Unlock the Power of your Digital Asset

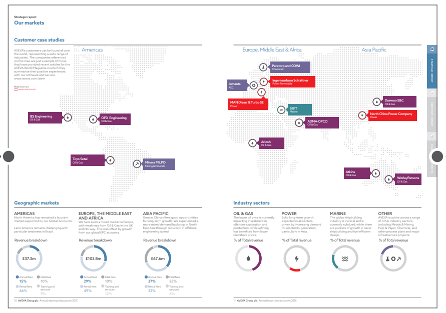
AVEVA Annual report and accounts 2015

AVEVA™

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

Summary

Chairman's statement
pages 4–5



Read more about Our markets
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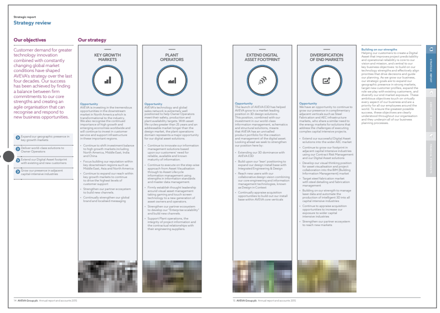

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The front cover image is a shot from AVEVA's latest corporate video.

To watch this video, visit
www.aveva.com/vision

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

Our vision

AVEVA's vision is to power Digital Assets that help shape our world

Our mission

AVEVA's mission is to unlock the potential of every customer with a Digital Asset that transforms their creation and operation of complex assets

UNLOCK THE POWER OF YOUR DIGITAL ASSET

The Digital Asset is the information core of every project and facility.

It unifies trusted information that runs through every system, populates every application, and is embedded in every document and model. It removes barriers to information flow and provides access to that information, both for capital project execution and asset lifecycle management.

Digital Asset Online

Learn more about the Digital Asset at **www.aveva.com/digitalasset**

Digital Asset Video

To watch AVEVA's Digital Asset video, visit **www.aveva.com/video**

Highlights

This has been a year of good strategic progress, delivering increased value to our customers through technology innovation and greater business efficiency in more challenging markets.

Financial

Revenue
£208.7m
On an organic constant currency basis £220.4 million (2014 – £237.3 million)

Profit before tax
£54.9m
Adjusted to exclude certain non-cash and exceptional items £62.1 million (2014 – £78.3 million)

Audited* profit margin
29.8%
2014 – 33.0%

Recurring revenue
£158.2m
On an organic constant currency basis £166.6 million (2014 – £167.0 million)

Net assets
£189.9m
Strong balance sheet (2014 – £185.0 million)

Final dividend
25 pence
up 14% from 2013/14 (22 pence)

Strategic

AVEVA Everything3D™
Adoption of AVEVA E3D by existing and new customers continues to accelerate. In the past year AVEVA has announced the adoption of AVEVA E3D by leading global companies including: AMEC Foster Wheeler, Atkins, D3 Engineering, JSC NIIK, KBR, Tekfen Engineering, and Tianchen, among others. www.aveva.com/news

Global Accounts
We have made significant progress in deepening our relationship with our Global Accounts, by offering a complete solution across all disciplines and through continued innovation.

Partners
The development of solutions together with key partners remains critical to our market strategy. EMC, Capgemini and Meridium are just three such partners that are helping us to achieve our Digital Asset vision. www.aveva.com/partners

Acquisitions
Acquisitions are a key part of AVEVA's growth strategy and this year we added 8over8 to our organisation. 8over8's flagship product is ProCon™, a risk management software platform that connects Owner Operators (OOs), and Engineering, Procurement and Construction (EPC's) throughout the project life cycle. www.8over8.com

Innovation
We have an enviable reputation for providing creative software solutions. This year our greatly enhanced versions of AVEVA NET and AVEVA Engineering took centre stage, along with AVEVA E3D™ in the Cloud and new visualisation tools.

Operational

'One AVEVA'
'One AVEVA' translates into greater coordination of our global sales team with a focus on delivering a Digital Asset approach across our customers' entire project and asset lifecycle.

Solutions & Technology
Our Solutions & Technology R&D operation provides a unified approach to promoting the tighter integration of our software solutions, as well as providing natural efficiencies and flexibility as our organisation continues to grow.

Digital Asset Projects
Our Digital Asset Projects team focuses on maximising the value we can provide to our customers through a world-class professional services and consulting offering.

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

Investor proposition

AVEVA is a technology leader, providing mission-critical software solutions to the world's largest engineering companies and owner operators, in the most demanding and complex process industries.

OUR MARKETS

AVEVA's products are most applicable in industries where scale and complexity are at their greatest: Oil & Gas, Shipbuilding, Power, Chemical, Petrochemical, Paper & Pulp, Mining & Metals and major infrastructure projects.

Read more about Our Markets
pages 10–13

DELIVERING VALUE TO OUR CUSTOMERS

We have over 3,500 customers who rely on our software solutions to make accurate and timely design, engineering and business decisions across entire project and asset lifecycles – improving productivity and minimising both risk and cost.

Read more about Delivering Value to our Customers
pages 6–7

INDUSTRY LEADING

3D

Since the Company's inception AVEVA has been the leading innovator in its industry, from delivering the world's first 3D plant design system through to today's mobile, touch and Cloud-based technology.

Read more about Industry Leading
pages 16–20

STRONG FINANCIAL MODEL

Our licensing model generates high levels of recurring revenue. As the majority of revenue is derived from software sales, we have enjoyed historically high profit margins that have enabled us to deliver strong cash generation and reinvestment in our competitive advantage.

Read more about Strong Financial Model
pages 8–9

GLOBAL REACH

Our broad international reach enables us to support our customers locally wherever they may happen to be, and operating from offices in 30 countries.

Read more about Global Reach
pages 9–10

Chairman's statement

"The resilience of the Group's business model has been a key feature of the past twelve months."

Philip Aiken
Chairman
19 May 2015

Introduction

Overview

I am pleased to report that AVEVA has made good progress in difficult market conditions, and that the resilience of the Group's business model has been a key feature of the past twelve months.

The full year results reflect our particular focus on execution in the second half of the financial year. Total recurring revenue for the second half of the year was up 5%, demonstrating the resilience of our business. We were also able to deliver the £10.0 million of cost efficiencies we had targeted.

Group revenue of £208.7 million (2014 – £237.3 million), was in line with our revised expectations and adjusted* profit before tax was £62.1 million (2014 – £78.3 million), resulting in an adjusted profit margin of 29.8% (2014 – 33.0%). The reported profit before tax was £54.9 million (2014 – £69.0 million). Adjusted basic earnings per share declined 16% to 74.51 pence (2014 – 89.05 pence). Basic earnings per share declined 17% to 65.07 pence (2014 – 78.12 pence). We closed the year with net cash of £103.8 million (2014 – £117.5 million).

This result reflects a reduced market demand throughout the year due to the significantly lower oil price and subsequent reduction in customer activity, as well as the previously reported weakness in South America and North East Asia during the first half. The strength of sterling also had a pronounced negative effect on our reported results, trimming Group revenue by 6%, as our overseas revenue was translated at less favourable rates compared to the last financial year.

Strategic progress

Notwithstanding the tougher market backdrop, I am pleased to report that AVEVA has continued to make excellent strategic progress on a number of fronts. This is particularly evident in the newly realigned organisation within our sales, Research & Development and solution delivery activities. A year ago we introduced 'One AVEVA' to better support our Engineering, Procurement and Construction (EPC) and Owner Operator (OO) customers through a single sales approach. This has proved to be very effective at helping us to grow the number of solution sales we make. In addition, we have recently unified our development teams across all of our solutions and technologies and streamlined our solution delivery capabilities.

We have continued to make very good progress with our Global Accounts. Many customers are responding to more uncertain markets by investing in new technologies from AVEVA to maximise competitiveness and efficiency. AVEVA E3D has been an outstanding example of this and has proved to be a powerful catalyst for us to deepen our relationships with these key customers. As a result we are pleased to be able to report significant new contracts with Aker Solutions,WS Atkins and KBR, among others.

AVEVA E3D is a clear example of AVEVA's position as the leading innovator within its industry. We have also delivered a range of new products and functional enhancements to many of our other products over the last twelve months. Of particular note is the Activity Visualisation Platform and the new Cloud-enabled version of AVEVA E3D, both of which have generated much excitement from customers in recent months.

Customers are investing in new technologies from AVEVA to maximise their competitiveness and efficiency.

During the year we were pleased to acquire 8over8 Limited. Based in Northern Ireland, 8over8's core product, ProCon™, is a software solution designed to minimise risk and increase control and capital discipline for some of the world's most complex projects. This demonstrates AVEVA is well placed to use its balance sheet to deliver well-timed, strategically important acquisitions with a strong logical fit. We are confident that the addition of 8over8 will enable us to further broaden our relationships with the OO community, and serve to further differentiate AVEVA in its markets.

Market environment

The lower oil price has led to a reduction in global upstream E&P capital expenditure, and it is well documented that a number of projects have been postponed or moth-balled, although the overall effect for AVEVA is mixed. This has had an impact on our EPC customers, their backlogs and general levels of activity.

We have market-leading, well-invested technology solutions that underpin our competitive advantage across our target sectors and geographies. Our mission to enable our customers to work globally with less risk, shorter lead-times and greater business efficiency throughout the asset lifecycle ensures we are aligned to robust long-term growth drivers, particularly given demand for energy, the increasing complexity of their assets, the focus on health and safety and environmental considerations. However, despite some stabilisation in the oil price, it is difficult to predict when the delayed capital projects will be restarted.

Operationally, we demonstrated our ability to react with agility to changing market conditions, and our early actions enabled us to deliver cost efficiencies ahead of our original plans. This protected profitability in the second half of the financial year.

The Board

I am pleased to report further progress in developing the Board's role in supporting and reviewing the Group's strategy for long-term growth. I believe that the scope and effectiveness of this process is now delivering results which can be clearly seen in the various strategic and organisational achievements noted above. As a Board, we continue to monitor closely the achievement of business objectives alongside the oversight of risks and the maintenance of strong governance processes.

Dividend

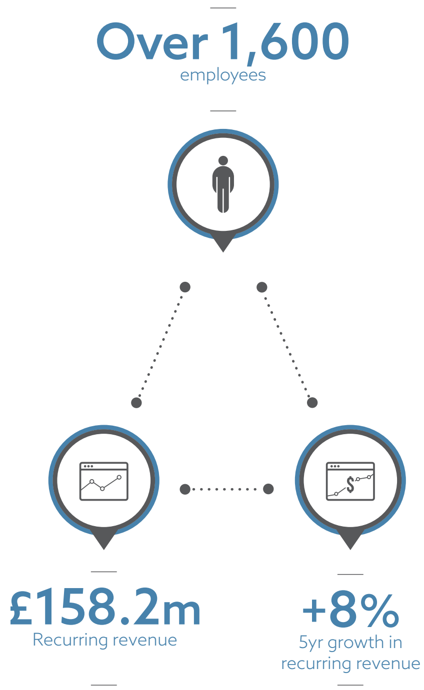
AVEVA has a progressive dividend policy, reflecting the Board's confidence in the underlying strength of the business and its ability to deliver profitable long-term growth and strong cash generation. Consequently, the Board is recommending a final dividend of 25 pence (2014 – 22 pence), an increase of 14% over the prior year, payable on 3 August 2015 to shareholders on the register on 3 July 2015. This gives a full year dividend of 30.5 pence (2014 – 27 pence), an increase of 13% over last year.

Outlook

I believe that the quality and commitment of the AVEVA team worldwide has been central to our ability to show the resilience of our business in the face of more challenging and uncertain market conditions, and on behalf of the Board I would like to thank everyone in the organisation for the effort and dedication that has enabled us to achieve this.

The Board is convinced that there continues to be exciting growth opportunities for AVEVA in the coming years, and that the strength of the long-term fundamentals across our various end markets remains undiminished. We will continue to focus on managing our cost base to further improve efficiency. As a result, we are confident in our ability to make further progress in capitalising on these opportunities in the future.

Philip Aiken
Chairman
19 May 2015



Group revenue
£208.7m
2014 – £237.3m

Full year dividend
30.5 pence
2014 – 27 pence

Read more on
www.aveva.com

Digital Assets that shape our world

Managing continual change

Recent major fluctuations in the global energy market clearly demonstrate the difficulty of our customers' business. They are building and operating highly complex assets costing billions of dollars that require an army of skilled professionals across a huge range of disciplines and specialities. Managing this environment in the best of times is difficult, but when changing market conditions demand business agility, the challenge grows even more difficult.

At AVEVA we are helping our customers take on these challenges with software solutions that give them the engineering, design and information management tools they need to create a more agile business. This is what our Digital Asset approach is all about. By partnering with AVEVA our customers can create a trusted source of information that is accessible throughout the entire life cycle of an asset; from front-end design until decommissioning. This strategy means that EPCs and Shipbuilders can achieve greater project predictability and OOs can improve productivity, safety and reliability.

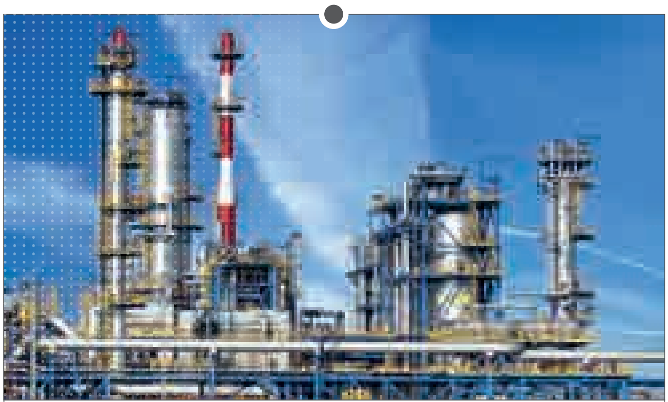
However, no organisation can achieve these results on their own. The complexities of the constantly evolving challenges demand that we work closely with our customers in a genuine partnership. To do this we must understand their organisation, the technical disciplines and the local culture and business climate. Operating in over 50 locations around the world staffed by a team of industry experts, we are uniquely positioned to understand the needs of our customers and respond with solutions that help them achieve their goals. This infrastructure is a major investment for AVEVA, but it also brings great benefits to our business and that of our customers. Over the decades we have formed long-term relationships with our customers and our shared vision of a Digital Asset is truly shaping the world around us.

Read more on
www.aveva.com

INCREASE

Predictability and reliability across the entire life cycle

Read more on
www.aveva.com/digitalasset/strategies



CAPEX

While there is a great diversity in the types of major capital projects, one thing they all have in common is the need to find an effective balance between quality, time and cost. AVEVA's project solutions are all focused on increasing predictability through a wide range of features and capabilities. They give project stakeholders the design, engineering and information standards they need to understand and control their project environment.

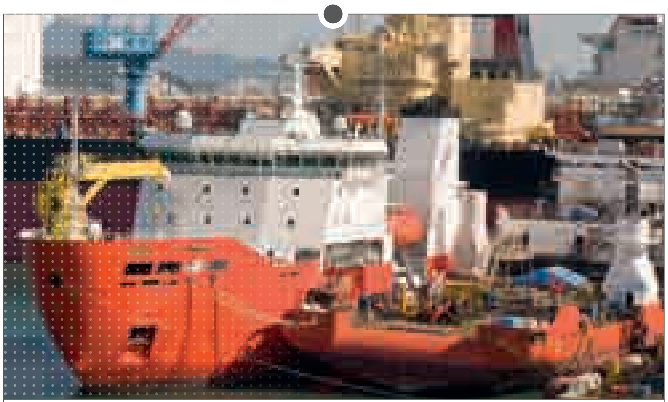
OPEX

The operational demands of a complex asset are relentless. They are in a constant state of change, requiring continual maintenance and improvement. Operators must be in a position to thoroughly monitor and manage the life cycle of the asset to reduce risk, optimise efficiency and comply with regulatory authorities. To support this process, AVEVA's solutions for operational activities are designed to increase asset reliability, by ensuring that OOs have the information they need to easily visualise the status of an asset to make rapid and informed decisions.

ENABLE

Digital Asset strategies targeted at different audiences

Read more on
www.aveva.com/digitalasset/strategies



INTEGRATED PROJECT EXECUTION

The IPE strategy employs best practice standards to improve on-schedule completion and the quality of deliverables for major capital projects. The ability to access project data across all engineering disciplines allows efficient control, communication and response to change and inconsistencies, enabling business processes to collaborate in a highly efficient way and improved communication with the asset owner.

INTEGRATED SHIPBUILDING

AVEVA offers the most complete solution for integrating all aspects of the shipbuilding process, enabling effective information sharing and workflow management. By creating a trusted and open Digital Asset, AVEVA's Integrated Shipbuilding strategy delivers maximum capability and effective collaboration within the shipyard and across globally distributed suppliers.

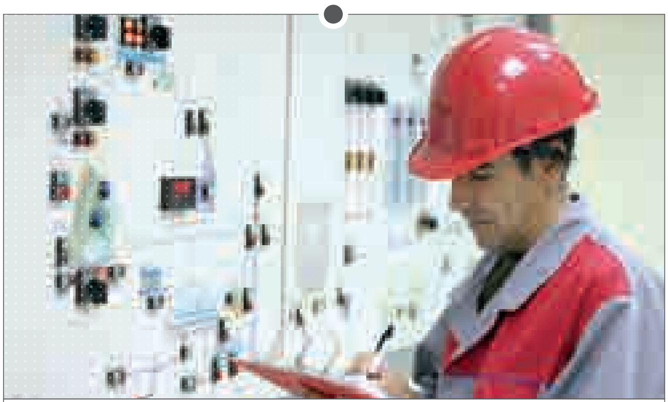
OPERATIONS INTEGRITY MANAGEMENT

At the centre of an OIM strategy is the Digital Asset, connecting capabilities and processes to enhance operational reliability. Removing the barriers between information silos is crucial to a successful OIM strategy, improving information quality to provide reliable information for decision support, delivering safe, reliable and efficient operations.

CONTROL

The processes and capabilities that ensure success

Read more on
www.aveva.com/digitalasset/solutions



INTEGRATED ENGINEERING & DESIGN

The IE&D solution dramatically improves design and engineering process efficiency for major capital projects, as well as for asset modification and revamps. A unique 'Compare & Update' and 'Change Highlighting' functionality allows project disciplines to easily and dynamically share design and engineering information in order to control the iterative design spiral.

ENTERPRISE RESOURCE MANAGEMENT

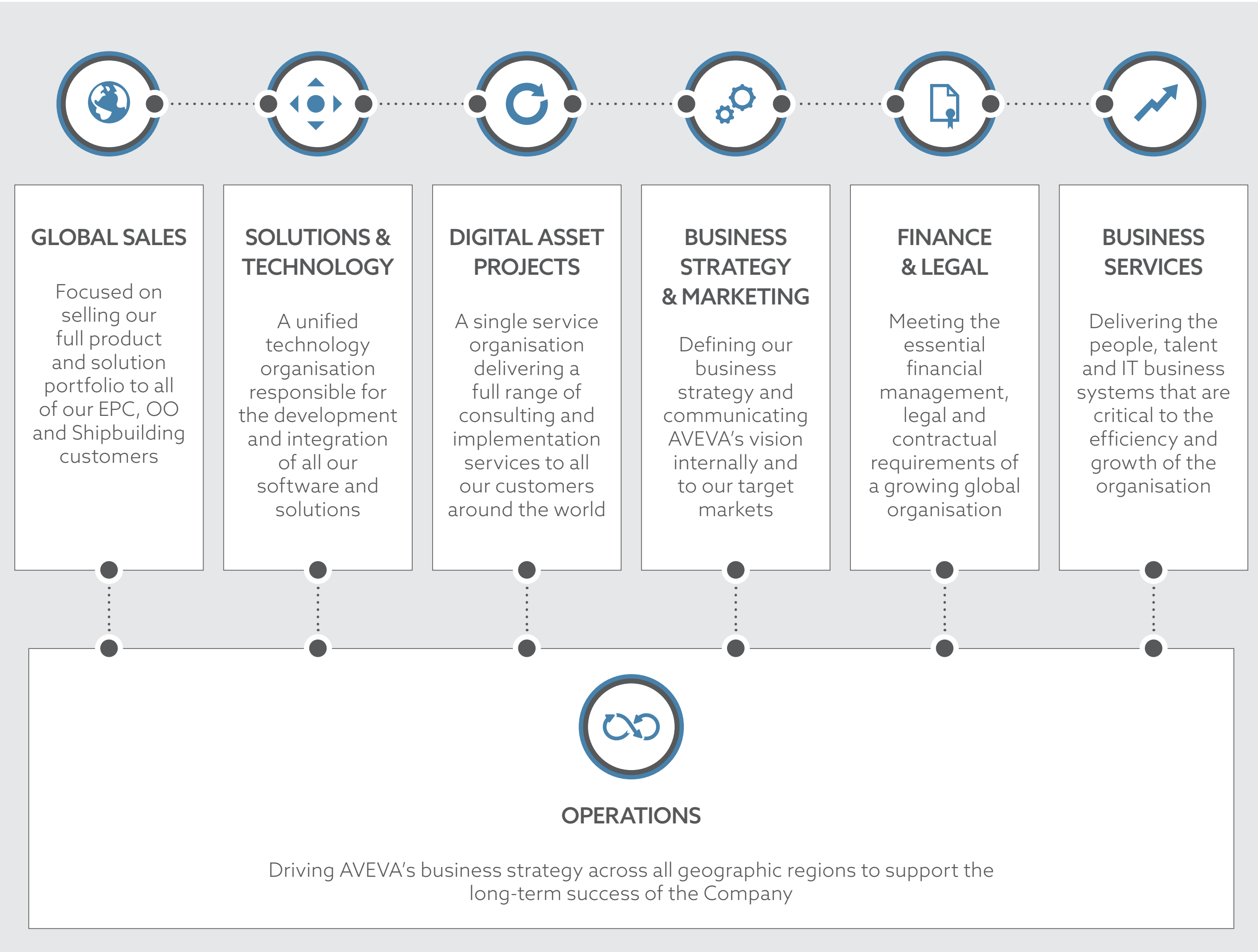
The ERM solution delivers measurable ROI throughout every step of the material management, planning and construction process. This easy-to-use solution ensures efficient planning and execution of a marine or plant project and optimum management of multiple projects to create significant competitive advantage.

DIGITAL ASSET SOLUTIONS

The information management capabilities offer a range of solutions for EPCs, OOs and shipbuilders based on our unique AVEVA NET technology. They create an open environment that provides access to information regardless of the application source. The result is a single, trusted source of information that reduces risk through rapid and better-informed decision making.

Our organisation and business model

Creating a business that responds to the needs of our customers



Business model

At the core of AVEVA's business is the intellectual property generated in our 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. This strategy provides customers with local sales and support and helps AVEVA to work closely with leading companies principally in the Oil & Gas, Power and Marine markets.

We operate a 'right-to-use' licensing model for our software. Typically, customers licence 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.

The amount of service required to deploy our software varies depending on the type of solution. Typically our services consist of consulting, implementation and customisation, which are provided either on a fixed contract or on a time and material basis.

Innovation across our business

Innovation

Innovation is one of our core values and underpins the culture and behaviours of our employees around the globe. Our history is marked with a series of impressive firsts, from the world's first 3D plant design system, first internet-based engineering information management platform, first integrated plant and marine design solution through to the release of AVEVA E3D in 2013. It is what drives our success and has continued to differentiate us in the markets we serve.

Long-term relationships

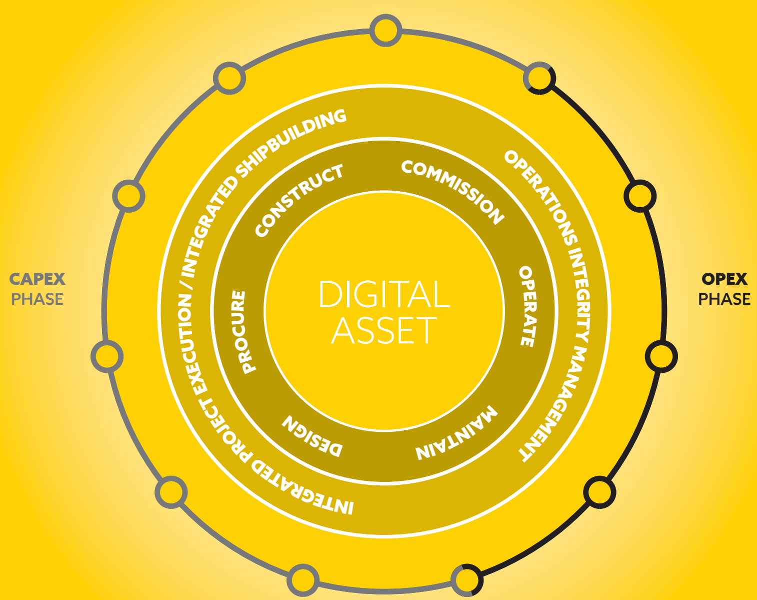
AVEVA is particularly proud of the long-term relationships we have established with our customers. Some companies have used our software for more than 30 years and there are many with relationships that have lasted well beyond a decade. These connections are based on mutual trust and are rooted in the lasting value that our software and support provides. Our customer-centric business approach is designed specifically to create and foster these critically important relationships.

Flexible 'right-to-use' revenue model

Our right-to-use software licensing model provides not only a secure and consistent revenue stream for AVEVA, but also gives our customers the flexibility to select products and licence configurations. This can be a major advantage for both projects and operations as companies can choose the required software resources for the different phases of their project and asset life cycle. Extra licensing agility helps to improve the competitiveness of our customers.

Committed team

The AVEVA team is our greatest asset. To meet the changing and demanding needs of our customers, we have built a team of discipline experts from Sales and Marketing to Development and Services and all of the critical support functions that enable our success. While our people are geographically dispersed around the world, we remain informed and coordinated through our matrix organisational structure.



AVEVA'S DIGITAL ASSET APPROACH

AVEVA's unique Digital Asset approach builds an integrated information framework that continuously represents the true current state of the physical asset.

It provides deep application integration where real-time information sharing between disciplines is critical to success. It is open, enabling data and documents created in almost any software to be easily accessed and validated. **www.aveva.com/digitalasset**

Our markets

Customer case studies

AVEVA's customers can be found all over the world, representing a wide range of industries. The companies referenced on this map are just a sample of those that have provided recent articles for the AVEVA World Magazine in which they summarise their positive experiences with our software and service.
www.aveva.com/awm

Read more on
www.aveva.com

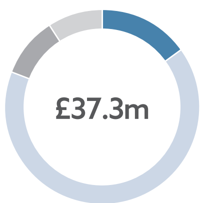
Geographic markets

AMERICAS

North America has remained a buoyant market supported by our Global Accounts.

Latin America remains challenging with particular weakness in Brazil.

Revenue breakdown

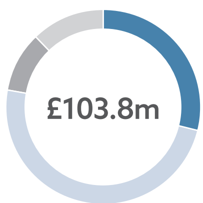


Annual fees 15%
Initial fees 10%
Rental fees 66%
Training and services 9%

EUROPE, THE MIDDLE EAST AND AFRICA

We have seen a mixed market in Europe, with weakness from Oil & Gas in the UK and Norway. This was offset by growth from our global EPC accounts.

Revenue breakdown

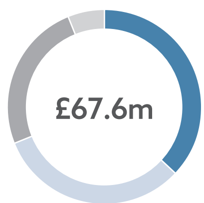


Annual fees 29%
Initial fees 10%
Rental fees 49%
Training and services 12%

ASIA PACIFIC

Greater China offers good opportunities for long-term growth. We experienced a more mixed demand backdrop in North East Asia through reduction in offshore engineering spend.

Revenue breakdown



Annual fees 37%
Initial fees 25%
Rental fees 32%
Training and services 6%

Europe, Middle East & Africa

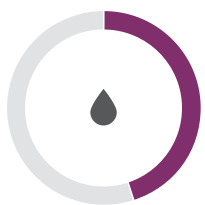
Asia Pacific

Industry sectors

OIL & GAS

The lower oil price is currently impacting investment in offshore exploration and production, while refining has benefited from lower feedstock prices.

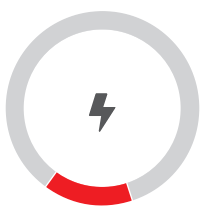
Total revenue (%)



POWER

Solid long-term growth expected in all sectors, driven by increasing demand for electricity generation, particularly in Asia.

Total revenue (%)



MARINE

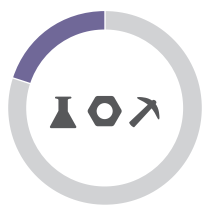
The global shipbuilding industry is cyclical and is currently subdued, while there are pockets of growth in naval shipbuilding and fuel efficient design.

Total revenue (%)

OTHER

AVEVA is active across a range of other industry sectors, including Metals & Mining, Pulp & Paper, Chemical, and other process plant and major infrastructure projects.

Total revenue (%)



Customer case studies

Take a closer look at some of our recent customer success stories. These companies represent a cross-section of the industries and geographies and have impressive stories to tell about how AVEVA's solutions play a strategic role in their projects and operational success.

Read more on
www.aveva.com

MAN Diesel power facility
Photography courtesy of MAN Diesel & Turbo SE

MAN Diesel & Turbo SE

Pipe-ing Hot Success

MAN Diesel & Turbo SE rapidly benefits from AVEVA's IE&D solution

"The result is not only a faster project but also higher quality design, which considerably reduces rework."

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

INDUSTRY
Power

SOLUTION
Integrated Engineering & Design

COUNTRY
Germany

Perstorp Oxo valeraldehyde plant
Photography courtesy of Perstorp and COWI

Perstorp and COWI

Project Valerox – Asset Expansion with AVEVA Software

How a combination of AVEVA PDMS, AVEVA P&ID and laser scanning is efficiently extending Perstop Oxo's valeraldehyde plant

"Laser scanning saved a considerable amount of time because clashes could be easily avoided, minimising any rework at the site. And the precise measurements made fabrication and installation much faster..."

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

INDUSTRY
Chemical

SOLUTION
2D Engineering, 3D Design and Laser Scanning

COUNTRY
Sweden

MOSHIP submarine rescue vessel
Photography courtesy of SEFT

SEFT

AVEVA to the Rescue

How SEFT is using AVEVA Marine to design MOSHIP, the first all-in-one, multifunctional submarine rescue vessel

"With AVEVA Marine we were able to reduce the cost of the prototype, reduce rework and avoid waste by preparing exact materials lists."

The case study can be found in the AVEVA World Magazine 2015, Issue 1
www.aveva.com/awm/2015/1/seft

INDUSTRY
Marine

SOLUTION
Ship Engineering and Design

COUNTRY
Turkey

DIGITAL ASSET

"AVEVA is proud to play such an important role in the amazing achievements of our customers. Using our software technology as part of a larger Digital Asset approach, we are helping companies around the world to improve the predictability of their capital projects and reliability of their operations. This translates directly to their bottom line by saving time, increasing quality and controlling risk."
Richard Longdon
Chief Executive

Aspire Tower in Qatar
Photography courtesy of Iemants

Iemants

The AVEVA Bocad Advantage

How Iemants owes its success to AVEVA Bocad

"AVEVA Bocad allows you to turn these designs into great deliverables and ultimately into high-quality, on-time construction..."

The case study can be found in the AVEVA World Magazine 2015, Issue 1
www.aveva.com/awm/2015/1/iemants

INDUSTRY
AEC

SOLUTION
Structural Steel Design

COUNTRY
Belgium

Zakum West platform
Photography courtesy of WorleyParsons

WorleyParsons

The Digital Asset Brings Concrete Benefits

AVEVA and WorleyParsons Digital Enterprise collaborate to turn the Digital Asset vision into reality

"The project also created a sound basis for future modification; a higher quality of input data increases the quality of revamp design, which reduces downtime and the exposure of engineering personnel to potentially hazardous environments."

The case study can be found in the AVEVA World Magazine 2015, Issue 1
www.aveva.com/awm/2015/1/wp

INDUSTRY
Oil & Gas

SOLUTION
Digital Asset creation with 2D Engineering and 3D Design

COUNTRY
Australia

Water plant vessel installation
Photography courtesy of IES Engineering

IES Engineering

Towards the Lean Revamp

How AVEVA technology and laser scanning enables IES Engineering to apply Lean processes to revamp projects

"3D data not only offers the ability to create design and fabrication that will bolt up with no issues, it also enables the creation of highly detailed demolition plans, providing the clients with more control to define the scope of work on a project..."

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

INDUSTRY
Oil & Gas

SOLUTION
Brownfield Data Capture

COUNTRY
USA

Our objectives

Customer demand for greater technology innovation combined with constantly changing global market conditions have shaped AVEVA's strategy over the last four decades. Our success has been achieved by finding a balance between firm commitments to our core strengths and creating an agile organisation that can recognise and respond to new business opportunities.

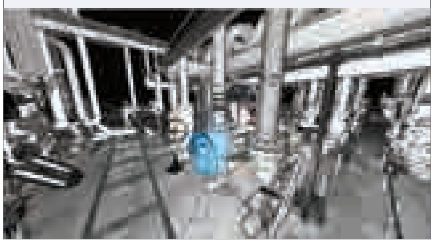
- Expand our geographic presence in key growth markets
- Deliver world-class solutions to Owner Operators
- Extend our Digital Asset footprint with existing and new customers
- Grow our presence in adjacent capital-intensive industries

Our strategy

KEY GROWTH MARKETS

Opportunity
AVEVA is investing in the tremendous opportunities in the downstream market in North America which is transformational to the industry. We also recognise the continued importance of high growth and emerging economies worldwide and will continue to invest in customer service and support infrastructure in these important regions.

- Continue to shift investment balance to high growth markets including North America, Middle East, India and China
- Focus building our reputation within key downstream regions such as Middle East, Asia and North America
- Continue to expand our reach within key growth markets to continue to drive the highest levels of customer support
- Strengthen our partner ecosystem to build new channels.
- Continually strengthen our global brand and localised messaging



PLANT OPERATORS

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

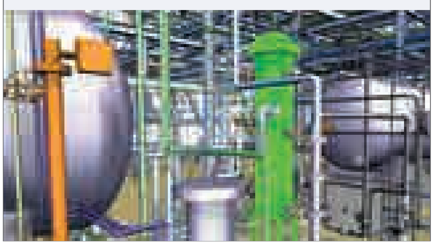
- Continue to innovate our information management solutions based upon our customers' need for reliable, available and known maturity of information
- Continue to execute on the step-wise approach from Asset Visualisation through to Asset Lifecycle information management using strengths in information standards and master data management
- Firmly establish thought leadership around visual asset management taking gaming and touch screen technology to a new generation of asset owners and operators
- Strengthen our partner ecosystem to develop our 'Enterprise scalability' and build new channels
- Support Plant operations, the integrity of project information and the contractual relationships with their engineering suppliers

EXTEND DIGITAL ASSET FOOTPRINT

Opportunity

The launch of AVEVA E3D has helped AVEVA grow to a market-leading position in 3D design solutions. This position, combined with our investment in our world-class information management, schematics and structural solutions, means that AVEVA has an unrivalled product portfolio for the creation and management of the digital asset. Looking ahead we seek to strengthen our position here by:

- Extending our 3D dominance with AVEVA E3D
- Build upon our 'lean' positioning to expand our design install base with Integrated Engineering & Design
- Reach new users with our collaborative design vision combining our core engineering and information management technologies, known as Design in Context
- Continually appraise acquisition opportunities to build out our install base within AVEVA core verticals

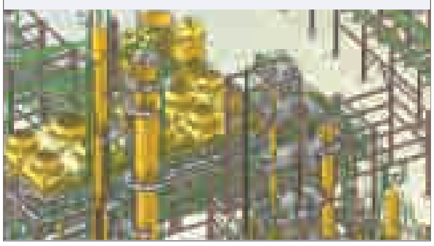


DIVERSIFICATION OF END MARKETS

Opportunity

We have an opportunity to continue to grow our presence in complimentary adjacent verticals such as Steel Fabrication and AEC infrastructure markets, who share a similar need to the energy markets for solutions that address the challenges of executing complex capital intensive projects.

- Extend our successful Digital Asset solutions into the wider AEC market
- Continue to grow our footprint in adjacent capital intensive industries using our Contract Risk Management and our Digital Asset solutions
- Develop our visual thinking position for asset visualisation and project collaboration into the BIM (Building Information Management) market
- Target steel fabrication market with steel detailing and fabrication management
- Building on our strength to manage laser data and automate the production of intelligent 3D into all capital intensive industries
- Continue to appraise acquisition opportunities to increase our exposure to wider capital intensive industries
- Strengthen our partner ecosystem to reach new markets



Building on our strengths

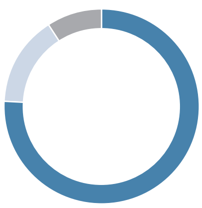
Helping our customers to create a Digital Asset that improves project predictability and operational reliability is core to our vision and mission, and central to our key business objectives: to build on our technology strengths and effectively align priorities that drive decisions and guide our planning. As we grow our business, our strategic goals are to expand our geographic presence in strong markets, target new customer profiles, expand the role we play with existing customers, and diversify our end market exposure. These ambitious objectives touch on virtually every aspect of our business and are a priority for all our employees around the world. To ensure the greatest possible success, these objectives are clearly understood throughout our organisation and they underpin all of our business planning processes.

Chief Executive's strategic review

"We have demonstrated our ability to capitalise on our strengths."

Richard Longdon
Chief Executive
19 May 2015

Total revenue



Summary of Performance

Resilience in difficult markets

The financial year 2014/15 proved the resilience of AVEVA's business model, given the mixed trading environment we experienced. Our revenue mix, broad international reach and strong competitive positioning proved to be key strengths. Our emphasis was on execution in the second half of the year and I am pleased to say that we were able to deliver the £10.0 million of cost efficiencies we had targeted. Full year constant currency revenue of £220.4 million (2014 – £237.3 million) reflected a second half performance in line with the previous year, with an increase in annual fees and rental licences broadly flat despite the difficult market backdrop. Rental deals that had shifted into the second half closed successfully in line with expectations. We were also able to demonstrate that the significant investment we have made in Research & Development in recent years has been well-timed, enabling us to expand our penetration within Global Accounts despite the difficult economic backdrop facing many of our customers.

Overall, I am pleased with the strategic and operational progress we have made during the period. We have continued to expand our sales to OOs through a more coordinated approach, founded upon the 'One AVEVA' sales strategy, implemented at the start of the year. This has had the effect of increasing solution sales to customers and positions us well for the future. We also continued our strategy of reinvesting cash in strategically important acquisitions, with the addition of 8over8 Limited in January 2015, an industry-leading provider of contract risk management solutions.

Over the course of the year, we have seen substantially more challenging conditions in our Oil & Gas end market, which represents around 45% of Group revenue, with the material weakening in the oil price leading to sharp reductions in exploration and production capital expenditure. In addition to this, our business in Latin America was further impacted by Brazil's ongoing political difficulties. In the Marine market, global shipbuilding activity remained subdued, driven by ongoing over-capacity, reduction in new orders for specialist off-shore vessels and relatively low global GDP growth. In the Power market, we continued to see steady single digit growth.

We have an international business with over 50 offices operating in more than 30 countries worldwide. Sterling has strengthened materially during the course of our financial year, in particular against the Euro but also against many other currencies in which we do business, and we saw a 6% negative translation impact on our reported revenue. This is covered in more detail in the Finance Review.

Our vision of the Digital Asset is enabling our customers to manage continued change as they deliver and operate some of the world's most complex assets.

£220.4m
Constant currency revenue

76%
Recurring revenue

Why customers in our end markets buy our software

Our software is used by our customers as they design, build and operate large capital-intensive assets, in the Process, Power and Marine industries. We sell our solutions principally to the EPC companies, shipyards and OO customers worldwide. Our vision of the Digital Asset is enabling our customers to manage continual change as they deliver and operate some of the world's most complex assets.

Increasingly, our customers are demanding a combination of our products and this, backed by our 'One AVEVA' sales strategy, is driving wider adoption of the entire AVEVA product portfolio delivering strong upsell opportunities. This has been particularly evident in the success we have achieved in expanding our footprint within our Global Accounts. Other notable customers opting for a broader portfolio of our products include Southern California Gas Company, a good example of an OO combining a range of AVEVA applications in order to improve capital efficiency, reliability and compliance.

Engineering & Design Systems (EDS) review and drivers

As a result of the difficult end markets our EDS business was subdued. Revenue for this line of business declined by 14% to £182.7 million, reflecting in particular the downturn in Brazil and South Korea where rental licence renewals were depressed in the first half of the year. Our initial licence business was influenced principally by the reduced levels of activity among our Asian shipyard customers compared to the previous year. Nevertheless, sales of AVEVA E3D continued to gain momentum throughout the year and we have achieved significant strategic progress with our Global Accounts. In general, rental renewals remained robust among our key accounts, and we concluded significant deals with Aker Solutions, Jacobs Engineering, Technip, WorleyParsons and AMEC Foster Wheeler, among others.

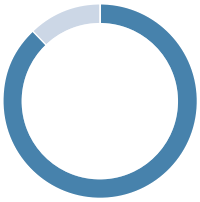
Enterprise Solutions (ES) review and drivers

The market backdrop for our information management products has been challenging, with lengthy sales cycles and pressures on discretionary spend amongst our customers. This was reflected in the financial performance for this line of business which did not deliver the level of growth that we expected, with revenue of £24.8 million (2014 – £25.9 million), excluding the impact of the acquired 8over8 business. However, the innovations delivered to our customers this year are driving increased demand for our solutions to create and manage our customers' Digital Assets. Despite the tough market backdrop, there were a number of notable projects during the period including Husky, Davie, BASF and BAE. We also successfully completed important milestones at Chevron's Wheatstone project and at ConocoPhillips.

Chief Executive's strategic review
continued

Our business remains strongly positioned in its target markets, where the fundamentals support long-term growth.

Divisional revenue split



Innovation leadership driving new opportunities

Our commitment to being the leading innovator in our industry remains undiminished and customer feedback on the products showcased at our AVEVA World Summit in October 2014 was hugely positive. With AVEVA E3D gaining momentum in the market, the next step will be the Cloud-enabled version. We demonstrated a full function version of AVEVA E3D on a Cloud platform proving no difference in performance to a locally installed solution. The addition of a Cloud-based solution will offer customers rapid deployment as well as the flexibility to mix both cloud and on premise users in the same project. The Cloud technology is already being tested by several customers as part of our early adopter programme. Building on our position as the industry leader in visualisation technology, we demonstrated our new ability to 'walk through' laser scans in an environment indistinguishable from the actual facility. We also demonstrated combined AVEVA E3D and AVEVA NET™ technology on a large touchscreen that is now with early adopter clients, including Lundin and Shell, to demonstrate the next generation in navigating project and asset information in context.

We also announced major enhancements to AVEVA NET with improved 3D interaction and faster, more powerful search, visualisation and navigation capabilities.

Elsewhere, the launch of our new Information Standards Manager has been well received by customers. AVEVA ISM™ bridges the gap between OOs and EPCs, enabling greater control over critical engineering information standards across their projects and enterprises.

We have an exciting product pipeline over the medium term, particularly as our design tools and information management solutions continue to converge.

Regional performance

Across our three main regions, we saw a mixed performance. Asia Pacific was down 20% in the year on a constant currency basis, which reflected a reduction in initial licence fees compared to a very strong performance a year ago, as well as a particular weakness in South Korea where our shipyard customers have experienced lower activity levels due to a reduction in offshore Oil & Gas projects.

Revenue in EMEA and the Americas on a constant currency basis was broadly flat compared to the prior year, reflecting weakness in Brazil and parts of EMEA offset by growth from our Global Accounts.

Further details on our regional performance are contained in the Finance Review.

Our Focus

Long-term opportunity in global growth markets

Our business remains strongly positioned in its target markets, where the fundamentals support long-term growth. Despite the near-term effects of a weaker oil price, over the long term, with increased energy usage and a growing global population, significant infrastructure investment will be required in order to meet demand; the International Energy Authority (IEA) estimates that global energy demand will increase by 37% by 2040, with the majority of this increase occurring in China and India. Oil & Gas is increasingly difficult to extract, necessitating more hours to be spent in detailed design. This is set against a backdrop where the IEA forecast that liquids demand alone is set to rise from 87 million to 98 million barrels per day within just five years. Our software is critical to solving the biggest engineering challenges in the harshest environments. With similar fundamental drivers, Power offers attractive growth opportunities over the long term as the world's emerging economies invest in their power generation requirements and the ageing infrastructure of the developed world is maintained and replaced. Our global presence and international reach positions us well to capitalise on these opportunities. Meanwhile, in times of uncertainty we are focused on supporting our customers as they seek to become more efficient and adapt to the fast changing environment.

Our strong position in engineering design also offers us a unique opportunity to support the lifecycle of the assets our software tools are used to create. Our information management solutions, with the support of our growing partner network, are increasingly relevant to a wide range of asset-intensive industries beyond the core markets we have traditionally served.

Solution sales, our organisation and the convergence of technologies

We have been pursuing a strategy of increasing the number of solution sales we make, whereby customers opt for a number of our products and we increase our footprint within our customer base. With this in mind, we reported at the interim stage that we had realigned our sales organisation behind a 'One AVEVA' approach in order to better promote the entire AVEVA product range to all customers, supporting both design and operations. As previously indicated, we have also unified our technology organisation, following the convergence of our two key product areas, detailed engineering design and information management. Finally, the Digital Asset is now firmly reinforced as the vision that lies at the heart of our service organisation, to better focus on service delivery and grow our specialist service capabilities over time.

We expect that this streamlined solutions and product strategy will deliver major benefits to our business in coming years as our technologies are used increasingly in combination. Our future financial reporting will, from 2015/16, also be re-aligned behind this convergence and this year is the last in which we will disclose EDS and ES as our primary segments. From 2015/16, we are monitoring the business on a regional basis and, therefore, this will become our primary method of segmental financial reporting.

Management of our cost base

Recognising the more difficult trading conditions in the first half of the financial year, we took early action to achieve cost-efficiencies. This, combined with lower sales commissions and bonuses during the period, has enabled us to limit the impact on profitability caused by lower than planned revenue. In addition, we have taken further action to address the cost base by rationalising some of our regional offices and reducing headcount in some areas of the business. This will deliver annualised savings of approximately £3.0 million which will help offset the cost increases we face in 2015/16 as a result of inflation, increased bonus and commission costs and the annualised effect of new hires made in 2014/15.

Our Achievements

Strategic progress with Global Accounts

Our Global Accounts EPC program continued to bear fruit over the past year. The challenges seen in our end user markets are prompting our Global Accounts to take the opportunity to invest in the latest AVEVA technologies in order to maximise their competitiveness and business advantage. The integrated Bubbleview™ laser capability within AVEVA E3D is now making this solution the de facto standard for all future brownfield projects, eliminating or reducing re-modelling activities by over 90%. Beyond AVEVA E3D, there is also increased uptake and deployment of AVEVA NET across our Global Accounts, as they continue their journey towards true data-centric working built around a trusted digital asset.

I am especially pleased to be able to report a new significant contract with Aker Solutions of Norway which builds on the fantastic relationship we have enjoyed with them over the last 20 years. Aker has invested in PDMS™ throughout this period and is now using this platform to develop and deploy AVEVA E3D across their business. This is a good example of how we are deepening the relationships with our customers whilst increasing the revenue opportunity.

Development of the partner channel

We continue to strengthen our partnerships with leading consulting, technology and outsourcing companies as we build our presence in the operational lifecycle of the asset. During the period we announced a global alliance with Capgemini to cover asset-intensive industries. Capgemini's Digital Asset Lifecycle Management (DiALM) solution is based on AVEVA's information management technology and enables OOs to control and manage project and operational performance of their assets. We are already supporting Capgemini on the Nuclear New Build programme in the UK and we expect this agreement to help extend our presence within our existing markets and into the other asset-intensive industries served by Capgemini, for example transport. We also announced a new collaboration with EMC to deliver an integrated software solution for capital projects and asset operations. Under the terms of this agreement, AVEVA and EMC have combined the two best-in-class product suites, AVEVA NET and EMC® Documentum® Engineering, Plant and Facilities Management (EPFM), into a single solution. Elsewhere, we formalised our partnership agreement with ETAP for seamless data exchange on the most complex electrical installations in all types of process and power plants, ships and offshore facilities.

Strong growth from AVEVA E3D

As mentioned above, AVEVA E3D has proven to be a catalyst for more solution sales particularly within our Global Accounts business, but we are also making progress across the rest of our customer base. Notable deals in the period included WS Atkins, who have chosen AVEVA E3D and Laser Modeller™ to support lean construction processes. KBR selected AVEVA E3D for global projects as part of a complete integrated engineering and design environment. Tianchen, one of China's largest engineering contractors in the chemical processing industry, standardised on AVEVA E3D. D3SCOM Engineering Sdn. Bhd., a specialist in intelligent modelling engineering services, also adopted AVEVA E3D and Laser Modeller for brownfield projects with Owner Operators in Malaysia.

Increasingly our customers are demanding a combination of our products and this, backed by our 'one AVEVA' sales strategy, is driving wider adoption of all our products.

We now have more than 230 customers who have licensed AVEVA E3D, and the cumulative revenue to date since launch has exceeded £11.0 million. Thus, as we look at the current financial year AVEVA E3D is expected to be a material contributor to revenue for the first time and the long-term outlook is exciting.

Strategic development through M&A

The acquisition of 8over8 Limited in January 2015 was strategically important and is being integrated according to plan. 8over8's core software platform, ProCon, is sold principally to organisations that design, build and operate high value assets, where it is used as a risk management tool for increased project control and capital discipline. Acquiring this business is an example of how we can use M&A as a strategic tool for growing our business into related technologies and market areas and shows our disciplined approach to acquisitions. There is a strong logical fit and we have several AVEVA NET customers who have ProCon implemented alongside our solution. AVEVA has always had the capabilities for managing changes in design and other data via our existing tools and solutions and now ProCon brings us the capability to manage the impact of those changes on a project's cost and outcome. We are, therefore, optimistic that this acquisition opens up a range of new opportunities for growth both in our existing markets and other related industries.

The Future

Adapting to shifting customer priorities

Efficiency is even more important than ever for our customers and it is AVEVA's goal to provide the tools to deal with ever shorter time-frames and greater cost constraints. Via the creation of the Digital Asset we help our customers to focus on profitability and a lean organisation. This is a journey for our customers, many of whom are now placing the Digital Asset at the heart of their technology vision. Our solutions in the design world are increasingly being called upon to integrate information about the 'as-built' asset, via integrated laser modelling capabilities, as well as operational asset information, via AVEVA NET. As a result OOs can extend the life of their assets whilst our EPC customers can use our solutions to design more efficient assets, handling the data in the project phase far more efficiently and incorporating operational lessons learned ready to handover to the operator.

Summary and outlook

For much of the year under review AVEVA has faced more challenging market conditions. We have been particularly affected by the reduction in activity in the upstream Oil & Gas sector. Over time we expect capital investment in Oil & Gas infrastructure to return to growth, but the timing of this is uncertain. Despite the mixed trading environment, we have demonstrated our ability to capitalise on our strengths: a broad international reach and strong competitive positioning in all of our markets. We aim to continue to lead through innovation and, as has been demonstrated by the milestones achieved with AVEVA E3D, to drive growth through exciting new offerings.

It is a testament to the dedication of all of our people around the world that we were able to deliver significant cost efficiencies in the second half of the year and looking ahead we shall have an even greater focus on costs during the current financial year. Whilst we recognise the challenges in our markets, we are focused on the opportunities that lie before us both strategically and operationally. As a result, the Board is confident that we can achieve our growth targets over the medium term.

Richard Longdon
Chief Executive
19 May 2015

Key performance indicators

£11.0m
Cumulative revenue from E3D

Key performance indicators

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. Our markets have proven to be more difficult over the past year, particularly in Oil & Gas, and that is reflected in the KPI trends. It is noteworthy that our recurring revenue was relatively stable, with the majority of the revenue decline related to initial licence fees, and despite a modest reduction in the adjusted profit before tax margin as a result of lower revenues, our business remains highly profitable.

Revenue (£m)
Growth in Group revenue

£208.7m (–12%)

Reflects difficult markets

Recurring revenue (£m)
Provides visibility

£158.2m (–5%)

Resilient performance

R&D expenses (£m)
Investment in innovation

£32.7m (–15%)

Lower cost operations

Adjusted profit before tax (£m)
We adjust to exclude non-operating items

£62.1m (–21%)

Due to lower revenue

Adjusted profit before tax margin (%)
We aim to deliver profitable growth

29.8% (–10%)

Remains highly profitable

Adjusted basic EPS (p)
We adjust to exclude certain non-cash and exceptional items

74.5p (–16%)

Lower profit in year

Dividend per share (p)
AVEVA has a progressive dividend policy

30.5p (+13%)

Reflects long-term confidence

Cash conversion (%)
A measure of our ability to turn profits into cash

83% (–19%)

Should return closer to 100%

Operating cash flow (£m)
AVEVA remains a highly cash generative business

£45.1m (–36%)

Significant March 2015 billings

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	Likelihood	Impact	Change	Mitigation
Dependency on key markets AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects in the Oil & Gas, Power and Marine markets. World economic conditions or funding constraints for new capital projects may adversely affect our financial performance, as we have experienced during 2014/15.				AVEVA is expanding into new market segments such as mining, petrochemicals and AEC, albeit from a relatively small base. It is central to our strategy to diversify our customer offerings into Owner Operators and Plant operations. This will help secure a longer-term income stream that extends beyond the design/build phase of these capital projects. In addition, our ever-expanding global presence provides some mitigation from over-reliance on key geographic markets.
Competition AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. We believe that there are a relatively small number of significant competitors serving our markets. However, some of these competitors could, in the future, pose a greater competitive threat, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies. Further threats are posed by the entrance, into AVEVA's markets, of a much larger technology competitor or transformational technology, such as Cloud-based solutions.				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 E3D. This, together with a number of other new products, will help cement our relationships with our customers and reinforce our market position.
Professional Services The development of the Group's Enterprise Solutions represents a significant opportunity for the Group but this is a market with different characteristics compared to our traditional Engineering & Design software products. It therefore brings different challenges and opportunities for the Group which we must manage effectively. Most significantly, the deployment for our customers of an enterprise solution will involve some degree of consulting and/or implementation work. This requires specialist knowledge to be available and well managed potentially in many geographic locations. In some instances we may opt to partner with a third party for this work and this relationship also requires careful management and maintenance.				We employ experienced industry professionals within our professional services team and continue to build commercial partnerships with third party systems integrators and other vendors. We have rigorous processes and controls for the appraisal of potential commercial opportunities prior to any bid being submitted. Bids are appraised on grounds of technical complexity, as well as financial and commercial risk.
Identification and successful integration of acquisitions In recent years, the Group has 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 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 2014

- No change
- Risk decreased
- Risk increased

- Low
- Medium
- High

Operational risks

Risk	Likelihood	Impact	Change	Mitigation
Protection of intellectual property The Group's success has been built upon the development of its substantial intellectual property rights and the future growth of the business requires the continual protection of these tools.	Low	High	No change	The protection of the Group's proprietary software products is achieved by licensing rights to use the application, rather than selling or licensing the computer source code. The Group uses third party technology to encrypt, protect and restrict access to its products. Access limitations and rights are also defined within the terms of the software licence agreement. The Group seeks to ensure that its intellectual property rights are appropriately protected by law and seeks to vigorously assert its proprietary rights wherever possible.
Research & Development The Group makes substantial investments in Research & Development in enhancing existing products and introducing new products and must effectively appraise its investment decisions and ensure that we continue to provide class-leading solutions that meet the needs of our markets. Our software products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers.	Medium	Medium	No change	AVEVA continually reviews the alignment of the activities of our Research & Development teams to ensure that they remain focused on areas that will meet the demands of our customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. Products are extensively tested prior to commercial launch.
International operations The Group has offices in 30 countries 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 and damage to the Group's reputation.	Medium	Medium	No change	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.
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. In addition, we have a number of senior employees who have strong domain knowledge of and expertise in the industries that we serve. Managing this pool of highly skilled and motivated individuals across all disciplines and geographies remains key to our ongoing success.	High	Medium	Risk increased	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. Short term and long term incentive arrangements help to ensure the success of the Group and individual achievement is appropriately rewarded.

Financial risks

Risk	Likelihood	Impact	Change	Mitigation
Foreign exchange risk Exposure to foreign currency gains and losses can be material to the Group, with more than 80% of the Group's revenue denominated in a currency other than sterling, of which our two largest are US Dollar and Euro.	High	Medium	Risk increased	The overseas subsidiaries predominantly trade in their own local currencies, which acts as a partial natural hedge against currency movements. In addition, the Group enters into forward foreign currency contracts to manage the risk where material and practical. The Group limits its hedging of revenue to US Dollar, Euro, Japanese Yen and its hedging of costs to Swedish Krona and Indian Rupee.

Finance review

"Good sales execution and tight cost management supported a resilient performance."

James Kidd
Chief Financial Officer
19 May 2015

Summary

The strength of AVEVA's business model, good sales execution and tight cost management supported a resilient financial performance in the second half of the financial year, following a disappointing first half. The business is well positioned for future growth with a sound financial footing and solid business model capable of dealing with short term volatility in our end markets.

The results for the year are summarised as follows:

£m	2014/15 Organic	2014/15 8over8	2014/15 Total	2014/15 Organic constant currency**	2013/14 Total	Organic constant currency change
Revenue						
Annual fees	60.2	0.5	60.7	64.4	57.1	13%
Rental licence fees	97.2	0.3	97.5	102.2	109.9	(7%)
Recurring revenue	157.4	0.8	158.2	166.6	167.0	–
Initial licence fees	31.1	–	31.1	33.5	48.4	(31%)
Training and services	19.1	0.3	19.4	20.3	21.9	(7%)
Total revenue	**207.6**	**1.1**	**208.7**	**220.4**	**237.3**	**(7%)**
Cost of sales	(15.2)	(0.3)	(15.5)		(17.4)	(7%)
Gross profit	**192.4**	**0.8**	**193.2**		**219.9**	**(7%)**
Operating expenses*	(130.0)	(1.4)	(131.4)		(142.1)	(2%)
Net finance interest	0.3	–	0.3		0.5	(40%)
Adjusted profit/(loss) before tax	**62.7**	**(0.6)**	**62.1**		**78.3**	**(16%)**

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

Total revenue for the year was £208.7 million which was down 12% compared to 2013/14 (2014 – £237.3 million). Included in the results is £1.1 million from 8over8 Limited, the business we acquired in January 2015. Our organic revenue on a constant currency basis was £220.4 million, which was down 7% compared to 2013/14.

Following H1 revenue of £92.3 million (2014 – £108.5 million) on an organic, constant currency basis, the second half of the year delivered organic, constant currency revenue of £128.1 million. This was broadly flat compared to 2013/14 (2014 – £128.8 million) and was a good, resilient performance considering the market conditions we faced, particularly in Oil & Gas.

Our business is well positioned for future growth with a sound financial footing and solid business model.

+13%
Annual fees
constant currency

–7%
Rental licence fees
constant currency

Adjusted profit before tax was £62.1 million (2014 – £78.3 million) and on a reported basis, profit before tax was £54.9 million (2014 – £69.0 million). Within this, the acquired 8over8 business contributed a loss of £0.6m in the short period since the acquisition on 5 January 2015.

Revenue

An analysis of organic revenue by geography is set out below:

£m	2014/15 Reported	2014/15 Organic constant currency	2013/14 Reported	Organic constant currency change
EMEA	103.5	112.9	112.0	1%
Americas	36.8	38.2	38.4	(1%)
Asia Pacific	67.3	69.3	86.9	(20%)
Total revenue	207.6	220.4	237.3	(7%)

As highlighted within the interim results, revenue was impacted by foreign exchange on the retranslation of our overseas subsidiaries by £12.8 million or 6%. EMEA was impacted most significantly as a result of the weakness of the Euro and Russian rouble.

EMEA

In EMEA, reported revenue was down 8%. On a constant currency basis, revenue was broadly flat at £112.9 million (2014 – £112.0 million) and reflected a mixed performance across the countries we operate in. Annual fees grew by 8% which was principally from the larger Owner Operators. Rental fees increased by 3% mainly driven by growth from the Global EPC accounts, many of whom have signed multi-year contracts, and an acceleration in sales of AVEVA E3D. This was offset by reduced usage by some EPCs in the UK and Norway with offshore Oil & Gas exposure. Initial licence fees were down 7% due to tougher market conditions generally in Central Europe which was offset by a robust performance in Russia despite the political situation and the threat of sanctions for some of our customers. Services were down 16% due to lower levels of activity for Enterprise Solutions within some of the Owner Operators.

Americas

In the Americas, reported revenue was down 4%. On a constant currency basis, the performance was broadly flat with revenue of £38.2 million (2014 – £38.4 million). Within this we saw a good level of renewals within our Global EPC accounts based in the US which was offset by the performance in Latin America which was down 28% compared to last year. Our Brazilian customers continued to be impacted by the lower levels of activity in Oil & Gas and this resulted in Americas' rental fee revenue declining by 6%. Initial licence fees grew by 34% and services by 8% illustrating our success in selling into Owner Operators in North America demonstrating that the increased focus is beginning to show benefits. Annual fees increased by 2% following the increase in initial licence fees.

Engineering & Design Systems
£182.7m
2014 – £211.5m

Enterprise Solutions (organic)
£24.9m
2014 – £25.9m

Operating expenses
£138.6m
2014 – £151.4m

Adjusted profit before tax
£62.1m
2014 – £78.3m

We saw double digit growth in China driven by customers in the Power and Process industries.

Annual fees
£64.4m
constant currency

Rental licences
£102.2m
constant currency

Recurring revenue
£166.6m
constant currency

Initial licence fees
£33.5m
constant currency

Asia Pacific
Revenue in Asia Pacific was down 23% on a reported basis and down 20% on a constant currency basis which reflected a mixed picture across the geographies that we operate in. As indicated at the half year, we have seen lower levels of activity in the offshore Oil & Gas projects in South Korea and parts of South East Asia. In 2013/14, we benefited from some large initial licence fees in South Korea which have not repeated in 2014/15 resulting in a decline of 46%. On a positive note we saw double digit growth in China driven by customers in the Power and Process industries.

Annual fees increased by 22% due to the strong initial licence fees in 2013/14, and we also benefitted by approximately £3.0 million from Chinese customers who had stopped paying annual fees and wanted to reactivate, for which we charge a catch-up fee.

As highlighted in the interim results, customers in Asia Pacific often use rental licences to flex their usage over and above their core entitlement under the initial/annual licences. Because of the lower levels of activity, some customers have not renewed their rental licences. We also had one large customer who, towards the end of 2013/14, changed the structure of their arrangement from a rental to an initial licence model. As a result, rental licence fees were down 26% compared to last year.

Revenue by category
The Group's recurring revenue, which consists of annual fees, and rental licence fees was flat year on year on a constant currency basis at £166.6 million (2014 – £167.0 million) and represented 76% of revenue (2014 – 70%).

Annual fees grew by 13% to £64.4 million on a constant currency basis which reflects the strong initial licence performance a year ago, particularly in South Korea and the catch-up fees in China. Annual fees have continued to grow reflecting the continued resilience of our business model.

Rental licence fee revenue fell by 7% to £102.2 million on a constant currency basis. Following a disappointing first half, we saw a good second half performance with growth of 8% delivering revenue of £67.8 million compared to £62.7 million in second half of 2013/14. This was mostly generated from Global Account customers through the benefits of the new multi-year contracts and overall a good level of renewals, although we did see some reduced activity levels within those EPCs with a higher level of exposure to offshore Oil & Gas projects. Also included within rental licences are the two customers that renewed as planned in second half which we referenced in the interim results. Despite the robust performance in rental licences in the second half, we remain cautious as we enter 2015/16 because of the mixed outlook within our EPC customers who are exposed to Oil & Gas.

Initial licence fee revenue felt the largest impact of the Oil & Gas market, down 31% to £33.5 million. This was mostly felt in Asia Pacific, which is a market that prefers the initial licence fee model and we had a tough comparable following the very strong growth in South Korea in 2013/14. We did see good growth in initial licences in North America.

Training and services revenue was broadly flat at £20.3 million (2014 – £21.9 million).

+22%
Asia Pacific Annual fees
Growth in constant currency

–15%
R&D expenses
savings from Hyderabad

Segment performance
The organic performance of our primary segments is set out below:

£m	2014/15 Reported	2014/15 constant currency	2013/14 Reported	Constant currency change
EDS				
Revenue	182.7	193.9	211.5	(8%)
Segment costs	(45.7)	(47.9)	(48.5)	(1%)
Contribution	137.0	146.0	163.0	(10%)
ES				
Revenue	24.9	26.5	25.9	3%
Segment costs	(25.5)	(26.9)	(29.3)	(8%)
Contribution	(0.6)	(0.4)	(3.4)	(91%)

Engineering & Design Systems (EDS)
Revenue from EDS on a constant currency basis was £193.9 million (2014 – £211.5 million), a decrease of 8%.

On a constant currency basis, segment costs for EDS were £47.9 million, a reduction of 1% compared to the previous year and delivered a segment contribution of £146.0 million (2014 – £163.0 million).

Enterprise Solutions (ES)
ES revenue for the year was £26.5 million on an organic constant currency basis compared to £25.9 million in 2013/14. The backlog at 31 March 2015 was £10.8 million (31 March 2014 – £10.7 million).

ES costs fell by 8% to £26.9 million on an organic constant currency basis compared to £29.3 million last year. We maintained tight discipline over the ES cost base during the year which has delivered these savings.

ES incurred a segment loss of £0.4 million (2014 – £3.4 million), which reflects the tight control of costs during the year in light of the difficult market conditions we faced.

The consolidated results include the results from 8over8 with revenue of £1.1 million and segment costs of £1.1 million.

New segment reporting
As described in the Chief Executive's review, from 1 April 2015, the ES and EDS lines of business will merge. As a result we will no longer be disclosing these as our primary segments in our financial statements. From 1 April 2015, the Executive management team will monitor and appraise the business based on geographic performance and therefore this will become the basis for our primary segments in our financial statements.

Net cash
£103.8m
2014 – £117.5m

Net assets
£189.9m
2014 – £185.0m

Deferred revenue
£48.2m
2014 – £36.5m

Operating cash flow
£45.1m
2014 – £70.2m

Finance review
continued

Cost analysis

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

£m	2014/15 Reported	2014/15 Organic constant currency	2013/14 Reported	Organic constant currency change
Research & Development	28.1	29.3	32.9	(11%)
Selling and distribution	85.3	90.3	90.4	–
Administrative expenses	16.6	19.3	18.8	3%
Total costs	130.0	138.9	142.1	(2%)

Following the disappointing first half results driven by weaker revenue, we completed a review of our planned investment in staff and discretionary spend in the second half of the year with a view to reducing operating expenses by £10.0 million compared to the original plan. We successfully delivered against this target and as a result our overall cost base reduced by 2% or £3.3 million from £142.1 million to £138.9 million on a constant currency basis. Compared to 2013/14, the savings were made in the following areas:

- Reduction in discretionary spend in areas of travel, contractors and consulting/professional fees
- Lower Research & Development costs from moving to in-house facility in Hyderabad from outsourcing.

We also saw a one-off effect from reduced levels of sales commissions and bonuses which reflected the business performance during the year.

Our Research & Development activities are carried out in the UK, Sweden, Norway, Denmark, USA and India and therefore costs are exposed to movements in exchange rates. Research & Development costs fell by 11% on a constant currency basis due to savings made by moving projects from third-party outsource providers in India to our in-house facility in Hyderabad as indicated above, as well as savings from lower discretionary costs such as travel within Research & Development.

Selling and distribution expenses were flat on a constant currency basis. This was principally due to lower sales commissions and bonuses because of the reduced level of revenue offset by the cost of additional sales and marketing staff to ensure that we take advantage of growth opportunities in key markets such as North America.

Administrative expenses increased by 3% on a constant currency basis because of some one-off costs and continued investment in our information systems offset by lower bonus costs.

The business faces a mixed outlook in its end markets together with an increased cost base from inflation and the annualised impact of the cost of hires made in H1 of 2014/15. Further, we do not expect all of the savings from reduced bonuses and commissions in 2014/15 to recur. As a result in March 2015, we initiated further action by executing on a number of cost saving initiatives including rationalisation of some of our regional offices and reduction in the number of employees in specific areas of the business. These initiatives took place in March, April and May and will result in annual savings of approximately £3.0 million. We have incurred an exceptional charge for redundancy and related costs and property lease costs of £0.8 million in the year to 31 March 2015 and we expect to incur further exceptional costs of approximately £2.5 million in 2015/16 in respect of these initiatives.

Acquisition of 8over8 Limited

The Group acquired 8over8 Limited on 5 January 2015 for consideration of £26.9 million. The acquired business held £1.3 million of cash at that date. Prior to being acquired, the business had a calendar financial year and therefore the quarter to 31 March has historically been seasonally the lowest quarter. Since becoming part of the AVEVA Group, 8over8 contributed £1.1 million of revenue and incurred an adjusted loss before tax of £0.6 million. 8over8 has, so far, mainly sold to Owner Operators within Oil & Gas, but we believe that there are good opportunities to cross-sell the solution into Mining and other capital intensive industries.

Costs for 8over8 Limited include £0.3 million in cost of sales, £0.8 million in Research & Development, £0.5 million in selling and distribution costs and £0.1 million in administrative expenses.

Exceptional items

During the year the Group incurred exceptional costs of £1,990,000 (2014 – £3,395,000), relating to acquisition costs for 8over8 of £371,000 (2014 – £102,000), exceptional restructuring costs of £851,000 (2014 – £1,762,000) and a provision for underpaid sales taxes in an overseas location of £768,000 (2014 – £1,531,000).

The acquisition and integration fees relate to fees paid to professional advisers for legal and due diligence advice related to the acquisition of 8over8 Limited.

The exceptional restructuring costs incurred during 2014/15 relate to the redundancy and related costs in connection to the rationalisation of offices and reduction in employees in specific areas of the business.

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

Profit before tax
Adjusted profit before tax for the year ended 31 March 2015 was £62.1 million (2014 – £78.3 million), a decrease of 21%. This resulted in an adjusted profit margin of 29.8% on a reported basis compared to 33.0% for 2013/14.

Reported profit before tax was £54.9 million (2014 – £69.0 million).

Taxation
The effective tax rate for the year was 24.2% (31 March 2014 – 26.1%) as the Group benefited from the reduction of 2% in the underlying UK corporate tax rate to 21%. Our effective rate was higher than the underlying UK rate because of profits earned in higher tax jurisdictions and non-deductible expenses.

Dividends
The Board is declaring a final dividend of 25 pence per share (2014 – 22 pence per share), an increase of 14%. The dividend will be payable on 3 August 2015, to shareholders on the register on 3 July 2015.

Earnings per share
Basic earnings per share were 65.07 pence (2014 – 78.12 pence) and diluted earnings per share were 64.92 pence (2014 – 77.99 pence). Adjusted basic earnings per share were 74.51 pence (2014 – 89.05 pence).

Balance sheet and cash flows
AVEVA continues to maintain a strong balance sheet and has no debt. Net assets at 31 March 2015 were £189.9 million compared to £185.0 million at 31 March 2014.

Non-current assets
Non-current assets increased from £74.0 million to £90.9 million mainly due to the goodwill and intangible assets acquired as part of the acquisition of 8over8 Limited in January 2015.

Working capital
Gross trade receivables at 31 March were £94.2 million (2014 – £82.9 million). The increase was due to the strong finish to the year resulting in our billings in the final quarter being more weighted towards the end of the period. In addition the balance includes trade receivables of £1.3 million related to 8over8 Limited. The bad debt provision at 31 March 2015 was £5.6 million compared to £5.2 million at 31 March 2014.

Deferred income at 31 March 2015 was £48.2 million compared to £36.5 million at 31 March 2014. This includes £4.5 million related to 8over8 Limited, the impact of rental contracts moving to the second half and £0.9 million related to the change of rate for deferring post contractual support used when accounting for rental licences.

Trade payables and other liabilities were lower than last year due to lower accruals for bonuses and commissions.

Cash generation
Net cash (including treasury deposits) at 31 March 2015 was £103.8 million compared to £117.5 million at 31 March 2014. Cash generated from operating activities after tax was £30.9 million (2014 – £52.0 million). The Group showed strong cash generation in the first half of the year but the phasing of billings as noted above meant that overall our cash generation for the year was lower than previous years. There has been no change in the credit terms offered to customers and cash collection has generally been in line with previous periods. In addition, during the year the Group paid additional contributions to the UK defined benefit pension scheme of £5.9 million (31 March 2014 – £2.5 million). The cash conversion for the year was 83% (2014 – 102%). The cash balance at 30 April 2015 was £117.6 million reflecting strong cash collections since the year end.

Pensions
On an accounting basis, the Group's pension liabilities increased from £8.8 million last year to £14.2 million at the year-end. This was principally caused by the UK defined benefit scheme deficit increasing from £5.9 million to £11.3 million driven by a reduction in government gilt and corporate bond yields, leading to a corresponding reduction in the discount rate used to discount our long-term liabilities, and is despite a strong asset performance.

On 31 March 2015, the Group closed the UK defined benefit pension scheme to future accrual. This decision was taken to manage the current and future risk on the Group's balance sheet, with a view to ultimately effecting an insurance buy-out. Previously accrued pension benefits will continue to be revalued in line with RPI. The Group agreed a deficit recovery plan with the trustees following the triennial valuation in 2013 with the plan to contribute £12 million over the 5 year period to March 2019. As part of this plan the Group paid lump sum contributions of £3.9 million during the year (2013/14 – £2.5 million) as well as a further voluntary contribution of £2.0 million to further improve the funding level of the scheme.

Capital structure
At 31 March 2015, the Group had 63,948,241 shares of 3 5/9p each in issue (31 March 2014 – 63,873,360 shares). During the year the AVEVA Group Employee Benefit Trust 2008 ("the Trust") purchased 13,991 ordinary shares in the Company in the open market at an average price of £21.72 per share for total consideration of £305,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2015, the Trust owned 44,722 ordinary shares in the Company.

In the prior year the Company paid a special dividend of £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 by approximately 4.3 million.

Treasury policy
The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board. These policies are designed to reduce the financial risk arising from the Group's normal trading activities, which primarily relate to credit, interest, liquidity and currency risk. The Group is, and expects to be, cash positive and at 31 March 2015 held net cash of £103.8 million. The treasury policy includes strict counter party limits.

James Kidd
Chief Financial Officer
19 May 2015

AVEVA CSR framework

Following the AVEVA CSR framework, this section provides a report on each of our targeted areas and continues to demonstrate the broad range of activities we get involved in at AVEVA within our local communities and as an ethically responsible business.

Internal stakeholders

We believe it is important that everyone in AVEVA feels valued and supported, while appreciating the unique perspective and skills that each individual can bring to a business. AVEVA is a diverse organisation with offices in 30 countries and employees from many different cultures and it is important that we have representation from all regions in how we shape our business. The introduction of Regional Operations Managers (ROMs) helps to ensure that every area of AVEVA has a clear communication strategy to give local staff a voice. This year we launched a new Global Ambassador Network to support the ROMs in communicating, sharing success stories and providing feedback on our employee's views of the organisation.

As of 31 March 2015, we increased our headcount globally by 9% to 1,623 and we operate from 55 locations in 30 countries. 73% of our employees are male and 27% are female.

9%

We increased our headcount globally by 9% to 1,623

37

We operate in 37 countries in 55 locations

External stakeholders

To embed and reinforce our corporate policy against accepting or payment of bribes we have enhanced and improved our eLearning tools. Every employee must complete the Global Corporate Governance and Group IT Compliance training each year to ensure that we maintain our high ethical standards.

To protect the interest of our customers, our Anti-Piracy and Compliance team monitor the illegal use of AVEVA software and enforce compliance within our terms and conditions. The illegal use of our software throughout the globe is an ongoing challenge, however, AVEVA is becoming much more successful in the detection of such cases.

Transparency and disclosure is fundamental to our relationships with customers and suppliers and we continue to maintain open, honest and fair discussions to maintain our reputation as a trusted and ethical organisation.

Employee engagement

Work has continued on developing ways to improve in areas that were highlighted by our 2013 Employee Engagement Survey.

Improving the visibility of our Executive Team across our diverse workforce and locations was one area that our people told us they would like to see. In response to this, over the past year we have provided regular updates from each member of the executive team, through different channels of communication. This has been a mix of both face-to-face sessions and cascaded team briefings throughout the whole of AVEVA. These activities provide an opportunity for our Executive Team to update employees on priorities and areas of focus, as well as facilitating two-way dialogue between employees and the Executive Team.

Communications

Internal Communications remains an area of focus as our organisation expands. It is important that everyone understands the Vision and Mission of AVEVA and the role each individual plays in contributing to our success.

The Internal Communications Team have introduced a number of new communication channels to engage with employees more effectively and are now equipped to measure how effective these channels are operating across the organisation. Through a number of internal campaigns this year we have seen a significant increase in the use of our intranet and other channels. This has been particularly encouraging in our rapidly growing Indian team, which has demonstrated increased engagement with both local and corporate activities.

Guangzhou Pottery Workshop

Corporate responsibility
continued

AVEVA CSR framework

Learning and development
During this year, we have expanded the AVEVA Springboard programme to support individual professional development. This programme is now available at main hubs in Kuala Lumpur, Houston and Rio de Janeiro. We have also strengthened our Learning and Development at these locations to provide targeted and relevant learning for our people, supporting our strategy to develop and continually progress the skills of our people across AVEVA.

Last year we saw:

813
hours of eLearning completed

1,697
hours of technical development training (PluralSight) completed

37
colleagues completing our management development training

AVEVA in the Community
We are proud to acknowledge and support the inspiring charitable work of the AVEVA team. Over the past year, our colleagues have been involved in fun runs, marathons, team events to support disadvantaged children, raffles, charity auctions and other activities to raise money for local, national and international charities. In many cases, AVEVA matches the funds raised by our employees and makes separate donations for specific charities throughout the year.

As well as matching employee fundraising we also support volunteering within our workforce. AVEVA colleagues have spent time supporting their local communities in many different ways. Here is just one example of where AVEVA's talented and committed team have gone the extra mile to improve their community.

In December 2014, a team from our Hyderabad office decided to support the cleaning up of the Nanakramguda IT Zone. They cleaned the roads, footpaths and roadside garbage working alongside the local municipal corporation authorities.

Wellness
AVEVA's support for employee well-being remains a key priority and this year we saw a record number of employees participate in the Global Corporate Challenge (GCC). Over 560 colleagues took part making up 80 teams. Our collective support provided fresh drinking water for 11,000 schoolchildren in 33 schools throughout Zimbabwe and Cambodia.

The AVEVA global team covered a distance of 383,553 km and achieved a total weight loss of 1,255 kg.

AVEVA GLOBAL AMBASSADOR NETWORK

01 **Hyderabad Office team participation**
02 **Shanghai Huge Grace Disabled Children Welfare Centre**


01

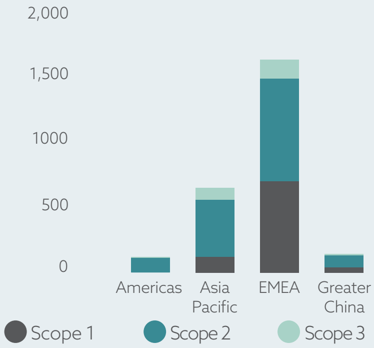

02

Scope 1:
Combustion of fuel and operation of facilities

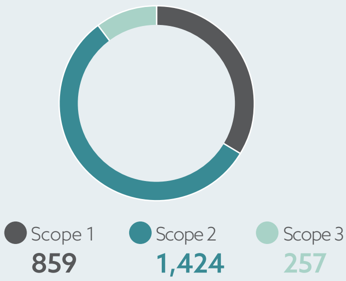
Scope 2:
Electricity, heat, steam and cooling purchased for own use

Scope 3:
Transmission and distribution losses

Tonnes of CO_2 by region



Tonnes of CO_2 equivalent



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 purpose 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 Conversion Factors. We have aimed for the GHG emissions to be captured for all of our UK and overseas offices between April 2014 and March 2015.

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 second year in which we have collected and published our emissions data, with the 2013/14 financial year serving as the baseline for our 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. In 2014/15 this intensity ratio increased to 10.36 tonnes CO_2e/£ million (2014 – 8.74). This increase partly reflects the reduction in our revenue during the year as well as the increase in our headcount.

For period 1 April 2014 to 31 March 2015

Emissions from:	Tonnes CO_2e	2013–14
Scope 1 – Combustion of fuel and operation of facilities	859	543
Scope 2 – Electricity, heat, steam and cooling purchased for own use	1,424	1,531
Scope 3 – Transmission & Distribution losses	257	265
	2,540	2,339
Intensity Measurement (Scopes 1 and 2) – Tonnes CO_2e/£m revenue	10.36	8.74

This Strategic Report has been approved by the Board of Directors and is signed on its behalf by:

Philip Aiken
Chairman
19 May 2015

Directors' report

Corporate governance

"I am pleased to introduce the 2015 Corporate Governance statement."

Philip Aiken
Chairman
19 May 2015

STRATEGIC REPORT
DIRECTORS' REPORT
FINANCIAL STATEMENTS

Introduction

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 45 to 59.

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).

Brief biographical details of all Board members are set out on pages 40 and 41. The membership of all Board Committees is set out on page 39.

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 seven 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 Directors visit an AVEVA office outside the UK at least once per year and in September 2014 the entire Board travelled to India and visited the AVEVA offices in Mumbai and Hyderabad. The September Board meeting was held in Hyderabad.
- 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.

Corporate governance continued

- 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 2015

The Board

Executive Directors
Richard Longdon
James Kidd

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

Executive management team

Chief Executive
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	Executive Vice President Regional Operations	Executive Vice President Human Resources and Business Services

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 40 and 41 demonstrate a range of experience and sufficient calibre to bring 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	7
Meetings attended:	
Philip Aiken	7
Jonathan Brooks	7
Philip Dayer	7
Jennifer Allerton	7
Richard Longdon	7
James Kidd	7

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 principal risks and uncertainties the Group faces are set out on pages 22 and 23.

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: Revised Guidance for Directors on the Combined Code.

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.

Corporate governance continued

The Board has also performed a specific assessment for the purpose of this annual report. This involved reviewing the Group's risk matrix that had been reviewed/updated 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. In the prior year, an extensive review was externally facilitated by Armstrong Bonham Carter LLP, the independent board performance consultants. The most recent review was carried out in March 2015, was led by the Chairman and was conducted following one-on-one interviews with each Director.

Overall, the review concluded that the Board and its committees had demonstrated a high degree of effectiveness. There were some recommendations on how to further improve the development of strategy and monitoring of risks which the Board is addressing.

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 Board members are offering themselves for re-election at the Annual General Meeting.

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

Non-Executive Directors are appointed for a term of three years. The Chairman of the Nominations Committee and the remainder of the Board 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.

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 2014, the Company held a capital markets day in London, where analysts and shareholders were updated on the activities of the Group including its Sales operations and latest technological developments. 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, when necessary, the Group consults 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 60 and 61.

Committees of the Board

The Board has three Committees: Audit, Remuneration and Nominations. 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.

The Board

Audit Committee	Nominations Committee	Remuneration Committee	Executive Team

Audit Committee

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

Main responsibilities:

Financial reporting

- Assisting the Board in its oversight and monitoring of financial reporting
- Reviewing significant areas of judgement and accounting policies
- Advising the Board as to whether the draft Annual Report is fair, balanced and understandable
- Monitoring announcements in respect of financial performance

Financial controls and risk

- Monitoring the effectiveness of internal financial controls
- Reviewing financial risks, including fraud risks and treasury risks
- Oversight of internal audit activities
- Managing the external audit exercise, its objectivity and effectiveness

Nominations Committee

Committee Chairman:	No. of meetings: 2
Philip Aiken	2
Committee members:	
Jonathan Brooks	2
Philip Dayer	2
Jennifer Allerton	2

Main responsibilities:

- Board and committee composition, particularly in relation to the diversity of background, skills and experience
- Nomination, selection and appointment of Non-Executive and Executive Directors
- Succession planning for Board and senior management roles
- Diversity policy and monitoring of progress

Remuneration Committee

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

Main responsibilities:

- Make recommendations to the Board on the Group's policy for Executive and senior management remuneration
- On behalf of the Board, determine the individual remuneration packages, within the policy, for the Executive Directors of the Group
- Set annual and long-term incentive targets and awards and determine outcomes with support from the Audit Committee
- Report on remuneration matters and constructively engage with shareholders

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 Non-Executive Director of National Grid plc, 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 Newcrest Mining Limited and Chairman of Balfour Beatty plc.

Length of tenure
3 Years (appointed 1 May 2012)

Richard Longdon
Chief Executive

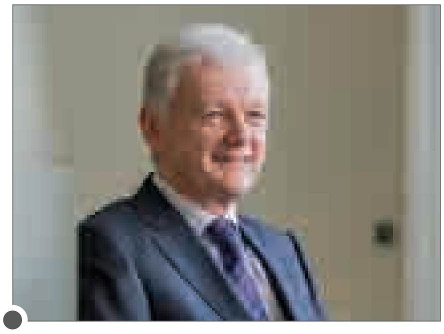
Richard Longdon received engineering training in the defence industry and then gained experience in the project management of high-value engineering projects. He moved into sales and held a series of international sales and marketing positions. He joined AVEVA in 1984 and shortly afterwards was made 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. Richard was appointed as Chairman to Process Systems Enterprises Ltd in London in January 2015.

Length of tenure
21 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 until 2011 when he was appointed CFO. 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
4 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. He is currently a Non-Executive Director, Chair of the Audit Committee and Interim Chair of the Remuneration Committee of IP Group plc, which commercialises intellectual property from leading universities, as well as a Non-Executive Director and Chair of the Audit Committee of FDM Group (Holdings) plc, an IT professional services provider.

Length of tenure
8 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 is a Non-Executive Director of Kazmunaigas Exploration Production JSC, The Parkmead Group plc, VTB Capital plc and PAO Severstal.

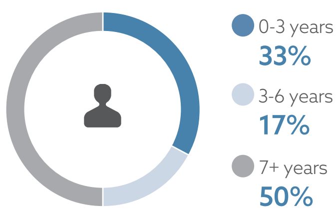
Length of tenure
7 Years (appointed 7 January 2008)

Jennifer Allerton
Non-Executive Director

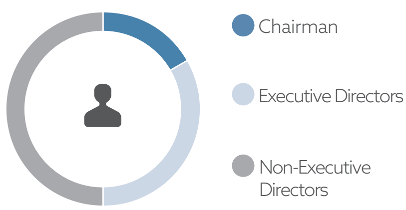
Jennifer Allerton has more than thirty-eight years of Information Technology experience, most recently as Chief Information Officer at F. Hoffmann-La Roche in Switzerland with responsibility for IT strategy and operations for the Pharma division and all Group IT operations from June 2002 to July 2012. Prior to Roche, she served as Technology Director at Barclaycard with responsibility for Fraud Operations and IT. Currently, Jennifer serves as an Independent Director on the Board of Iron Mountain and as a Non-Executive Director of Oxford Instruments and Sandvik. She holds Bachelor degrees in Mathematics from Imperial College, London, and a Masters degree in Physics from the University of Manitoba, Canada.

Length of tenure
2 Years (appointed 9 July 2013)

Board tenure



Board composition



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
19 May 2015

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

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 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. The Committee also assesses the process that has been established to ensure that the Annual Report is fair, balanced and understandable, reporting to the Board their findings.

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. Brief biographical details for all the members of the Committee are included on page 41.

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. In September 2014, the Audit Committee met at the Group's offices in Mumbai, and so were able to meet members of the finance team there.

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.

Overview of the year's activities

The Audit Committee undertook several additional projects during the year in addition to its prescribed duties.

Responsibility	Activity in the year
Revenue recognition	The Committee received regular updates from management as to its consideration of implications of the new accounting standard for revenue recognition – IFRS 15. Following the extensive review of the Group's revenue recognition policies in 2014, a significant exercise was conducted during 2014/15 on the subject of post contractual support (PCS). Where not specifically indicated in a contract, a proportion of any licence fee is allocated to cover PCS. The exercise comprised analysing the actual percentage figure of PCS in contracts where similar PCS was separately identified and invoiced to refresh the basis of the accounting estimate used.
External audit	The Committee spent considerable time discussing the merits of tendering the audit in the summer of 2015, when the current audit partner is required to rotate off, or waiting until 2020. See conclusion below.
Risks and internal controls	The Committee received, reviewed and discussed the findings of the extended external audit procedures conducted in France and Japan (March and May 2015 respectively). Some minor opportunities for improvement, particularly in credit control, were identified. Following the loss of a major contract within the Enterprise Solutions Division earlier in the year, the Committee commissioned an internal review of what lessons should be learned for future enterprise-wide implementation projects. In May 2015, the Committee received a report covering management's annual cyber security review. In March 2015, management presented a Group taxation update and assessment of current risks for the Group. During the latter half of 2014, the Committee's attention was drawn to internal control issues in South East Asia, specifically with respect to the timing of revenue recognition and the payment of commissions to sales people. Following a thorough internal investigation, a special Audit Committee was held in December 2014 to review how practices could be improved. While the issue was not material to the Group and was contained, control improvements were identified, including better security over the use of digital signatures, better credit control processes and more rigour in getting contracts signed and sealed. Annually the Committee undertakes a treasury review which was completed in March 2015. This year this also included a detailed review of risk and mitigations by an external party in the area of foreign exchange management.
Valuation of assets and liabilities	The difficult trading conditions faced by the Enterprise Solutions business led to several reviews of whether its goodwill and intangible assets of £9.9 million required impairment. A third party valuation was undertaken towards the end of the year to assess the recoverable value of these assets. The Committee gave oversight of the acquisition of 8over8, reviewing and approving its completion balance sheet in March 2015. The Committee discussed and challenged the accounting assumptions underlying the valuation of the Group's UK defined benefit pension scheme and any potential consequences of the closure of the scheme to future accrual which, following a process of member consultation, was finalised in March 2015.
Financial reporting	Review and approval of financial reporting, particularly the 6 month interim report, full year preliminary announcement and 2015 Annual Report. Consideration of segmental disclosures for 2015/16 and beyond, following the planned reorganisation.

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 37. The principal risks the Group faces are set out on pages 22 and 23. 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.

The Committee plans to consider any enhancement to its current processes that are encouraged by the FRC's guidance on risk management and viability as part of its 2015/16 programme.

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.

Audit Committee report continued

Key estimates and judgements

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 retirement benefit obligations and the uncertainty of tax treatments 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.

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 review of controls being undertaken by teams with specific local regulatory knowledge and without any local language barrier. The Committee believes that this favours the provision of assurance from external sources, which is considered to be both more efficient and effective than having its own central internal audit team. However, the Audit Committee does review the need to have its own separate internal audit function each year.

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.
- Peer and head office reviews of key risk areas of financial internal control. During the year we conducted an internal review of an Enterprise Solutions project and an internal review of our sales processes in South East Asia.
- The use of qualified third parties to undertake specialist reviews in more technical areas. During 2014/15 third party technical reviews were undertaken on tax risks in India, the management of foreign exchange risk as well as work on cyber security.
- 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 2014/15 extended external audit procedures were undertaken in France and Japan following similar exercises in Brazil, South Korea, China and Russia in prior years.
- 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: strict controls over the extent and nature of non-audit work performed by the auditor; semi-annual review of audit independence by the Committee; and an annual assessment of the quality of the audit service. An analysis of audit and non-audit fees is provided in note 5 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 permitted non-audit work which mainly consisted of tax compliance work for subsidiaries of the Group and some other statutory filing work. In light of expected regulation and developing practice, the Audit Committee considers that any permitted non-audit work should not exceed 70% of the audit fee, except with the possible exception of reporting accountants' work, which would have to be approved by the Committee – as do any projects with fees greater than £50,000. 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.

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, has completed his fifth year with the Group this year. It is therefore a logical time for the Group to consider putting the Group's audit out to tender prior to the half year reporting schedule. While the Committee has been very happy with the quality of the work undertaken by its auditor, EY, it has concluded that there are advantages to conducting an audit tender process in the summer of 2015. The tender process will consider the option of rotating in a new lead audit partner from EY versus appointment of a different audit firm. The Committee's prime objective is to ensure the quality of the audit is maintained at a reasonable cost.

At the May 2015 meeting, the Committee assessed the effectiveness of the external auditor. This assessment was based upon 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. Every second year a more detailed exercise is conducted across key units of the Group.

Audit planning and main audit issues

At the November 2014 meeting of the Committee the auditor presented their audit plan for 2014/15. 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 significant judgements surrounding revenue recognition and the valuation of intangible assets associated with the ES business. The Audit Committee's response to these areas is addressed in the table on page 43.

Remuneration Committee report

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

Philip Dayer
Remuneration Committee Chairman
19 May 2015

Remuneration review
The Remuneration Committee believes that the remuneration arrangements voted on and agreed in 2014 continue to align Executive Directors with the delivery of the long-term strategy and creation of shareholder value while rewarding Executives fairly if success is achieved. Overall, the Committee has decided this year not to make any changes to the principles or the Remuneration Policy approved at the 2014 AGM and the policy will continue to be operated as set out in the 2013/14 Remuneration Committee report.

The Committee appreciates that the AVEVA business has been faced with challenges in 2014/15 in respect of a general slowdown in its end markets. The underlying business does, however, remain strong. It is the view of the Remuneration Committee that the Executive Management Team have continued to perform to high standards with commitment and leadership through a challenging period.

Against this backdrop the Committee has concluded the following:

- As set out in my consultation letter last year, and as communicated in the 2014 Remuneration Committee report, the Committee decided to increase the base salary for the CEO and CFO as follows over two years.

With effect from	CEO	CFO
1 April 2014	£445,000 (c.9.7% increase)	£280,000 (c.7.7% increase)
1 April 2015	£485,000 (c.9.0% increase)	£300,000 (c.7.1% increase)

The first stage of the change was implemented in 2014/15. Given the strong performance of each of the Executive Directors and the underlying operational performance of the Group over the course of the year in light of a very difficult external climate, the Committee has considered it appropriate to proceed with the second stage of this increase with effect from 1 April 2015.

- The long-term incentive opportunity for the CEO and CFO for the coming year will remain unchanged.
- 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 2015 awards. The threshold and maximum performance targets for awards to be granted in 2015 will remain 12% and 20% per annum over three years respectively.

2014/15 Out-turns
As a result of mixed, but generally weaker, trading conditions in the markets in which the Company operates, particularly in Oil & Gas, together with a strong foreign currency headwind, performance in 2014/15 fell below expectations. Total revenue for the year was £208.7 million which was down 12% compared to 2013/14. Adjusted profit before tax for the year ended 31 March 2015 was £62.1 million (2014 – £78.3 million), a decrease of 21%.

In this context, the Committee determined that none of the financial element of the annual incentive award will be paid as targets were not met. The Executive Directors were given individual performance objectives which were specific in nature and important for the long term growth and sustainability of the business. The Remuneration Committee are satisfied that these objectives were met in full and determined that for both the CEO and CFO, 10% of the core award will be paid.

Further, none of the LTIP awards granted in 2012, under the previous Long-Term Incentive Plan, shall vest as growth in diluted EPS over the three year period to 31 March 2015 did not reach the 9.5% p.a. growth needed for threshold levels of awards to vest.

Remuneration reporting
The 2013/14 financial year was the first year in which AVEVA was required to report under the new remuneration reporting regulations.

- The Directors' remuneration policy which, approved by the shareholders with votes in favour of 97.31%, will apply for three years from the 2014 AGM until 2017 and is available to view on the Company website, www.aveva.com;
- 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 2014/15 financial year, is set out below.

The Committee is appreciative of the significant shareholder support that it received in respect of the Director Remuneration Policy and Annual Report and the Remuneration Committee circulated the principal shareholders with information in respect of the 2015 remuneration review ahead of this published report.

Agenda for 2015/16
The Committee will continue to keep the structure and details of our remuneration arrangements under review and will continue to communicate and consult with shareholders as appropriate.

Remuneration Committee report continued

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, and 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 2014/15 were Philip Dayer (Chairman), Philip Aiken, Jonathan Brooks and Jennifer Allerton.

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. In 2014/15, Deloitte received fees of £8,750 in relation to advice provided to the Committee.

Shareholder voting

The table below sets out the results of the voting outcome for the Directors' remuneration policy and the Directors' Remuneration Report at the 2014 AGM.

	No. votes in favour and discretionary	% of votes cast	No. votes against	% of votes cast	Total number of votes cast	No. votes withheld
Directors' Remuneration policy	51,530,628	97.31%	1,422,153	2.69%	52,952,781	53,176
Directors' Remuneration Report	37,396,670	96.58%	1,326,082	3.42%	38,722,752	14,283,205

The Directors' remuneration policy

Set out below is a copy of the policy table from the Directors' remuneration policy (the Policy), which was approved by shareholders at the 2014 AGM, held on 14 July 2014. To provide consistency with the remainder of the report, salaries shown have been updated for 2015 salaries, the scenario charts have been updated for the operation of the policy in 2015/16 and Non-Executive Director fees have been updated for 2015 fees.

We highly value shareholders' comments on and overwhelming support for our Remuneration Policy. This was demonstrated at the 2014 AGM where the resolution to approve our Remuneration Policy received 97.31% of votes cast in favour. It is our belief that it is the preference of shareholders that we should not make frequent changes to the Remuneration Policy and we will propose changes only if we believe that they would lead to a better alignment between pay, strategy and long-term business performance. No changes have been proposed for 2015/16.

Full details of the Directors' remuneration policy, as approved by shareholders at the 2014 AGM, can be found on our website www.aveva.com.

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 achievement of the Company's strategy and the future creation of shareholder value; enhanced performance is encouraged; and, the Executive Management team is, 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.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			

– 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 2015 are:
		  – CEO (Richard Longdon) £485,000
		  – CFO (James Kidd) £300,000
			None

Remuneration Committee report continued
The Directors' remuneration policy continued

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 Director 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

<table>
<tr><th>Purpose and link to strategy</th><th>Operation</th><th>Maximum opportunity</th><th>Performance measures</th></tr>
<tr><td colspan="4">Annual Incentive Scheme & Deferred Share Scheme</td></tr>
<tr><td>– 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.</td><td>– 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.</td><td>– The maximum bonus opportunity is 125% of base salary (core award of 100% of salary, outperformance award of 25% of base salary).</td><td>Core Award
– The core bonus award is based on a mix of financial and individual objectives. For 2015/16, 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.</td></tr>
<tr><td colspan="4">The AVEVA Group Long Term Incentive Plan 2014 (the 2014 LTIP)</td></tr>
<tr><td>– 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.</td><td>– From 2014 onwards, the Committee will make awards under the 2014 LTIP (which replaces the previous 2004 LTIP), which was approved by shareholders 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.</td><td>– 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.</td><td>– 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.</td></tr>
</table>

Remuneration Committee report continued
The Directors' remuneration policy continued

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 malus or clawback.
- 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 plans 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 periods apply. 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.

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

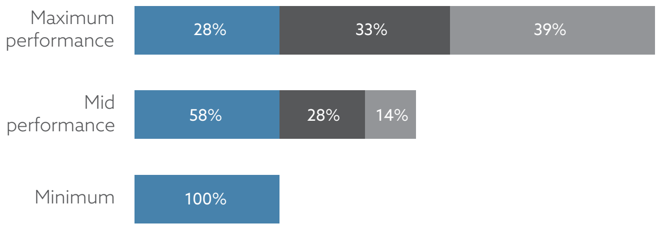
		CEO	CFO
Maximum award opportunities % of salary	Annual Bonus LTIP	125% 150%	125% 120%
Minimum	– No annual incentive pay-out – No vesting under the LTIP		
Mid performance	– 50% of salary pays out under the Annual Bonus (40% of maximum i.e. half of the core award and none of the outperformance award) –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

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 in advance. Where targets have been met and awards are payable, targets will be disclosed retrospectively.

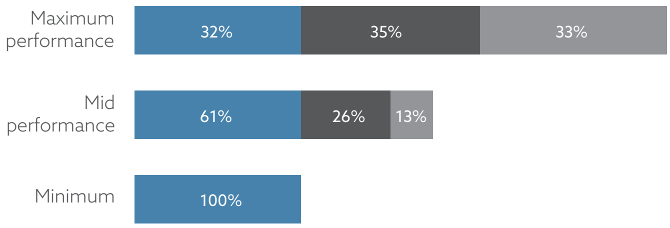
No share price growth has been assumed. Potential benefits under all employee share schemes and dividend equivalents have not been included.

Performance-related rewards

CEO – Richard Longdon



CFO – James Kidd



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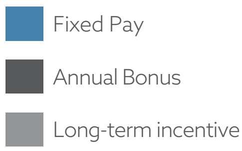


Remuneration Policy for Non-Executive Directors

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 – £170,000
	  – Basic Non-Executive Director fees – £48,000
	  – Committee Chairman fee (Audit and Remuneration) – £11,000
	  – Senior Independent Director fee – £11,000
	– 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.

Remuneration Committee report continued
The Directors' remuneration policy continued

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 appointment	Date of contract	Expiry/review date of current contract	Notice period months
Philip Aiken	1 May 2012	1 May 2015	30 April 2018	3
Philip Dayer	7 January 2008	2 January 2014	2 January 2017	3
Jonathan Brooks	12 July 2007	11 July 2013	11 July 2016	3
Jennifer Allerton	6 March 2014	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.

Executive Directors

Statement of implementation of remuneration policy in 2014/15

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

Base salary

As set out in the Directors' Remuneration Report last year, a detailed review of market positioning was undertaken during the course of 2013/14 for the first time since 2011 given the increase in the size and complexity of the Group over the period, and it was determined that the positioning of the Executive Directors' remuneration, particularly base salary, had fallen significantly behind market practice.

In light of this, 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.7.7% increase)
1 April 2015	£485,000 (c.9.0% increase)	£300,000 (c.7.1% increase)

The first stage of the change was implemented in 2014. Given the strong performance of each of the Executive Directors and the underlying operational performance of the Group over the course of the year in light of a very difficult external climate, the Committee has considered it appropriate to proceed with the second stage of this increase with effect from 1 April 2015.

Benefits

In line with benefits provided for other senior employees, in 2015/16 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 on page 48, 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 2015/16, 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 2015/16, 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 were 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 2015/16.

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 in advance. Where targets have been met and awards are payable, targets will be disclosed retrospectively.

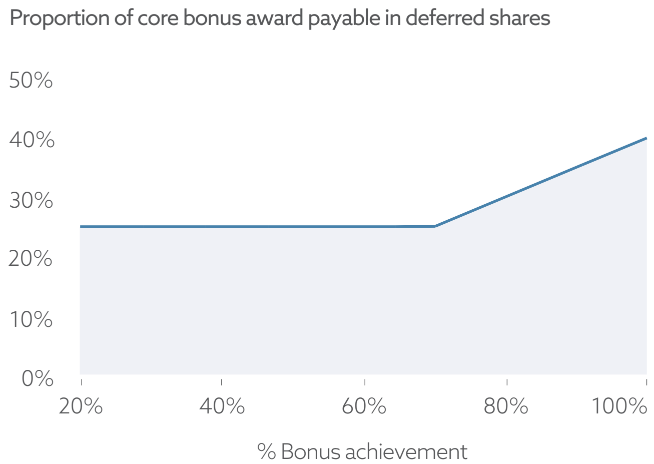
Deferral

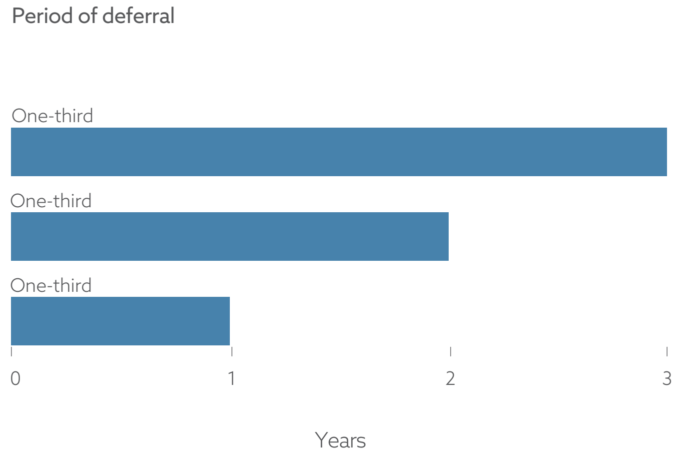
For the core award, at 100% achievement of bonus performance conditions, 60% of the bonus amount is payable in cash and the balance, 40%, is deferred into shares. If the bonus amount is less than or equal to 70% of the potential maximum core bonus, then 75% of the bonus is paid in cash and 25% paid in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

Remuneration Committee report continued
Annual report on remuneration continued





Long-Term Incentive Plan
In line with our Policy, the award opportunity for the CEO will be 150% of base salary and for the CFO will be 120% of base salary.

As with previous years, the performance conditions for the award will be based on average adjusted diluted EPS growth over the three-year period from 2015/16 to 2017/18. The performance ranges for the awards to be granted in 2015 are as follows:

Performance	Targets	Proportion of vesting (% of total award)[1]
Threshold	12%	25%
Maximum	20%	100%

1 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 2014/15 and 2013/14 financial years.

Executive Directors

2014/2015	Base salary (£'000)	Benefits (£'000)	Pension (£'000)	Annual incentive (£'000)	Long-term incentive (£'000)	Total (£'000)
Richard Longdon	445	27	—	45	—	517
James Kidd	280	20	28	28	—	356

2013/2014	Base salary (£'000)	Benefits (£'000)	Pension (£'000)	Annual incentive (£'000)	Long-term incentive (£'000)	Total (£'000)
Richard Longdon	406	27	—	254	476	1,163
James Kidd	260	17	26	163	190	656

Elements of single figure of remuneration
Base salary
The CEO's salary in 2014/15 was £445,000 (2013/14 – £405,600). The CFO's salary in 2014/15 was £280,000 (2013/14 – £260,000).

Benefits
In 2014/15 and 2013/14 Executive Directors were provided with a company car or a car 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 2014/15 the Company contributed 10% of salary to the plan.

Annual incentive

This reflects the total annual incentive paid and payable in 2015 based on performance in the year ended 31 March 2015. 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 dependent on achieving the half year Group adjusted profit before tax (PBT) performance target, and 80% dependent on achieving the full year Group adjusted PBT performance target. Following a review of performance in the year, the Committee determined that none of the financial element award will be made as neither of the targets were met. The Executive Directors were given individual performance objectives which were specific in nature and important for the long term growth and sustainability of the business. The Remuneration Committee are satisfied that these objectives were met in full and determined that for both the CEO and CFO, this element of the core award (10%) will be paid. None of the outperformance award will be paid as targets were not met. Achievement for 2014/15 was 10% of the core award and 8% of the maximum payable for both Executive Directors (2013/14 – 63% and 50%).

2015	Cash bonus (£'000)	Deferred bonus (£'000)	Total bonus (£'000)
Richard Longdon	34	11	45
James Kidd	21	7	28

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 in advance. Where targets have been met and awards are payable, targets will be disclosed retrospectively.

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 2015.

These awards were subject to the delivery of EPS growth. 0% of awards vest for diluted adjusted EPS growth of less than 9.5% p.a., with 100% of awards vesting for diluted adjusted EPS growth of 16.5% p.a. Average diluted EPS growth for the three year performance period did not reach the minimum 9.5% p.a. growth needed and therefore 0% of the LTIP awards will vest in the period relating to 2014/15.

For 2013/14, 94% of the maximum LTIP awards granted to the Executives in 2011/12 vested. The value included in the single total figure of remuneration in respect of 2013/14 has been restated to reflect the actual number of shares that vested and the market value of the shares on the date of vesting 22 July 2014. The figure included in last year's Directors' Remuneration Report was estimated based on the average share price for the period from 1 January 2014 to 31 March 2014 as the vesting date was post the publication of the 2013/14 Annual Report and Accounts.

Other information in relation to 2014/15

Scheme interests awarded in the year (audited)

The following tables set out details of the LTIP 2014 and deferred share awards made to the Executive Directors during 2014/15:

LTIP 2014

Performance measures are based on diluted adjusted EPS growth. 25% vests for diluted adjusted EPS growth of 12% p.a. and 100% vests for diluted adjusted EPS growth of more than 20% p.a. Linear interpolation applies between these points.

Executive Director	Date of grant	Basis of Award	Face Value of Awards	Performance Period
Richard Longdon	21 August 2014	120% of base salary	£534,000[1]	1 April 2014 – 31 March 2017
James Kidd		100% of base salary	£280,000[1]	

1 Using the average market share price for the 5 days preceding the award of 2,030p, this equates to 26,302 shares for Richard Longdon and 13,791 shares for James Kidd.

Deferred Share Awards

Executive Director	Date of grant	Basis of Award	Face Value of Awards	Performance Period
Richard Longdon	20 June 2014	Deferred element of 2013/14 annual incentive	£111,673[2]	No performance period. Awards vest in equal tranches on 27 May 2015, 27 May 2016 and 27 May 2017
James Kidd			£62,611[2]	

2 This is calculated as the number of outstanding deferred shares, multiplied by the closing share price at 31 March 2014 of 2,094p.

Remuneration Committee report continued
Annual report on remuneration continued

Shareholding guidelines and interests in shares (audited)

	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 2014	Shares owned outright at 31 March 2015
Richard Longdon	200%	Yes	834%[1]	246,349	249,632
James Kidd	100%	On-target	70%[1]	6,901	13,108

1 Calculated using the closing share price on 31 March 2015 of 1,486p and base salary for the 2014/15 year.

Outstanding scheme interests (audited)

	As at 1 April 2014	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2015	Exercise price (p)
Richard Longdon						
LTIP	80,920	32,879	–	(1,507)	112,292	0.3556
Deferred shares	11,542	2,932	(6,209)	–	8,265	nil
James Kidd						
LTIP	34,256	16,550	(9,438)	(602)	40,766	0.3556
Deferred shares	5,308	1,880	(2,318)	–	4,870	nil

Summary of LTIP targets

The following table sets out a summary of the performance targets attached to outstanding long-term incentive awards

Date of award	Options granted to Executive Directors	Period of performance measurement	Performance targets/measures	Achievement
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 vested
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.	Target not met, 0% of award expected to vest
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
21 July 2014	49,429	2014/15 – 2016/17	– 0% for diluted adjusted EPS growth of less than 12% p.a. – 25% for diluted adjusted EPS growth of 12% p.a. – 100% for diluted adjusted EPS growth of more than 20% p.a. – Linear interpolation to determine the number of shares that vest between 12% 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 2014/15.

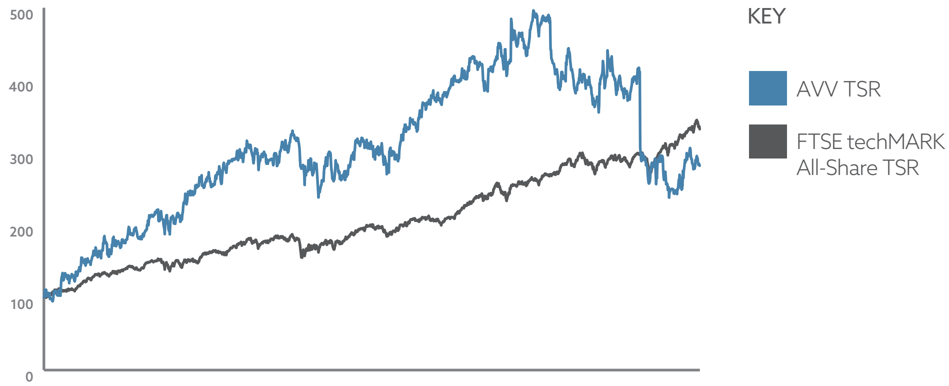
Payments for loss of office (audited)

No payments were made during 2014/15.

Total shareholder return v. techMARK All-Share Index 2009–2015

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 six year history

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

	2009/10	2010/11	2011/12	2012/13	2013/14	**2014/15**
CEO Single figure of total remuneration (£'000)	818	695	1,003	963	1,163	**517**
Annual incentive pay-out (% of maximum)	100%	100%	68%	94%	50%	**8%**
LTIP pay-out (% of maximum)	100%	0%	100%	33%	94%	**0%**

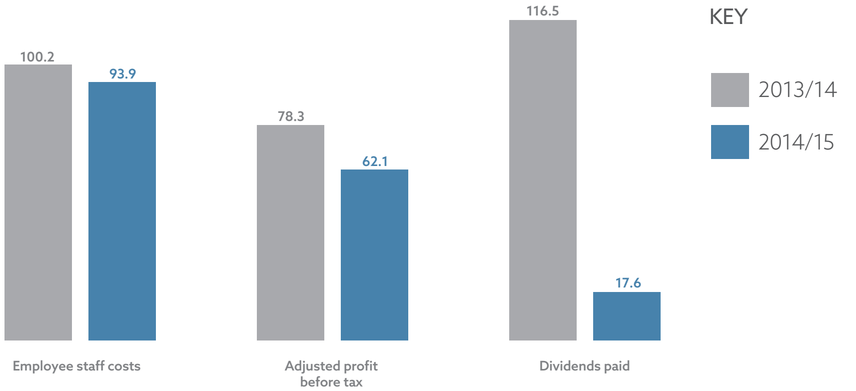
Change in remuneration of the CEO

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 2013/14 financial year through to the end of the 2014/15 financial year). The UK Group has been chosen because AVEVA is headquartered, and employs around one-quarter 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 (2013/14 to 2014/15)	9.7%	5.2%	2.0%
% change in benefits (2013/14 to 2014/15)	0%	0%	0%
% change in annual bonus (2013/14 to 2014/15)	-84%	-84%	-100%

Remuneration Committee report continued
Annual report on remuneration continued

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 is, since January 2015, Chairman of the Board of Process Systems Enterprise Limited. Prior to his appointment to this position, 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. Richard Longdon receives fees for this role, which, as he performs this role independently of his duties to the Company, the Committee determined he was entitled to receive.

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 2015 £	Accumulated accrued pension at 31 March 2014 £	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	**166,354**	164,300	2,054	–	–

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 2015 £	31 March 2014 £	Movement, less Directors' contributions £
Richard Longdon	**3,964,246**	3,137,520	826,726

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 2014/15 received employer contributions of £28,000 (2013/14 – £26,000).

Non-Executive Directors

Implementation of remuneration policy for NEDs in 2015

As noted in the Policy Report, the fees for the Chairman and the Non-Executive Directors are determined taking account of the individuals' responsibilities, time devoted to the role and prevalent market rates.

Role	2014/15 fees £
Chairman	165,880
Basic Non-Executive Director fee	47,150
Committee Chairman fee (Audit and Remuneration)	10,700
Senior Independent Director	10,700

Fees for 2015/16 shall increase by the same rate as the salary increase for UK employees (2%).

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 2014/15 and 2013/14.

	2014/15 fees £	2013/14 fees £
Philip Aiken (Chairman)	**165,880**	150,800
Jennifer Allerton	**47,150**	34,320*
Jonathan Brooks	**57,850**	56,160
Hervé Couturier	**–**	11,440
Philip Dayer	**68,550**	66,560

* From date of appointment.

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 2015.

	Shares owned outright at 31 March 2015	Shares owned outright at 1 April 2014
Philip Aiken (Chairman)	**1,537**	937
Jennifer Allerton	**3,000**	1,000
Jonathan Brooks	**1,500**	–
Philip Dayer	**7,696**	6,562

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

This Remuneration Committee report has been approved by the Board of Directors and is signed on its behalf by:

Philip Dayer

Philip Dayer
Remuneration Committee Chairman
19 May 2015

Other statutory information

Results and dividends

The Group made a profit for the year after taxation of £41.6 million (2014 – £51.0 million). Revenue was £208.7 million (2014 – £237.3 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 25 pence per ordinary share (2014 – 22.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 3 August 2015 to shareholders on the register at close of business on 3 July 2015.

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 include total revenue, recurring revenue, adjusted profit before tax, adjusted earnings per share and headcount. The figures for the year ended 31 March 2015 are set out on page 21, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group is included on pages 22 and 23.

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 24 to the consolidated financial statements.

Going concern

The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2015 the Group had cash and treasury deposit balances of £103.8 million (2014 – £117.5 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)
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 2015 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 2015 ordinary shares	At 31 March 2014 ordinary shares
Philip Aiken	**1,537**	937
Philip Dayer	**7,696**	6,562
Jonathan Brooks	**1,500**	–
Jennifer Allerton	**3,000**	1,000
Richard Longdon	**249,632**	246,349
James Kidd	**13,108**	6,901

No changes took place in the interests of Directors in the shares of the Company between 31 March 2015 and 19 May 2015.

Directors' share options are disclosed in the Remuneration Committee report on pages 45 to 59.

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 40 and 41.

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 28 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.

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 2015 Percentage held %	Number	As at 19 May 2015 Percentage held %
Aberdeen Asset Management	6,738,494	10.5	6,738,494	10.5
Threadneedle Investments	4,070,850	6.4	4,070,850	6.4
1818 Partners	3,579,808	5.6	3,579,808	5.6
Allianz Global Investors Europe	3,325,180	5.2	3,325,180	5.2
Oppenheimer Funds	3,282,080	5.1	3,282,080	5.1
BlackRock	3,141,009	4.9	3,141,009	4.9
Standard Life Investments	2,023,327	3.2	2,023,327	3.2
HMI Capital Partners	1,955,000	3.1	1,955,000	3.1

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.

Other statutory information continued

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

The Company's Articles of Association require that at each AGM 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 2015 to stand for re-election.

Listing Rules disclosures
For the purpose of LR9.8.4C R, the only applicable information required to be disclosed in accordance with LR9.8.4 R can be found in the section below titled Employee benefit trust. The information concerned is in respect of shareholder waiver of dividends and future dividends.

Annual General Meeting
The Annual General Meeting will be held on 9 July 2015 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 44,722 ordinary shares in AVEVA Group plc representing 0.07% (2014 – 72,626 shares representing 0.11%) 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.

Greenhouse gas emissions reporting
The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel, the operation of any facility, and resulting from the purchase of electricity, heat, steam or cooling. Details of our emissions are set out within the Corporate Responsibility section of the Strategic Report and form part of the Directors' Report disclosures.

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.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare Consolidated financial statements for each financial year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the undertakings included in the consolidation as a whole as at the end of the financial year and the profit or loss of the undertakings included in the consolidation as a whole, so far as concerns members of the Company, for the financial year. In preparing those Consolidated financial statements, the Directors are required to:

- select and apply accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 adequate accounting records which are sufficient to 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

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 60. 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

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and 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 profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

James Kidd

James Kidd
Chief Financial Officer
19 May 2015

Richard Longdon
Chief Executive
19 May 2015

This Directors' Report has been approved by the Board of Directors and is signed on its behalf by:

David Ward

David Ward
Company Secretary
19 May 2015

Financial statements

Independent auditor's report

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of AVEVA Group plc for the year ended 31 March 2015 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income/(expense), the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in shareholders' equity and the parent company balance sheet, the Group related notes 1 to 29, the parent company related notes 1 to 9 and the Statement of Group accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 63, the directors are responsible for the preparation of the 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 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 and 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.

Our assessment of risks of material misstatement and our response to that risk

We identify below the risks of material misstatement which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

Risk	Response
The risk of inappropriate revenue recognition on software licence contracts	

In particular:
– inappropriate application of the group revenue recognition policy and IAS 18 (Revenue) for licence revenue recognition, which could result in, for example, revenue being recorded when performance conditions have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and
– inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period (AC, AP, SAE)*
	– We review and walkthrough the central process over the approval and recognition of revenue contracts across the group.
	– We performed licence revenue sample transaction testing at a local and group level to ensure that revenue had been recorded in accordance with the revenue recognition principles as detailed in note 2 and had been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by:
	  – agreeing licence revenues through to signed contracts;
	  – agreeing the revenue through to subsequent payment as evidence of collectability;
	  – checking evidence to support delivery and therefore correct timing of revenue recognition; and
	  – reviewing contract terms for any conditions that would impact the timing of the revenue recognition and ensuring appropriate allocation and recognition of revenue for other deliverables included within the contract.
	– Given the significant risk concentration and centralised oversight of revenue recognition, the group audit team performed additional substantive audit work on all contracts across the group where invoices over £0.4 million were issued in the year, to ensure consistency of application of the revenue recognition policy.
	– We performed cut-off testing for a sample of revenue items booked either side of year end to ensure that licence revenue was recognised for software where the contract was signed by both AVEVA and the customer prior to year end and the software had been delivered prior to the year end.
	– We performed journals testing by selecting a sample of revenue journals and assessed the appropriateness of the journal by checking to supporting evidence and ensuring compliance with the revenue recognition principles in note 2.
	– We tested the assertions made by management surrounding the fair value of the support and maintenance element of the revenue contracts by reviewing actual data from recent periods; and
	– To better understand the nature of the contractual relationships with customers, any contractual issues or any ongoing contractual obligations, we made enquiries of management within the business, including the sales team to ensure that appropriate obligations and commitments had been recorded in the financial statements.

The assessment of the carrying value of goodwill in relation to the Enterprise Solutions business segment	
In particular there is a risk that the carrying value of goodwill on the balance sheet is not recoverable based on reasonable assumptions applied to an appropriate methodology, in accordance with IAS 36 (Impairment of assets) and hence is impaired (AC, AP, SAE)*.	– We examined group management's "fair value less costs to sell" (FVLCS) valuation, based on the advice of a third party valuation specialist, of significant goodwill and indefinite lived assets in relation to the Enterprise Solutions business segment. – We critically assessed and challenged the methodology and assumptions used by the third party specialist to arrive at the FVLCS valuation by using our own valuation specialist to assist us with determining the appropriateness of the approach adopted, based on their own knowledge and experience. – We tested a sample of the input data, including transaction and third party company data, used for the valuation back to source documentation or third party evidence. – We challenged management's conclusion over the likelihood of reasonable sensitivities. – We ensured that the financial statement disclosures met the requirements of the accounting standard.

* These risks are discussed in other areas of the Annual Report as noted by the following key.
AC – See Audit Committee Report
AP – See Statement of Group accounting policies
SAE – See note 2(d) significant accounting estimates

Our assessment of revenue recognition as a risk of material misstatement is consistent with the prior year. However, due to the Enterprise Solutions segment not achieving its current year forecast result, this resulted in an increased risk of material misstatement of the carrying value of goodwill and therefore greater audit focus and effort was incurred in this area.

Our application of materiality

We determined materiality for the group to be £3.05 million (2014: £3.5 million), which is approximately 5% (2014: 5%) of pre-tax profit. We used pre-tax profits because, in our view, this is the most relevant measure of the underlying financial performance of the group. This provided the basis for determining the nature, timing and extent of our audit procedures, and identifying and assessing the risk of material misstatement.

On the basis of our assessments of risk and the group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the group should be 50% (2014: 75%) of planning materiality, namely £1.5 million (2014: £2.6 million). We reduced the performance materiality factor from 75% to 50% given prior year Income Statement differences of £1.3 million (of which £0.6 million related to one revenue contract and £0.7 million related to corporate tax), all of which were corrected. Our objective in adopting this approach was to ensure that the total of any detected (but unadjusted) and undetected audit differences was unlikely to exceed our assessment of materiality for the financial statements as a whole.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £0.3 million to £0.7 million (2014: £0.4 million to £1 million).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.15 million (2014: £0.17 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

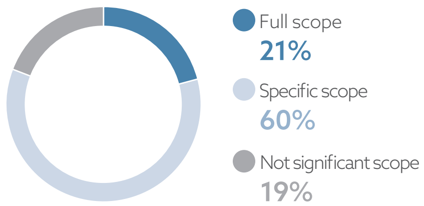
An overview of the scope of our audit

In assessing the risk of material misstatement to the group financial statements, our group audit scope focused on twelve locations:

- the UK was subject to a full scope audit.
- nine locations were subject to a specific scope audit, where the extent of the audit work was based on our assessment of the risk of material misstatement and the materiality of the operations at those locations. For these locations audit work was primarily focussed on revenue, debtors, cash, accruals and payroll.
- two locations were subject to a limited scope audit, which involved analytical review procedures and audit work focussed on risks specific to the locations concerned. For the current year, in both instances this was around debtor recoverability.

Together with the group functions which were also subject to a full scope audit, these locations represent the principal business locations of the group and account for 81% (2014: 79%) of the group's revenue, 96% (2014: 84%) of the group's profit before tax and 105% (2014: 81%) of the group's net assets, reflective of two net liability companies which have not been subject to scoped procedures.

Revenue coverage by scope



The Senior Statutory Auditor leads the audit at one full scope location, one specific scope location and the two limited scope locations as well as the group functions. The group audit team visits other key locations on a rotational basis and visited two specific locations during the year. In addition the group audit team held a group planning meeting with the audit teams of the twelve locations to ensure direction and input into the local audit teams' audit approach, including their assessment of the risk of material fraud or error. The group audit team also participated in five of the local audit team closing meetings and reviewed key working papers where necessary.

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 period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on page 37 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the 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:

- 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; or
- a Corporate Governance Report has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 60, in relation to going concern; and
- the part of the Corporate Governance Report relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Bob Forsyth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
19 May 2015

Consolidated income statement

for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Revenue	3, 4	**208,686**	237,336
Cost of sales		**(15,538)**	(17,378)
Gross profit		**193,148**	219,958
Operating expenses			
Research & development costs		**(32,696)**	(38,278)
Selling and distribution expenses		**(87,863)**	(92,967)
Administrative expenses		**(18,036)**	(20,186)
Total operating expenses		**(138,595)**	(151,431)
Profit from operations	5	**54,553**	68,527
Finance revenue	7	**765**	1,208
Finance expense	8	**(456)**	(746)
Analysed as:			
Adjusted profit before tax		**62,098**	78,257
Amortisation of intangibles (excluding other software)		**(4,707)**	(4,677)
Share-based payments		**441**	(2,317)
(Loss)/gain on fair value of forward foreign exchange contracts		**(980)**	1,121
Exceptional items	6	**(1,990)**	(3,395)
Profit before tax		**54,862**	68,989
Income tax expense	10	**(13,303)**	(17,978)
Profit for the year attributable to equity holders of the parent		**41,559**	51,011
Earnings per share (pence)			
– basic	12	**65.07**	78.12
– diluted	12	**64.92**	77.99
Adjusted earnings per share (pence)			
– basic	12	**74.51**	89.05
– diluted	12	**74.34**	88.90

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 2015

	Notes	2015 £000	2014 £000
Profit for the year		**41,559**	51,011
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(9,393)**	(6,933)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain on retirement benefit obligations	26	**(11,496)**	5,672
Tax on items relating to components of other comprehensive income	10(a)	**2,657**	(1,275)
Total of items that will not be reclassified to profit or loss in subsequent periods		**(8,839)**	4,397
Total comprehensive income for the year, net of tax		**23,327**	48,475

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

Consolidated balance sheet

31 March 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Goodwill	14	**50,589**	38,474
Other intangible assets	15	**27,506**	21,540
Property, plant and equipment	16	**7,595**	8,395
Deferred tax assets	25	**3,800**	4,131
Other receivables	18	**1,440**	1,498
		90,930	74,038
Current assets			
Trade and other receivables	18	**96,468**	83,596
Financial assets	19	**–**	547
Treasury deposits	20	**45,248**	40,238
Cash and cash equivalents	20	**58,519**	77,309
Current tax assets		**2,195**	2,162
		202,430	203,852
Total assets		**293,360**	277,890
Equity			
Issued share capital	28(a)	**2,274**	2,271
Share premium		**27,288**	27,288
Other reserves		**1,655**	10,589
Retained earnings		**158,713**	144,829
Total equity		**189,930**	184,977
Current liabilities			
Trade and other payables	21	**81,613**	72,954
Financial liabilities	22	**432**	–
Current tax liabilities		**5,718**	9,108
		87,763	82,062
Non-current liabilities			
Deferred tax liabilities	25	**1,480**	2,003
Retirement benefit obligations	26	**14,187**	8,848
		15,667	10,851
Total equity and liabilities		**293,360**	277,890

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 19 May 2015. They were signed on its behalf by:

Philip Aiken
Chairman

Richard Longdon
Chief Executive

Company number
2937296

Consolidated statement of changes in shareholders' equity

31 March 2015

	Note	Share capital £000	Share premium £000	Other reserves: Merger reserve £000	Other reserves: Cumulative translation adjustments £000	Other reserves: Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2013		2,269	27,288	3,921	15,042	(1,251)	17,712	204,337	251,606
Profit for the year		–	–	–	–	–	–	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	28	2	–	–	–	–	–	–	2
Share-based payments	27	–	–	–	–	–	–	2,317	2,317
Tax arising on share options		–	–	–	–	–	–	(255)	(255)
Investment in own shares	28	–	–	–	–	(717)	(717)	–	(717)
Cost of employee benefit trust shares issued to employees		–	–	–	–	527	527	(527)	–
Equity dividends	11	–	–	–	–	–	–	(116,451)	(116,451)
At 31 March 2014		2,271	27,288	3,921	8,109	(1,441)	10,589	144,829	184,977
Profit for the period		–	–	–	–	–	–	41,559	41,559
Other comprehensive income		–	–	–	(9,393)	–	(9,393)	(8,839)	(18,232)
Total comprehensive income		–	–	–	(9,393)	–	(9,393)	32,720	23,327
Issue of share capital	28	3	–	–	–	–	–	–	3
Share-based payments	27	–	–	–	–	–	–	(441)	(441)
Tax arising on share options		–	–	–	–	–	–	(73)	(73)
Investment in own shares	28	–	–	–	–	(305)	(305)	–	(305)
Cost of employee benefit trust shares issued to employees		–	–	–	–	764	764	(764)	–
Equity dividends	11	–	–	–	–	–	–	(17,558)	(17,558)
At 31 March 2015		**2,274**	**27,288**	**3,921**	**(1,284)**	**(982)**	**1,655**	**158,713**	**189,930**

The accompanying notes are an integral part of this Consolidated statement of changes in shareholders' equity. Details of other reserves is contained in note 28.

Consolidated cash flow statement

for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the year		**41,559**	51,011
Income tax	10(a)	**13,303**	17,978
Net finance revenue	7, 8	**(309)**	(462)
Amortisation of intangible assets	15	**5,335**	4,879
Depreciation of property, plant and equipment	16	**2,914**	2,932
Loss/(gain) on disposal of property, plant and equipment	5	**191**	(83)
Share-based payments	27	**(441)**	2,317
Difference between pension contributions paid and amounts charged to operating profit		**(6,565)**	(2,993)
Research & development expenditure tax credit		**(930)**	(875)
Changes in working capital:			
Trade and other receivables		**(11,752)**	(3,221)
Trade and other payables		**852**	(159)
Changes to fair value of forward foreign exchange contracts		**980**	(1,121)
Cash generated from operating activities before tax		**45,137**	70,203
Income taxes paid		**(14,231)**	(18,217)
Net cash generated from operating activities		**30,906**	51,986
Cash flows from investing activities			
Purchase of property, plant and equipment	16	**(2,571)**	(3,118)
Purchase of intangible assets	15	**(522)**	(2,119)
Acquisition of subsidiaries and business undertakings, net of cash acquired	13	**(25,651)**	–
Proceeds from disposal of property, plant and equipment		**345**	427
Interest received	7	**765**	1,208
(Purchase)/maturity of treasury deposits (net)	20	**(5,010)**	95,847
Net cash flows from/used in investing activities		**(32,644)**	92,245
Cash flows from financing activities			
Interest paid	8	**(73)**	(98)
Purchase of own shares	28(b)	**(305)**	(717)
Proceeds from the issue of shares	28(a)	**3**	2
Dividends paid to equity holders of the parent	11	**(17,558)**	(116,451)
Net cash flows used in financing activities		**(17,933)**	(117,264)
Net (decrease)/increase in cash and cash equivalents		**(19,671)**	26,967
Net foreign exchange difference		**881**	(3,930)
Opening cash and cash equivalents	20	**77,309**	54,272
Closing cash and cash equivalents	20	**58,519**	77,309

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 Key accounting policies
Explained below are the key accounting policies of the Group. The full Statement of Group Accounting Policies is included on pages 106 to 112.

a) 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 2015. 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 12, 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.

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 2015. 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 100 to 104.

b) 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 licence 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.

2 Key accounting policies continued

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

Services

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

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

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) Significant accounting estimates

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.

We periodically review our estimate of the fair value of the element of a customer rental fee attributable to the continuing right to use and customer support and maintenance. On average, this element as a proportion of the initial software delivery element has increased from 15% to 17%. This revised estimate has been used for revenue recognition purposes from 1 April 2014. The impact of this change was that revenue recognised during 2014/15 was lower by £894,000, and deferred revenue at 31 March 2015 increased by £894,000.

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 2015 was £5,636,000 (2014 – £5,161,000).

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 14.

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.

2 Key accounting policies continued

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 26 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the 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 net carrying amount of retirement benefit obligations at 31 March 2015 was £14,187,000 (2014 – £8,848,000).

e) 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.

3 Revenue

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

	2015 £000	2014 £000
Annual fees	**60,724**	57,084
Rental licence fees	**97,489**	109,936
Total recurring revenue	**158,213**	167,020
Initial licence fees	**31,122**	48,394
Training and services	**19,351**	21,922
Total revenue	**208,686**	237,336
Finance revenue	**765**	1,208
	209,451	238,544

Services consist of consultancy, implementation services and training fees.

Included within revenue for the year ended 31 March 2015 are annual fees of £534,000, rental fees of £296,000 and services of £321,000 related to the acquired business of 8over8 Limited.

4 Segment information

During the year, the Group was 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 2015	Engineering & Design Systems £000	Enterprise Solutions £000	Total £000
Income statement			
Revenue			
Annual fees	54,662	6,062	60,724
Rental licence fees	92,730	4,759	97,489
Initial licence fees	27,376	3,746	31,122
Training and services	7,925	11,426	19,351
Segment revenue	**182,693**	**25,993**	**208,686**
Operating costs	(45,660)	(26,637)	(72,297)
Segment profit/(loss) contribution	**137,033**	**(644)**	**136,389**
Reconciliation of segment profit contribution to profit before tax			
Shared selling and distribution expenses			(58,236)
Other shared operating expenses			(16,364)
Net finance revenue			309
Adjusted profit before tax			**62,098**
Exceptional items and other normalised adjustments#			(7,236)
Profit before tax			**54,862**

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

Enterprise Solutions includes revenue of £1,151,000 and contribution of £21,000 relating to the acquired business of 8over8 Limited.

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 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

4 Segment information continued

Analysis of revenue by geographical location

	Year ended 31 March 2015			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Revenue				
Annual fees	**25,137**	**29,838**	**5,749**	**60,724**
Rental licence fees	**21,625**	**51,365**	**24,499**	**97,489**
Initial licence fees	**16,855**	**10,537**	**3,730**	**31,122**
Training and services	**3,992**	**12,034**	**3,325**	**19,351**
Total revenue	**67,609**	**103,774**	**37,303**	**208,686**

	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

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £16,038,000 and £192,648,000 (2014 – £20,667,000 and £216,669,000) respectively. In 2013/14 South Korea accounted for 16% of the Group's total revenue. No individual country accounted for more than 10% of the Group's total revenue. Revenue is allocated to countries on the basis of the location of the customer.

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £46,594,000 and £40,536,000 (2014 – £22,723,000 and £47,184,000) 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 (2014 – none).

Further information concerning revenue by type of product and service is disclosed in note 4.

5 Profit from operations

Profit from operations is stated after charging:

	2015 £000	2014 £000
Depreciation of owned property, plant and equipment	**2,914**	2,932
Amortisation of intangible assets:		
– included in research & development costs	**3,783**	3,824
– included in selling and distribution expenses	**924**	88
– included in administrative expenses	**628**	967
Staff costs	**93,904**	100,245
Operating lease rentals – minimum lease payments	**6,113**	5,880
Loss/(gain) on disposal of property, plant and equipment	**191**	(83)
Net foreign exchange (gains)/losses	**(2,547)**	1,833

5 Profit from operations continued

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

	2015 £000	2014 £000
Fees payable to the Company auditor for the audit of parent Company and consolidated financial statements	**297**	265
Fees payable to the Company auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**241**	220
– tax, compliance services	**57**	81
– tax, advisory services	**107**	106
– other services pursuant to legislation	**34**	3
	736	675

6 Exceptional items

During the year the Group incurred exceptional costs of £1,990,000 (2014 – £3,395,000), relating to acquisition and integration activities of £371,000 (2014 – £102,000), exceptional restructuring costs of £851,000 (2014 – £1,762,000) and a provision for underpaid sales taxes in an overseas location of £768,000 (2014 – £1,531,000).

The acquisition and integration fees paid during the year, relate to fees paid to professional advisers for legal and due diligence advice related to the acquisition of 8over8 Limited with prior year costs related to Bocad.

The exceptional restructuring costs incurred during 2014/15 relate to the accrued redundancy and related costs in connection to the rationalisation of offices and reduction in headcount in specific areas of the business.

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

7 Finance revenue

	2015 £000	2014 £000
Bank interest receivable and other interest earned	**765**	1,208

8 Finance expense

	2015 £000	2014 £000
Net interest on pension scheme liabilities	**383**	661
Bank interest payable and similar charges	**73**	85
	456	746

9 Staff costs

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

	2015 £000	2014 £000
Wages and salaries	**76,709**	80,620
Social security costs	**10,026**	10,079
Pension costs	**7,610**	7,229
Share-based payments expense	**(441)**	2,317
	93,904	100,245

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

	2015 Number	2014 Number
Research, development and product support	**562**	505
Sales, marketing and customer support	**770**	665
Administration	**265**	262
	1,597	1,432

9 Staff costs continued

Directors' remuneration

	2015 £000	2014 £000
Directors' remuneration	845	1,127
Aggregate contributions to defined contribution pension scheme	28	26
Aggregate gains on the exercise of share options	–	714
	873	1,867

	2015 Number	2014 Number
Number of Directors accruing benefits under defined contributions	1	1

10 Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2015 and 2014 are as follows:

	2015 £000	2014 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	5,362	8,440
Adjustments in respect of prior periods	3	(503)
	5,365	7,937
Foreign tax	6,667	9,962
Adjustments in respect of prior periods	553	267
	7,220	10,229
Total current tax	12,585	18,166
Deferred tax		
Origination and reversal of temporary differences	785	(246)
Adjustment in respect of prior periods	(67)	58
Total deferred tax (note 25)	718	(188)
Total income tax expense reported in Consolidated income statement	13,303	17,978

	2015 £000	2014 £000
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	380	236
Deferred tax on actuarial remeasurements on retirement benefit obligation	1,085	(1,511)
Current tax on pension contributions	1,192	–
Tax credit reported in Consolidated statement of comprehensive income	2,657	(1,275)

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:

	2015 £000	2014 £000
Tax on Group profit before tax at standard UK corporation tax rate of 21% (2014 – 23%)	11,521	15,866
Effects of:		
– expenses not deductible for tax purposes	646	823
– irrecoverable withholding tax	132	256
– movement on unprovided deferred tax balances	387	933
– change in UK tax rate for deferred tax balances	–	(147)
– differing tax rates on overseas earnings	128	425
– adjustments in respect of prior years	489	(178)
Income tax expense reported in Consolidated income statement	13,303	17,978

11 Dividends paid and proposed on equity shares

	2015 £000	2014 £000
Declared and paid during the year		
Interim 2014/15 dividend paid of 5.5 pence (2013/14 – 5.0 pence) per ordinary share	**3,515**	3,178
Final 2013/14 dividend paid of 22.0 pence (2012/13 – 19.5 pence) per ordinary share	**14,043**	13,261
Special dividend paid of 147.0 pence per share	**–**	100,012
	17,558	116,451
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2014/15 of 25 pence (2013/14 – 22.0 pence) per ordinary share	**15,976**	14,052

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2015 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 3 August 2015 to shareholders on the register at the close of business on 3 July 2015.

12 Earnings per share

	2015 Pence	2014 Pence
Earnings per share for the year:		
– basic	**65.07**	78.12
– diluted	**64.92**	77.99
Adjusted earnings per share for the year:		
– basic	**74.51**	89.05
– diluted	**74.34**	88.90

	2015 Number	2014 Number
Weighted average number of ordinary shares for basic earnings per share	**63,872,070**	65,297,504
Effect of dilution: employee share options	**146,272**	112,020
Weighted average number of ordinary shares adjusted for the effect of dilution	**64,018,342**	65,409,524

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 £41,559,000 (2014 – £51,011,000). Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 27.

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

	2015 £000	2014 £000
Profit after tax for the year	**41,559**	51,011
Intangible amortisation (excluding software)	**4,707**	4,677
Share-based payments	**(441)**	2,317
Loss/(gain) on fair value of forward foreign exchange contracts	**980**	(1,121)
Exceptional items	**1,990**	3,395
Tax effect on exceptional items	**(134)**	(781)
Tax effect on other normalised items	**(1,067)**	(1,351)
Adjusted profit after tax	**47,594**	58,147

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.

13 Business combinations

On 5 January 2015, the Group acquired 100% of the issued share capital of 8over8 Limited headquartered in Northern Ireland. The acquisition consideration was cash of £26.9 million.

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

Details of the fair values of the net assets acquired and goodwill is set out below, which includes purchased intangibles consisting of developed technology and customer relationships. Fair value adjustments of £6.9 million have been made to align with the Group's accounting policies, particularly in respect of revenue recognition.

	Book value £000	Fair value £000
Intangible assets	–	12,138
Property, plant and equipment	72	72
Trade and other receivables	8,547	3,540
Cash and cash equivalents	1,286	1,286
Trade and other payables	(4,956)	(5,711)
Current tax liabilities	(266)	(266)
Deferred tax assets/(liabilities)	640	(456)
Net assets acquired	**5,323**	**10,603**
Goodwill		16,334
Total consideration		26,937
Satisfied by:		
Cash		26,937
Net cash outflow arising on acquisition		
Cash consideration		26,937
Less cash and cash equivalents acquired		(1,286)
		25,651

From the date of acquisition to 31 March 2015, the business contributed £1,151,000 to revenue and a loss before tax of £586,000. It is not practical to disclose the revenue and profit/(loss) before tax of the business as if it had been acquired at the beginning of the reporting period due to the nature of the fair value adjustment to align accounting policies.

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

14 Goodwill

	Engineering & Design Systems £000	Enterprise Solutions £000	Total £000
At 1 April 2013	31,514	9,013	40,527
Exchange adjustment	(1,604)	(449)	(2,053)
At 31 March 2014	**29,910**	**8,564**	**38,474**
Acquisition of 8over8 Limited	**–**	**16,334**	**16,334**
Exchange adjustment	**(3,375)**	**(844)**	**(4,219)**
At 31 March 2015	**26,535**	**24,054**	**50,589**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination.

Engineering & Design Systems
During 2014/15 the contribution of the Engineering & Design Systems CGU was £137.0 million (2014 – £163.0 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 goodwill acquired relating to 8over8 Limited has been allocated to the Enterprise Solutions ('ES') segment. However, the carrying values of the ES intangibles have for 2014/15 been assessed for impairment excluding both the very recently acquired 8over8 intangibles and the related acquired cash flows.

14 Goodwill continued

The review for the Enterprise Solutions CGU was conducted prior to the year end and the recoverable amount, as per IAS 36, was determined to be the fair value less costs to sell (FVLCS), being greater than the value in use that had been employed in the prior year. The FVLCS assessment was prepared by a third-party valuation specialist who performed his work by reference to market data. The specialist employed two methods to inform his valuation: one based on companies; and the second based on transactions:

- Under the Guideline Company method companies in a similar market sector were observed and those that were identified as loss-making were used to derive an estimated average revenue multiple that could be applied to the ES CGU. A revenue multiple of 1.1 times revenue was selected. As the multiple selected was based on observable quoted company multiples, the resulting valuation was then adjusted upward to reflect a 15% premium for any potential acquirer having acquired full control. Conversely, the valuation estimate multiple was discounted by 7% to reflect a potential lack of marketability, due to a lack of a ready market for the asset. Both the control premium and lack of marketability adjustments are standard in such a valuation technique.
- Under the Guideline Transaction method (GTM), actual corporate transactions in a similar industry or sector and of a similar scale were observed and valuation multiples assessed. Focus was given to the total invested capital to revenue multiples, due to the lack of profitability of the ES CGU. These were found to range from 1.0 times to 3.01 times revenue. On the basis that the Enterprise Solutions CGU is currently loss making, it was deemed appropriate to select a lower quartile multiple of revenue, 1.09 times.

From this process, the FVLCS valuation was assessed as between £28.8 million and £30.3 million, indicating headroom of between £18.9 million and £20.4 million against the carrying value of goodwill and intangibles of £9.9m.

As the valuation approach described above has used lower quartile assessments of valuation multiples, the Directors do not consider that any reasonably possible change in the valuation assumptions used by the valuation specialist would lead to impairment. Currently the carrying values of the goodwill and intangibles attributable to the ES CGU represent 0.38 times revenue reported in 2014/15.

15 Intangible assets

	Developed technology £000	Customer relationships £000	Purchased Brand £000	Other software £000	Purchased software rights £000	Total £000
Cost						
At 1 April 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
Additions	–	–	–	287	235	522
Acquisitions	7,941	2,994	1,203	–	–	12,138
Exchange adjustment	(1,952)	(1,542)	–	(38)	–	(3,532)
At 31 March 2015	**36,097**	**13,209**	**1,203**	**2,992**	**8,833**	**62,334**
Amortisation						
At 1 April 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
Charge for the year	3,181	864	60	628	602	5,335
Exchange adjustment	(1,376)	(770)	–	(27)	–	(2,173)
At 31 March 2015	**20,714**	**5,324**	**60**	**2,150**	**6,580**	**34,828**
Net book value						
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
At 31 March 2015	**15,383**	**7,885**	**1,143**	**842**	**2,253**	**27,506**

For the purposes of the adjusted earnings per share calculation (note 12), intangible asset amortisation excludes the charge relating to other software of £628,000 (2014 – £202,000).

Developed technology

Developed technology includes the 8over8 technology acquired in 2014/15, 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.

15 Intangible assets continued

Customer relationships

The customer relationships intangible asset includes those relationships acquired as part of the acquisitions of 8over8 in 2014/15, 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.

Brands

The purchased brand represents that acquired as part of the 8over8 Limited acquisition in 2014/15 and is being amortised over 5 years.

16 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 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
Additions	646	1,334	379	212	2,571
Acquisitions	–	53	4	15	72
Disposals	–	(8,680)	(2,598)	(311)	(11,589)
Exchange adjustment	178	(181)	(44)	(1)	(48)
At 31 March 2015	**4,633**	**5,686**	**6,159**	**872**	**17,350**
Depreciation					
At 1 April 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
Charge for the year	446	1,435	809	224	2,914
Disposals	–	(8,522)	(2,273)	(255)	(11,050)
Reclassification	–	4	(4)	–	–
Exchange adjustment	105	(129)	(35)	1	(58)
At 31 March 2015	**1,301**	**3,849**	**4,166**	**439**	**9,755**
Net book value					
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
At 31 March 2015	**3,332**	**1,837**	**1,993**	**433**	**7,595**

17 Investments

At 31 March 2015 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*	United Kingdom	Software development and marketing	100% ordinary shares of £1 each
8over8 Limited	United Kingdom	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 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.

18 Trade and other receivables

	2015 £000	2014 £000
Current		
Amounts falling due within one year:		
Trade receivables	**88,618**	77,762
Prepayments and other receivables	**6,590**	5,402
Accrued income	**1,260**	432
	96,468	83,596

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.

	2015 £000	2014 £000
Non-current		
Prepayments and other receivables	1,440	1,498

18 Trade and other receivables continued

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

As at 31 March 2015 the provision for impairment of receivables was £5,636,000 (2014 – £5,161,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2013	4,771
Charge for the year, net of amounts reversed	1,302
Utilised	(399)
Exchange adjustment	(513)
At 31 March 2014	5,161
Arising from business combination	1,011
Charge for the year, net of amounts reversed	3,327
Utilised	(3,612)
Exchange adjustment	(251)
As at 31 March 2015	**5,636**

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
2015	**88,618**	**65,058**	**20,712**	**1,650**	**1,176**	**22**
2014	77,762	53,304	20,264	3,322	780	92

19 Financial assets

	2015 £000	2014 £000
Current		
Fair value of forward foreign exchange contracts	–	547

20 Cash and cash equivalents and treasury deposits

	2015 £000	2014 £000
Cash at bank and in hand	50,635	64,293
Short-term deposits	7,884	13,016
Net cash and cash equivalents per cash flow	58,519	77,309
Treasury deposits	45,248	40,238
	103,767	117,547

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 £103,767,000 (2014 – £117,547,000).

21 Trade and other payables

	2015 £000	2014 £000
Current		
Trade payables	3,251	4,116
Social security, employee taxes and sales taxes	14,500	11,347
Accruals and other payables	15,232	20,521
Deferred revenue	48,213	36,490
Deferred consideration	417	480
	81,613	72,954

21 Trade and other payables continued

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

22 Financial liabilities

	2015 £000	2014 £000
Current		
Fair value of forward foreign exchange contracts	**432**	–

Borrowing facilities

As at 31 March 2015 the Group had no committed bank overdraft or loan facilities.

23 Obligations under leases

As at 31 March 2015 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2015		2014	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	**4,951**	**291**	4,308	284
After one but not more than five years	**8,050**	**353**	6,195	345
More than five years	**261**	**–**	553	–
	13,262	**644**	11,056	629

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

24 Financial risk management

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

The Group 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 analysis 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 £765,000 (2014 – £727,000) and profit after tax by £604,000 (2014 – £560,000).

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.

24 Financial risk management continued

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. The Group enters into forward foreign exchange contracts to sell US Dollars and Euros to match forecast cash flows arising from its recurring revenue base. In addition, it enters into specific forward foreign exchange contracts for individually significant revenue contracts, when the timing of forecast cash flows is reasonably certain. Other currency exposures are less easy to hedge cost effectively. At 31 March 2015, the Group had outstanding currency exchange contracts to sell $22.8 million (2014 – $9.0 million), €9.7 million (2014 – €9.75 million) and YEN0 million (2014 – YEN100.0 million). It also had outstanding currency exchange contracts to buy, Swedish kr0 million (2014 – kr11.5 million), Danish kr4.5 million (2014 – kr0 million). Non-deliverable forward contracts were used to hedge the purchase of INR30 million (2014 – INR0 million)

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

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. 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 2013/14.

31 March 2015	Increase/ (decrease) in average rate	Profit/(loss) £000	Equity £000
US Dollar	**10%**	**(2,190)**	**(2,190)**
	(10%)	**2,450**	**2,450**
Euro	**10%**	**(70)**	**(70)**
	(10%)	**77**	**77**

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

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.

24 Financial risk management continued

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

Disclosures relating to the credit associated with trade receivables are in note 18.

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 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	Greater than one year £000
As at 31 March 2015				
Trade and other payables	**32,983**	**–**	**–**	**–**
As at 31 March 2014				
Trade and other payables	35,984	–	–	–

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 2015			
Forward foreign exchange contracts (GBP/EUR)			
Outflow	**€3,925**	**€2,925**	**€2,850**
Inflow	**£3,059**	**£2,247**	**£2,117**
Forward foreign exchange contracts (GBP/USD)			
Outflow	**$7,700**	**$6,350**	**$8,750**
Inflow	**£4,845**	**£4,065**	**£5,725**
Forward foreign exchange contracts (DKK/EUR)			
Outflow	**€600**	**–**	**–**
Inflow	**Kr4,462**	**–**	**–**
Non-deliverable forward foreign exchange contracts (INR/GBP)			
Outflow	**£310**	**–**	**–**
Inflow	**INR30,000**	**–**	**–**
As at 31 March 2014			
Forward foreign exchange contracts (GBP/EUR)			
Outflow	€3,250	€3,000	€3,500
Inflow	£2,768	£2,545	£2,931
Forward foreign exchange contracts (GBP/USD)			
Outflow	$4,000	$3,250	$1,750
Inflow	£2,630	£2,067	£1,078
Forward foreign exchange contracts (GBP/SEK)			
Outflow	£638	£469	–
Inflow	Kr6,500	Kr5,000	–
Forward foreign exchange contracts (GBP/JPY)			
Outflow	¥100,000	–	–
Inflow	£636	–	–

24 Financial risk management continued

d) Interest rate profile of financial assets and liabilities

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

Year ended 31 March 2015

Fixed rate	Within one year £000	One to two years £000	Two to three years £000	Total £000
Cash and short-term deposits	**3,768**	**–**	**–**	**3,768**
Treasury deposits	**32,788**	**–**	**–**	**32,788**

Floating rate				
Cash and short-term deposits	**47,015**	**–**	**–**	**47,015**
Treasury deposits	**20,196**	**–**	**–**	**20,196**

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

e) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £58,519,000 (2014 – £77,309,000) and treasury deposits of £45,248,000 (2014 – £40,238,000). 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 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 2015 the Group had forward foreign exchange contracts, which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the liability in respect of foreign exchange contracts was £433,000 at 31 March 2015 (2014 – £547,000 asset).

The resulting loss of £980,000 (2014 – gain of £1,121,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

f) Capital management

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2014 or 2015.

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.

25 Deferred tax

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

	Decelerated capital allowances £000	Land and buildings* £000	Retirement benefit obligations £000	Intangible assets £000	Share options £000	Other £000	Total £000
At 1 April 2013	(27)	(155)	3,040	(2,953)	1,183	3,122	4,210
Acquisition	–	–	–	–	–	(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)
Charged to equity	–	–	–	–	(412)	–	(412)
Exchange adjustment	(14)	–	–	–	–	(376)	(390)
At 31 March 2014	58	(130)	1,171	(2,471)	744	2,756	2,128
Acquisition	–	–	–	(2,428)	644	1,328	(456)
Credit/(charge) to Income statement	176	–	–	64	(1,065)	107	(718)
Credit/(charge) to other comprehensive income	–	–	1,085	380	–	–	1,465
Charge to equity	–	–	–	–	(126)	–	(126)
Exchange adjustment	(25)	–	–	–	–	52	27
At 31 March 2015	**209**	**(130)**	**2,256**	**(4,455)**	**197**	**4,243**	**2,320**

* 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:

	2015 £000	2014 £000
Deferred tax liabilities	**(1,480)**	(2,003)
Deferred tax assets	**3,800**	4,131
	2,320	2,128

At the balance sheet date, the Group has unused tax losses of £1,654,000 (2014 – £865,000) available for offset against future profits. Of the total deferred tax asset of £533,000 (2014 – £276,000), £40,000 (2014 – £68,000) 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 £37,003,000 (2014 – £37,693,000). 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.

26 Retirement benefit obligations

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

	UK defined benefit scheme £000	German defined benefit schemes £000	South Korean severance pay £000	Total £000
At 31 March 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
Current service cost	1,487	–	246	1,733
Net interest on pension scheme liabilities	276	42	65	383
Actuarial remeasurements	11,389	122	(15)	11,496
Employer contributions	(7,724)	(47)	(526)	(8,297)
Exchange adjustment	–	(132)	156	24
At 31 March 2015	**11,281**	**1,059**	**1,847**	**14,187**

a) UK defined benefit scheme

The Group operated 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, was converted to a Career Average Revalued Earnings basis on 30 September 2004 and then closed to future accrual from 31 March 2015. No service cost or curtailment gain arose upon closure of the scheme, due to all previously accrued past service benefits retaining the same link to future inflation or future earnings. 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 to be made starting April 2014. The Company made an additional unscheduled contribution of £2 million in March 2015.

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:

	2015 %	2014 %
Main assumptions:		
Rate of salary increases	**5.30**	5.60
Rate of increase of pensions in payment	**3.10**	3.30
Rate of increase of pensions in deferment	**2.30**	2.60
Discount rate	**3.10**	4.30
Inflation assumption	**3.30**	3.60

For the years ended 31 March 2015 and 2014, the following weighted average life expectancy at age 65 for mortality has been used:

	2015 Years	2014 Years
Male pensioners	**23.8**	23.7
Female pensioners	**25.0**	24.9
Non-retired males	**25.1**	25.1
Non-retired females	**26.5**	26.4

Member contributions were 7.5% (2014 – 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 £7,724,000 (2014 – £3,978,000). The total contributions in 2016 are expected to be approximately £1,580,000. The PPF levy will be payable in addition (2014 – £21,298).

26 Retirement benefit obligations continued

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)	
	2015 £000	2014 £000
0.25 percentage point increase to:		
– discount rate	(3,813)	(3,152)
– inflation (including pension increases linked to inflation)	2,858	2,281
Additional one year increase to life expectancy	2,240	1,717

The assets and liabilities of the scheme at 31 March 2015 and 2014 were as follows:

	2015 £000	2014 £000
Equities	30,526	28,931
Bonds	22,098	16,257
Other	24,310	17,317
Total fair value of assets	76,934	62,505
Present value of scheme liabilities	(88,215)	(68,358)
Net pension liability	(11,281)	(5,853)

Of the £30,526,000 invested in equity assets at 31 March 2015 set out above, £30,417,000 is invested in listed equities and £109,000 invested in unlisted equities. The other assets shown above relate to cash holdings which is held in a cash fund to achieve a diversified exposure to money markets.

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

	2015 £000	2014 £000
Recognised in the Consolidated income statement		
Current service cost		
Research & development costs	927	964
Selling and distribution expenses	365	568
Administrative expenses	195	96
Total operating charge	1,487	1,628
Finance costs		
Net interest on pension scheme liabilities	276	562
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	8,219	542
Less: amounts included in net interest expense	(2,673)	(2,489)
	5,546	(1,947)
Changes in assumptions and experience adjustments on liabilities	(16,935)	7,520
Actuarial gain/(loss) recognised in Consolidated statement of comprehensive income	(11,389)	5,573

26 Retirement benefit obligations continued

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

	2015 £000	2014 £000
At 1 April	68,358	72,421
Current service costs	1,487	1,628
Contributions by employees	11	4
Interest on pension scheme liabilities	2,949	3,051
Benefits paid	(1,504)	(1,193)
Premiums paid	(21)	(33)
Actuarial loss/(gain)	16,935	(7,520)
At 31 March	**88,215**	68,358

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

The weighted average duration of the defined benefit plan obligation is 17.5 years (2014 – 17.5 years).

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

	2015 £000	2014 £000
At 1 April	62,505	59,207
Interest income on scheme assets	2,673	2,489
Contributions by employer	7,724	3,978
Contributions by employees	11	4
Benefits paid	(1,504)	(1,193)
Premiums paid	(21)	(33)
Actuarial loss/(gain)	5,546	(1,947)
At 31 March	**76,934**	62,505

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:

	2015	2014
Rate of increase of pension in payment	1.25%–2.5%	1.34%–2.5%
Discount rate	1.25%–3.00%	3.00%
Mortality	14–18 years	15 years
Rate of salary increases	N/A	N/A

The retirement age for the Tribon Solutions GmbH and AVEVA GmbH schemes was 60 and 63 years of age respectively (2014 – 60 and 63 years of age).

26 Retirement benefit obligations continued

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:

	2015 %	2014 %
Rate of salary increases	**4.00**	5.00
Discount rate	**2.81**	3.99

The retirement age for AVEVA Korea Limited employees is 60 years of age (2014 – 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 2015, Alecta's surplus in the form of collective funding level was 148% (2014 – 147%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £603,278 (2014 – £836,000).

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 £5,136,000 (2014 – £4,398,000) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

27 Share-based payment plans

The Group 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:

	2015 Number	2015 WAEP Pence	2014 Number	2014 WAEP Pence
Outstanding at start of year	**516,751**	**3.12**	510,975	2.82
Granted during year	**203,731**	**3.31**	173,631	2.90
Forfeited during year	**(21,011)**	**3.31**	(80,520)	3.56
Exercised during year*	**(114,828)**	**2.60**	(87,335)	2.10
Outstanding at end of year	**584,643**	**3.28**	516,751	3.12
Exercisable at end of year	**70,703**	**3.54**	29,205	2.40

* The weighted average share price at the date of exercise for the options exercised is £19.85 (2014 – £23.02).

27 Share-based payment plans continued

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 2015 Number	Number of options 2014 Number	Exercise price Pence
7 July 2009	LTIP	**3,611**	3,611	3.56
26 July 2010	LTIP	**16,116**	16,116	3.56
4 July 2011	Deferred Share Scheme	**–**	18,106	–
6 July 2011	LTIP	**50,740**	131,563	3.56
6 July 2012	Deferred Share Scheme	**10,970**	25,106	–
9 July 2012	LTIP	**149,939**	154,137	3.56
20 June 2013	Deferred Share Scheme	**20,436**	31,226	–
21 August 2013	LTIP	**133,870**	136,886	3.56
4 July 2014	Deferred Share Scheme	**13,660**	–	–
21 July 2015	LTIP	**185,301**	–	3.56
		584,643	516,751	

The weighted average remaining contractual life for the options outstanding at 31 March 2015 is 4.77 years (2014 – 4.71 years).

The average fair value of options granted during the year was £19.07 (2014 – £22.80). 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 (2014 – £nil to £0.0356).

The Group recognised a credit of £441,000 related to equity-settled share-based payment transactions in the year ended 31 March 2015 (2014 – expense of £2,317,000).

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.

2014/15 awards

In 2014/15, a total of 189,740 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 2014/15 to 2016/17. 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 12% then none of the shares will vest. For growth rates between 12% and 20% the number of shares that vest will be determined by linear interpolation between 25% and 100%.

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%.

27 Share-based payment plans continued

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%.

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:

	2014/15 awards	2013/14 awards	2012/13 awards	2011/12 awards
Dividend yield	1.36%	1.01%	1.21%	1.03%
Expected volatility	32%	28%	28%	34.5%
Risk-free interest rate	0.76%	0.76%	1.51%	1.51%
Expected life of the option	3 years	3 years	3 years	3 years
Weighted average share price	£19.79	£23.72	£17.29	£17.73
Weighted average exercise price	£0.04	£0.04	£0.03	£0.03

b) Deferred annual bonus share plan

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

In July 2014, the AVEVA Group Employee Benefit Trust 2008 awarded 13,991 (2013 – 31,937) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2014 (2013 – bonus earned in year ended 31 March 2013).

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:

	2014/15 awards	2013/14 awards
Dividend yield	1.27%	1.06%
Expected volatility	32%	28%
Risk-free interest rate	0.76%	0.76%
Expected life of the option	3 years	3 years
Weighted average share price	£21.31	£22.71
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.

28 Share capital and reserves

a) Share capital

	2015 £000	2014 £000
Allotted, called-up and fully paid		
63,948,241 (2014 – 63,873,360) ordinary shares of 3.56 pence each	**2,274**	2,271

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

	2015 Number	2015 £000	2014 Number	2014 £000
At 1 April	**63,873,360**	**2,271**	68,079,078	2,269
Exercise of share options	**74,881**	**3**	51,511	2
Effect of share consolidation	**–**	**–**	(4,257,229)	–
At 31 March	**63,948,241**	**2,274**	63,873,360	2,271

Year ended 31 March 2015

Date of issue	Number of shares 2015	Nominal value 2015 £	Share premium 2015 £	Market price £
22 July 2014	**60,303**	**2,144**	**–**	**20.17**
5 August 2014	**7,514**	**267**	**–**	**20.13**
11 September 2014	**2,601**	**92**	**–**	**21.68**
24 December 2014	**1,948**	**69**	**–**	**13.15**
12 March 2015	**2,515**	**89**	**–**	**14.77**
	74,881	**2,661**	**–**	

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	–	

28 Share capital and reserves continued

b) Other reserves

Other reserves consist of the following:

Cumulative translation adjustment reserve

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

Merger reserve

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

Own shares held

Own shares held reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 13,991 shares were purchased by the EBT at a price of £21.72 and 41,895 shares (2014 – 35,824) with an attributable cost of £763,588 were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2013	1,251
Own shares purchased 20 June 2013	717
Shares issued to employees	(527)
At 31 March 2014	1,441
Own shares purchased 9 July 2014	305
Shares issued to employees	(764)
At 31 March 2015	**982**

29 Related party transactions

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

Remuneration of key management personnel

The remuneration of the Directors 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.

	2015 £000	2014 £000
Short-term employee benefits	2,008	2,586
Share-based payments	183	1,151
	2,191	3,737

Company balance sheet

31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investments	5	**31,386**	31,726
Current assets			
Debtors	6	**250,079**	219,994
Cash at bank and in hand		**9**	9
		250,088	220,003
Creditors: amounts falling due within one year	7	**(196,369)**	(178,270)
Net current assets		**53,719**	41,733
Total assets less current liabilities		**85,105**	73,459
Net assets		**85,105**	73,459
Capital and reserves			
Called-up share capital	8	**2,274**	2,271
Share premium account	9	**27,288**	27,288
Merger reserve	9	**3,921**	3,921
Profit and loss account	9	**51,622**	39,979
Shareholders' funds	9	**85,105**	73,459

The financial statements on pages 100 to 104 were approved by the Board of Directors on 19 May 2015 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 2015 of £29,641,000 (2014 – £59,149,000).

Audit fees of £7,000 (2014 – £7,000) are borne by another Group Company.

The Company does not have any employees (2014 – 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

	2015 £000	2014 £000
Declared and paid during the year		
Interim 2014/15 dividend paid of 5.5 pence (2013/14 – 5.0 pence) per ordinary share	3,515	3,178
Final 2013/14 dividend paid of 22.00 pence (2012/13 – 19.5 pence) per ordinary share	14,043	13,261
Special dividend paid of 147.0 pence per share	–	100,012
	17,558	116,451
Proposed for approval by shareholders at the Annual General Meeting		
Final 2014/15 proposed dividend of 25 pence (2013/14 – 22.0 pence) per ordinary share	15,976	14,052

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 9 July 2015 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 3 August 2015 to shareholders on the register at the close of business on 3 July 2015.

5 Fixed asset investments

	£000
Cost and net book value	
At 1 April 2014	31,726
Additions	–
Share-based payments	(340)
At 31 March 2015	31,386

Details of the Company's subsidiary undertakings are set out in note 17 in the Consolidated financial statements of the Group.

6 Debtors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed by Group undertakings	250,079	219,994

7 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Accruals	158	110
Amounts owed to Group undertakings	196,211	178,160
	196,369	178,270

8 Called-up share capital

	2015 £000	2014 £000
Allotted, called-up and fully paid		
63,978,241 (2014 – 63,873,360) ordinary shares of 3.56 pence each	**2,274**	2,271

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

	2015 Number	2015 £000	2014 Number	2014 £000
At 1 April	**63,873,360**	**2,271**	68,079,078	2,269
Exercise of share options	**74,881**	**3**	51,511	2
Effect of share consolidation	**–**	**–**	(4,257,229)	–
At 31 March	**63,948,241**	**2,274**	63,873,360	2,271

Year ended 31 March 2015

Date of issue	Number of shares 2015	Nominal value 2015 £	Share premium 2015 £	Market price £
22 July 2014	**60,303**	**2,144**	**–**	**20.17**
5 August 2014	**7,514**	**267**	**–**	**20.13**
11 September 2014	**2,601**	**92**	**–**	**21.68**
24 December 2014	**1,948**	**69**	**–**	**13.15**
12 March 2015	**2,515**	**89**	**–**	**14.77**
	74,881	**2,661**	**–**	

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	–	

During the year the Company issued 74,881 (2014 – 51,511) ordinary shares of 3.56 pence each with a nominal value of £2,661 (2014 – £1,815) pursuant to the exercise of share options. The total proceeds were £2,661 (2014 – £1,815), which included a premium of £nil (2014 – £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' remuneration report. Note 27 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 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
Profit for the year	–	–	–	29,641	29,641
Share issues	3	–	–	–	3
Share-based payments	–	–	–	(101)	(101)
Share options granted to employees of subsidiary companies	–	–	–	(340)	(340)
Dividends paid	–	–	–	(17,557)	(17,557)
At 31 March 2015	**2,274**	**27,288**	**3,921**	**51,622**	**85,105**

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

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Summarised consolidated results					
Revenue	**208,686**	237,336	220,230	195,935	173,988
Recurring revenue	**158,213**	167,020	153,224	137,890	117,199
Research & development expense	**(32,696)**	(38,278)	(35,539)	(32,121)	(28,082)
Adjusted* profit before tax	**62,098**	78,257	70,562	62,419	54,556
Profit before tax	**54,862**	68,989	63,495	57,880	49,631
Income tax expense	**(13,303)**	(17,978)	(18,098)	(17,806)	(15,257)
Profit for the financial year	**41,559**	51,011	45,397	40,074	34,374
Basic earnings per share	**65.07p**	78.12p	66.80p	59.02p	50.68p
Adjusted* basic earnings per share	**74.51p**	89.05p	74.70p	63.96p	55.90p
Total dividend per share	**30.50p**	27.00p	24.00p	21.00p	18.25p
Summarised consolidated balance sheet					
Non-current assets	**90,930**	74,038	82,122	62,306	58,356
Cash and cash equivalents and treasury deposits (net)	**103,767**	117,547	190,357	178,951	153,187
Net current assets	**114,667**	121,790	188,524	170,886	149,844
Shareholders' funds	**189,930**	184,977	251,606	221,462	202,372

* 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.

Statement of Group accounting policies

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.

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 2015. 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 12, 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.

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 2015. 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.

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.

Adoption of new and revised standards

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

New standards and interpretations not yet effective

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
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 16 & IAS 38	Amendments – Clarification of Accounting Methods of Depreciation and Amortisation	1 January 2016
IFRS 11	Amendments – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IAS 27	Amendments – Equity Method in Separate Financial Statements	1 January 2016
IFRS 15	Revenue from Contracts from Customers	1 January 2018

The Group intends to adopt these standards in the first accounting period after the effective date. Except for IFRS 15, 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.

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:

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 26 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the 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 net carrying amount of retirement benefit obligations at 31 March 2015 was £14,187,000 (2014 – £8,848,000).

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 2015 was £5,636,000 (2014 – £5,161,000).

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.

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.

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 14.

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.

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.

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.

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.

Intangible assets

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

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

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

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

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

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.

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.

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.

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.

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.

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.

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.

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.

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 and closed to future accrual from 31 March 2015. 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.

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.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 27.

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.

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.

Company information and advisers

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Hungary
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Japan
Malaysia
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Norway
Poland
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Singapore
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South Korea
United Arab Emirates
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AVEVA also has representatives in additional countries around the world.

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