12p**	66.80p	59.02p	50.68p	49.58p
Adjusted* basic earnings per share	**89.05p**	74.70p	63.96p	55.90p	51.14p
Total dividend per share	**27.00p**	24.00p	21.00p	18.25p	16.90p
Summarised consolidated balance sheet					
Non-current assets	**74,038**	82,122	62,306	58,356	42,067
Cash and cash equivalents and treasury deposits (net)	**117,547**	190,357	178,951	153,187	149,724
Net current assets	**121,790**	188,524	170,886	149,844	141,663
Shareholders' funds	**184,977**	251,606	221,462	202,372	169,222

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

Restated for the impact of IAS 19 (revised 2011).

Company information and advisers

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

SECRETARY
Helen Barrett Hague

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Headquartered in Cambridge, England, AVEVA Group plc and its operating subsidiaries currently employ staff worldwide in:

Australia
Austria
Belgium
Brazil
Canada
Chile
China
Columbia
Denmark
Finland
France
Germany
Hong Kong
Hungary
India
Italy
Japan
Malaysia
Mexico
Norway
Poland
Russia
Saudi Arabia
Singapore
Spain
Sweden
South Korea
United Arab Emirates
United Kingdom
United States of America

AVEVA also has representatives in additional countries around the world.

For more details on AVEVA worldwide offices, visit www.aveva.com/offices

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