AVEVA ANNUAL REPORT AND ACCOUNTS **2016**

AVEVA IS A LEADING GLOBAL PROVIDER OF ENGINEERING, DESIGN AND INFORMATION MANAGEMENT SOFTWARE

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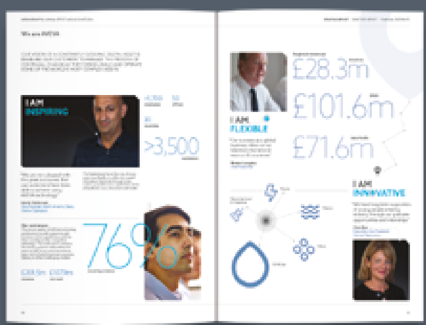
OUR PURPOSE

To power digital assets that help shape our world

SUMMARY



AVEVA at a glance
more on pages 02-03

Chairman's statement
more on pages 04-05

Chief Executive's Q&A
more on pages 06-07

Strategy in action
more on pages 16-17

Cover photo: Wanda Freeke, Global Account Manager, AVEVA

Highlights

AVEVA HAS CONTINUED TO DELIVER MEASURABLE PROGRESS, BOTH STRATEGICALLY AND OPERATIONALLY, AS WE DEVELOP SALES OF ADDITIONAL PRODUCTS TO EXISTING CUSTOMERS, BALANCE OUR END MARKET EXPOSURE, AND ENSURE OUR ORGANISATION IS AS EFFICIENT AS POSSIBLE GIVEN THE MIXED MARKET CONDITIONS WE FACE

FINANCIAL

Revenue
£201.5m
On an organic constant currency basis £204.4 million (2015 – £208.7 million)

Profit before tax
£29.4m
Adjusted to exclude certain non-cash and exceptional items £51.2 million (2015 – £62.1 million)

Adjusted profit margin
25.4%
(2015 – 29.8%)

Recurring revenue
£154.0m
On an organic constant currency basis £156.3 million (2015 – £157.4 million)

Net assets
£201.0m
Strong balance sheet with no debt (2015 – £189.9 million)

Final dividend
30 pence
up 20% (2015 – 25 pence)

STRATEGIC

AVEVA Everything3D™
Adoption of AVEVA Everything3D™ (AVEVA E3D™) by existing and new customers accelerated in the second half of the year. We saw growing activity around brownfield engineering products, playing to AVEVA's strengths in laser modelling, which sits at the heart of AVEVA E3D as a key capability.

Global Accounts
We have extended our relationship with key Global Accounts to include broader solutions and we continue to work in close alignment with our most important customers on product innovation.

Partners
The development of solutions together with key partners remains critical to our market strategy. During the year we have deepened these relationships, adding new partners and capabilities as we seek to address new markets and broaden our solution offering.

Acquisitions
Acquisitions are a key enabler of AVEVA's growth strategy and this year we added FabTrol to our organisation, an important strategic move that completes our end-to-end offering in steel-detailing and fabrication.

Innovation
We have an enviable reputation for providing creative software solutions. The past year has seen further ground-breaking developments spanning the entire solution portfolio, particularly in 3D visualisation, decision support and advanced laser modelling.

OPERATIONAL

Efficient organisation
We are focused on ensuring the most efficient allocation of resources and during the year we undertook a number of initiatives to reduce costs and create organisational efficiencies, enabling us to optimise our investment in future opportunities.

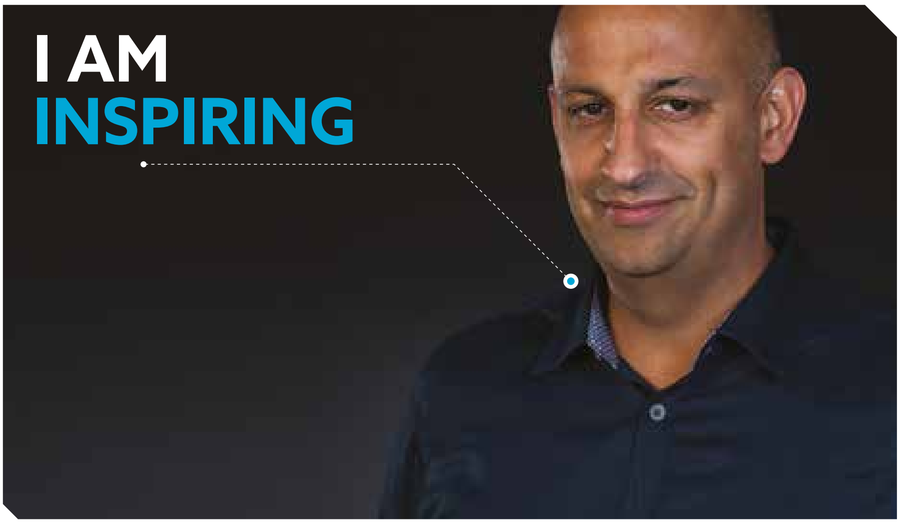
Maximising our investment for future development
As we develop the business, investment in innovation remains key for our customers, as well as how we deliver our solutions most effectively, making the best use of new technologies such as cloud-enablement and software as a service licensing models.

AVEVA's Touch Interface
AVEVA Engage's touch interface dramatically reduces learning time, enabling you to more quickly derive value from your Digital Asset.

Follow link for more information
www.aveva.com/en/Digital-Asset.aspx

We are AVEVA

OUR VISION OF A CONSTANTLY EVOLVING DIGITAL ASSET IS ENABLING OUR CUSTOMERS TO MANAGE THE PROCESS OF CONTINUAL CHANGE AS THEY DESIGN, BUILD AND OPERATE SOME OF THE WORLD'S MOST COMPLEX ASSETS



>1,700 **employees**

50 **offices**

30 **countries**

>3,500 **customers**

"We are very pleased with the great successes that our customers have been able to achieve using AVEVA technology"

Amish Sabharwal
Vice President North America Sales, Owner Operators

The Digital Asset lies at the core of every project and facility. It unifies the trusted information that exists through every system, populates every application, and is embedded in every document and model.

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

£201.5m **revenue**

£107.9m **net cash**

76% **recurring revenue**

I AM FLEXIBLE

"Our success as a global business relies on our talented international team in 30 countries"

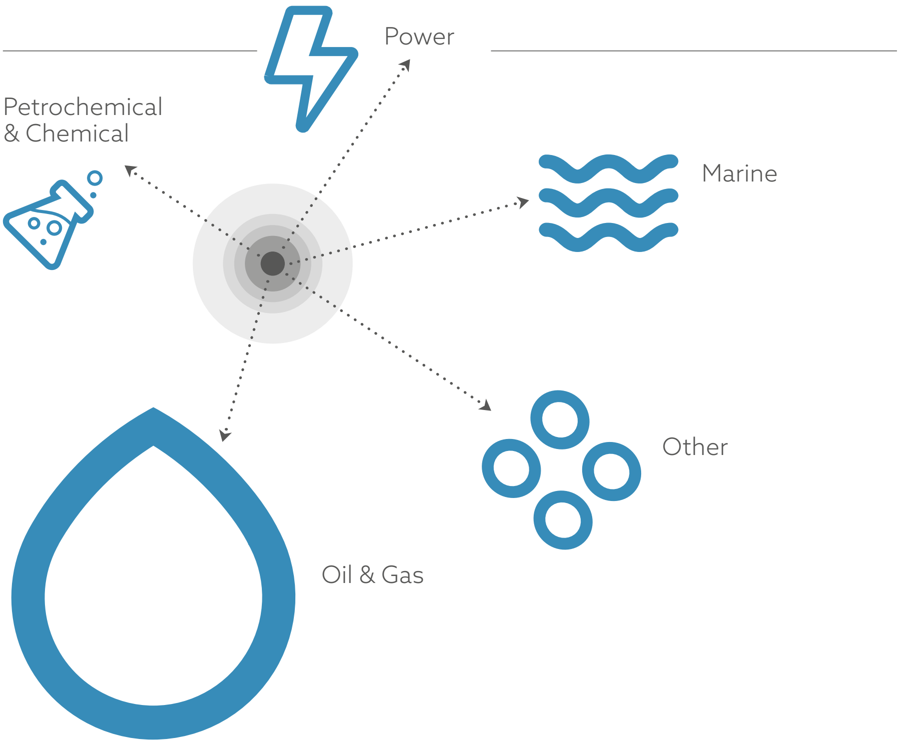
Richard Longdon
Chief Executive

Regional revenues

£28.3m Americas

£101.6m EMEA

£71.6m Asia Pacific



I AM INNOVATIVE

"We have long been supporters of young people entering industry through our graduate opportunities and internships"

Clare Bye
Executive Vice President Human Resources

Chairman's statement

THE FULL YEAR RESULTS REFLECT THE RESILIENCE OF THE BUSINESS MODEL, OUR LONG-STANDING CUSTOMER RELATIONSHIPS AND THE QUALITY OF THE BUSINESS-CRITICAL SOLUTIONS WE PROVIDE

"The Board is confident that our strategy is both focused and achievable."

Philip Aiken
Chairman

Overview

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

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

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

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

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

Acquisitions

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

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

Strategy update

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

£201.5m
Group revenue

30 pence
Final dividend up 20%

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

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

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

Capital allocation
AVEVA has remained cash generative during the year and at 30 April 2016 our cash balance was £123.5 million, with no debt. The Board believes it is important to maintain a strong balance sheet in order to provide additional confidence in the strength of our business to our customers and also to have at hand sufficient resources to invest in the future growth of the business. Our strong cash flows also continue to support our ability to grow via acquisition and our progressive dividend policy. At the same time the Board recognises the need to strike the correct balance between investing in the business and providing returns to shareholders over the long term. Following an in-depth review of our capital allocation and discussions with our shareholders and our advisers, the Board has concluded to maintain its sustainable progressive dividend policy, balanced against an active focus on M&A, with excess capital being returned to shareholders from time to time.

Hence, with this in mind, we are pleased to announce the increase of the ordinary dividend alongside these results, which illustrates our confidence in the long term prospects for the business and its underlying strength. The final dividend will be increased to 30.0 pence per share (2015 – 25.0 pence) which represents an increase of 20% over the prior year and takes the full year dividend to 36.0 pence (2015 – 30.5 pence), an increase of 18% over last year.

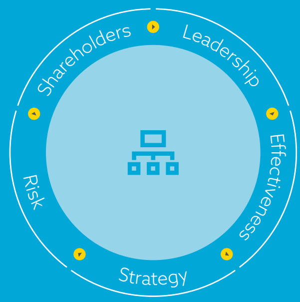
Summary
Despite 2015/16 having been a challenging year for the Group on a number of fronts, the business has shown great resilience and delivered a highly respectable performance, demonstrating the strength of our business model as well as the benefits that our technology delivers to customers. This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

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

Philip Aiken
Chairman
24 May 2016

SUMMARY OF GOVERNANCE

THE GROUP HAS A ROBUST GOVERNANCE STRUCTURE, WITH AN AGREED DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE BOARD. THE KEY FEATURES ARE SHOWN BELOW.



Leadership
The Board provides strong leadership, broad sector knowledge and extensive experience and tenure at AVEVA. The process is underway to identify successors for two of our NEDs who will step-down in this coming year after nine years on the Board.

Effectiveness
The Group's performance reflects the quality of its leadership and governance. An internal Board evaluation confirmed that the Board is strong and functions effectively, building on the Board's first external evaluation in 2014.

Strategy
The Board reviewed and approved our new strategic objectives, which we believe will drive substantial growth and create value for shareholders over the period to 2019.

Risk
We look to continuously improve our risk management. During the year, we formed a new Risk Committee, chaired by our Executive Vice President of Regional Operations.

Shareholders
AVEVA has a strong shareholder register. We maintain strong communication with key shareholders.

Chief Executive's Q&A

RICHARD LONGDON DISCUSSES THE CHALLENGES AND OPPORTUNITIES THAT LIE AHEAD, THE KEY ROLE THAT INNOVATION PLAYS IN THE BUSINESS AND HOW CUSTOMERS CAN EXPECT TO BENEFIT FROM AVEVA'S INVESTMENT IN THE CLOUD

Q **Could you discuss some of the key challenges facing AVEVA's customers today and how technology can help?**

A The only real constant in the industries we serve is change, and this presents a major challenge for our Engineering, Procurement and Construction (EPC) and Owner Operator (OO) customers. In the design phase of a project where our 3D tools are used extensively, for example AVEVA E3D, customers are having to adapt all the time to deliver assets faster and at a lower cost. Later on, with the commissioning and operation of the project, ensuring the optimum performance of the asset through maintaining accurate data is a highly complex task, and this is where AVEVA's information management and laser modelling software can be very beneficial.

We are on a journey with all of our customers to help them to realise the value of their Digital Assets – our vision is that for every physical asset there ought to be a digital representation. For these customers, the execution of major engineering projects requires hundreds of decisions – large and small – every day. Thousands more are required in the subsequent decades of operation, maintenance, modification and end of life. Throughout all of this, accurate and timely decisions depend on the quality, completeness and accessibility of the information that forms the Digital Asset. This, in essence, is the ultimate challenge that AVEVA is helping customers to meet every day. Consistent data is the key, and it is very much in AVEVA's DNA.

Q Can you talk about the role of innovation at AVEVA and why it is so important?

A In my view innovation is the lifeblood of AVEVA. As an organisation we have invested over £170 million in R&D over the past five years and it is central to our strategy to continue this pace of investment in the future. As a key partner to our customers, we are constantly devising new capabilities and functionality that will enable ever-greater efficiency and competitive advantage. It is no accident that AVEVA has a considerable lead over the competition from a technology standpoint; this has been achieved through a consistent focus over the lifetime of our Company.

Q One of the major themes across the software industry at the moment is cloud computing and the Software as a Service (SaaS) delivery model. How do you see AVEVA's customers approaching these new paradigms and what do you think the benefits might be?

A AVEVA is extremely well placed, from a technical standpoint, to offer all of its products via the cloud over the course of the next few years and, indeed, AVEVA E3D is already cloud-enabled. I believe that customers currently have valid concerns over data security, but that these will ultimately be resolved sufficiently for broad industry adoption to the new model. The efficiencies for customers will be dramatic, with on-demand access to software, low setup and running costs and unparalleled flexibility.

Q Could you give us an idea of the strategic areas of focus for AVEVA at the moment and where we should be expecting to see the Company invest over the next few years?

A We have a very clearly defined set of strategic goals and so our investment plans are entirely focused on enabling the business to deliver against these targets. Specifically, we plan to invest more in transitioning our business to becoming the leading provider of the Digital Asset via the cloud. We are focused on developing our business into new markets where we are currently under-represented and we shall continue to expand our presence beyond engineering design and into operations. We shall also continue to broaden the range of solutions we offer to customers, expanding our reach within their organisations to create even greater efficiencies through tight data integration between applications.

Q AVEVA is a diverse international business; what are the challenges you currently face as an organisation?

A After a period of substantial growth, driven in a large part by the strength of the various end-markets in which our customers operate, we are now very focused on ensuring that we operate as efficiently as possible as a business. This means that we continually have to question whether we are allocating our resources in the most effective manner in order to capitalise on the huge opportunities that lie ahead, as we grow into new markets, deliver new innovations to our customers and adapt to new ways of selling and delivering our products. Sometimes this means that we need to take difficult decisions as we manage the costs across our global operations.

Q Looking at the 2015/16 year under review, what do you consider to have been the real highlights for the business and were there any disappointments?

A One of the most important tests for our business has been to demonstrate the mission-critical role that our engineering software tools play within our customers' day-to-day activities, and that, even during some of the toughest end-market conditions many will remember, we can deliver a resilient financial result. I believe that this is something we have been able to demonstrate, which is very encouraging and is a particular highlight when I consider these results. There are always aspects of the business that we wish had performed better, and we have been disappointed with the sharp slowdown we have seen in Latin America, mainly due to external factors relating particularly to Brazil. Having said that, we remain committed to the region which we expect will prove to present very exciting opportunities for AVEVA over the longer term.

Market review

THE LONG-TERM FUNDAMENTAL GROWTH DRIVERS ACROSS OUR PRIMARY MARKETS REMAIN VERY STRONG

A solid strategy for success

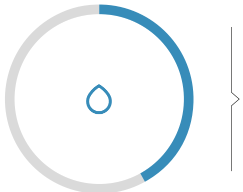
AVEVA's products are most applicable in industries where scale and complexity are the greatest challenge. Our success has been built on strong, long-term relationships with our customers, often spanning several decades. These relationships enable us to fully understand the industries we serve and ensure that our technology development strategy meets and anticipates our customers' changing needs.

The long-term fundamental growth drivers across our primary markets remain very strong despite the current short term economic and political volatilities experienced by the industries we serve. AVEVA's world-class products and services underpinned by our robust growth strategies position us to grow and exploit new opportunities created by the evolving business environment of our customers.

The markets we serve:

- Oil & Gas
- Petrochemical & Chemical
- Marine
- Power
- Mining & Minerals Processing
- Food & Beverage
- Paper & Pulp
- Architecture, Construction and Steel Fabrication

KEY MARKETS



Oil & Gas

Oil & Gas is a critical industry, meeting 60% of the world's energy needs and providing raw materials used to manufacture products that are essential to our modern lives. AVEVA has had a long and close relationship with the industry. Our technology continues to enable many of its most advanced engineering developments, both within the upstream and downstream industries where AVEVA dominates the market.

The unprecedented over-supply of oil to the markets has seen a longer-than-expected period of low oil prices. This has resulted in the implementation of cost cutting programmes by upstream companies. In contrast, companies which operate downstream businesses are enjoying buoyant market conditions due to the low price of feedstock.

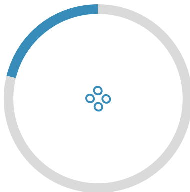
AVEVA has a balanced product portfolio allowing the business to be resilient in turbulent market conditions. AVEVA's laser solutions reduce the cost involved in capturing existing site conditions and integrate seamlessly with AVEVA's design tools, making AVEVA the best for brownfield change projects. AVEVA ProCon™ has a proven track record in removing significant costs from project execution through better contract management within the supply chain, helping project owners execute their projects with minimal cost overruns.

Market Drivers:

- Period of low oil prices due to over-supply
- Gradual increase in price as the supply/demand balance is restored
- Greater investment in life extension and upgrades of assets
- Buoyant downstream sector with high refining margins

Power

Marine



Additional Growth Markets

Power

The Power sector continues to experience increasing demand, driven by population growth and economic expansion. The IEA predict a 70% growth in electricity demand between 2013 and 2040 with developing economies driving this growth.

During the period 2015 – 2040, $20 trillion will be invested in power generation and infrastructure; $11 trillion will be spent on new power generating capacity and the rest on delivery infrastructure. The world's power generation mix will change and dependence on coal as a fuel will drop. The share of low carbon power generation technologies will increase from 30% to 47% in this period, due to the growth of non-hydro renewables and a stable share of nuclear and hydropower.

AVEVA is already a preferred supplier to the world's nuclear industry and the leading technology provider to the other power generation markets. We expect long-term growth in all these markets, especially within fast growing economies such as India, North America and China.

Market Drivers:

- Long-term growth in electricity demand, growing 70% between 2013 and 2040
- Low carbon power generation capacity to increase
- Continued investment in nuclear energy worldwide

Source: IEA World Energy Outlook 2015

Marine

Exactly 60 years ago, Malcolm McClean transformed global trade through his invention of containerised shipment (the shipping container). Today the Marine industry is the backbone of the world's economies, opening up cost-efficient means for countries and businesses to trade globally. Marine transportation remains the most efficient method for transporting commodities, raw materials, fuels and products around the world.

Global shipbuilding is a cyclical industry which is influenced by many market conditions. Following a multi-year boom, the industry is still suffering the effects of overcapacity stemming from a period of over ordering which saw the world Maritime fleet grow significantly.

AVEVA is the market-leading supplier of software to the shipbuilding industries and AVEVA's technology provides the greatest productivity advantage of any product on the market. AVEVA will continue to invest and support this significant market.

Market Drivers:

- Marine market to stay flat over the medium term
- Overcapacity in shipping continues to stifle new orders

Additional Growth Markets

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

AVEVA software is being used to today on large scale projects in close adjacent markets such as:

- Petrochemical & Chemical
- Mining & Minerals Processing
- Food & Beverage
- Paper & Pulp
- Architecture, Construction and Steel Fabrication

AVEVA's global presence and expertise provides us with the flexibility and know-how to respond to, and provide solutions for, the challenges faced by these related adjacent markets, which are similar to those encountered within the energy markets.

Market Drivers:

- Project design and execution complexity
- Industry adoption of 3D-centric BIM methodologies
- Health and safety, regulatory and compliance
- Efficient portfolio and asset management post completion

Customer proposition

AVEVA IS HELPING CUSTOMERS TO REVOLUTIONISE BUSINESS PERFORMANCE WITH DATA-CENTRIC ENGINEERING AND AVEVA'S DIGITAL ASSET APPROACH

CAPTURE

Quickly and safely establishing a Digital Asset baseline

Capex

Capital project investment is increasingly focused on brownfield modifications to enhance or expand existing production capacity, or to extend the asset's operating life. Cost pressures are also prompting the decommissioning of ageing or less profitable assets.

Prior to a brownfield project, 3D laser scanning of the asset using technology from the AVEVA Group company LFM, allows the capture of the as-operating state. This is critical for clash-free design, in order to optimise schedule management and minimise any impact to production. Similarly, capturing a visual audit of an asset marked for decommissioning can be a useful step in securing the necessary regulatory and environmental approvals before work begins.

Opex

Years of operation frequently results in information decay – a widening gap between the digital equivalent of the asset (engineering data, documents and drawings) and the on-site reality. This adds risk to safety, reliability and the profitability of the asset. As compliance obligations have increased and ageing assets squeezed for efficiency, Operators are turning to 3D laser scanning technology from LFM to create a digital baseline for reporting and compliance, and as the foundation for the creation of a full Digital Asset for enhanced operational decision making.

CREATE

Transform performance via Integrated Engineering & Design

Data-centric engineering

In markets characterised by both a reducing number of projects and increasing competition, engineering organisations looking to maintain or advance their market position are turning to technology to support substantial performance improvements. In addition to streamlining processes, a key area for improvement is the eradication of errors in materials management and construction that lead to costly delays and rework. Although Engineering & Design accounts for a relatively small proportion of the Total Installed Cost (TIC) of an asset, it is typically in these early project phases that these errors and inconsistencies are generated. As the impact on budget and schedule rise exponentially the later the issues are discovered, ensuring accuracy, consistency and reliability of Engineering & Design is critical if significant savings are to be realised. AVEVA's integrated suite of market-leading design and engineering applications embeds trusted, standardised engineering information into the heart of every disciplinary process, supporting end-to-end process efficiency and accuracy.

KNOW

Enhancing decision making across the lifecycle

The Digital Asset at your fingertips

At every decision point throughout the asset's lifecycle, accurate, relevant information is essential. In the project phase, it can help to minimise overruns against budget and schedule. In operations, it reduces risks to safety and production. Underpinned by our Digital Asset approach, AVEVA is redefining how organisations should access and retrieve the information they need in order to improve the speed and reliability of their decision making across the project and asset lifecycle.

Historically, access to digital information was limited, causing delays to decision-making that could introduce risk; in today's Big Data world, similar delays can result from the availability of too much information, especially if access requires searching multiple systems, aggregating relevant data and resolving any differences that you might find.

AVEVA's Digital Asset approach ensures the availability of contextually-filtered information precisely when and where it is required. It delivers this access through our browser-based Information Management solutions, also by embedding real-time windows into the Digital Asset via capabilities such as Design in Context,™ and through the new generation of simple, powerful, touch-enabled decision support applications. The result is better quality decisions throughout the lifecycle, which leads to increased project profitability, better quality assets and increased return on investment.

Business model

CREATING A SUSTAINABLE BUSINESS THAT RESPONDS TO THE NEEDS OF OUR CUSTOMERS

OUR ORGANISATION AND BUSINESS MODEL

1 GLOBAL SALES

Focused on selling our full product and solution portfolio to all of our EPC, OO and Shipbuilding customers

2 SOLUTIONS & TECHNOLOGY

A unified technology organisation responsible for the development and integration of all our software and solutions

3 GLOBAL SERVICES

A single service organisation delivering a full range of consulting and implementation services to all of our customers around the world

4 BUSINESS STRATEGY & MARKETING

Defining our business strategy and communicating AVEVA's purpose internally and to our target markets

5 FINANCE & LEGAL

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

6 BUSINESS SERVICES

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

OPERATIONS

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

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.

Strategy in Action

Plant operators

AVEVA WILL CONTINUE TO WORK WITH PLANT OPERATORS ON LARGE CAPEX PROJECTS, WITH A GREATER FOCUS ON DOWNSTREAM ACTIVITIES


Reliability engineer checking a facility. Courtesy of GS Caltex.

Case study

GS CALTEX

GS Caltex was founded in May 1967 as the first private oil company in Korea. Jointly owned by Chevron and GS Group, it provides more than 30% of Korea's oil needs and exports over 50% of its products.

The company has deployed AVEVA E3D as the foundation of an innovative pipe corrosion management system that enables GS Caltex to understand the history, service life, operating condition and accessibility of each section of pipe, by viewing it on the 3D model of the facility.

Continual condition monitoring enables engineers to estimate the corrosion rate of each pipe and its remaining life. Being able to predict corrosion means that parts can be replaced during scheduled, routine maintenance activity, not as unscheduled downtime.

read the full article in AVEVA World Magazine 2015, Issue 2
www.avevaworld.com/magazine

Investor proposition

AVEVA IS A TECHNOLOGY LEADER, PROVIDING MISSION-CRITICAL SOLUTIONS TO THE WORLD'S LARGEST ENGINEERING COMPANIES AND OWNER OPERATORS IN THE MOST DEMANDING AND COMPLEX PROCESS INDUSTRIES

Our Markets

AVEVA's solutions are most applicable in industries where scale and complexity are at their greatest

We have developed a market-leading position in 3D design and engineering information management across the process industries, with particular strength in Oil & Gas, Shipbuilding, Power, Petrochemical & Chemical, Paper & Pulp and Mining & Metals.

strength

in Oil & Gas, Shipbuilding, Power, Petrochemical & Chemical, Paper & Pulp and Mining & Metals

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Delivering value to our customers

AVEVA's solutions help customers achieve competitive advantage and maximise efficiency

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.

3,500

customers who rely on our software solutions

Industry Leading

Investment in innovation has made us the technology leader in our markets

Since the Company's inception, we have been the leading innovator in the industry, from delivering the world's first 3D plant design system through to today's engineering decision-support and cloud-enable technologies.

leading

innovator in the industry

Strong Financial Model

AVEVA's revenue is principally derived from licensing software

Our licensing model has enabled us to establish a strong recurring revenue base. We have enjoyed historically high profit margins and, in addition, the business is highly cash-generative.

high levels

of operating cash flow

Global Reach

AVEVA is a truly international business, with offices in 30 countries but operational in many more

Our broad international reach enables us to support our customers locally wherever they may happen to be. This has been achieved through sustained investment and reflects the global customer base that relies on AVEVA's software solutions.

30

countries with AVEVA offices

Strategic framework

For almost 50 years, we have enabled some of the world's most important industries to work more safely, efficiently and sustainably. As we enter the next era, our strategy is to reinforce our position as the leading provider of the Digital Asset to the markets we serve.

Our longer-term aim is to place an AVEVA Digital Asset at the centre of every operating asset and at the heart of every major capital project, helping shape the world around us.

Our growth objectives are based around the customer being at the heart of everything we do. Our pioneering Digital Asset Approach is unique. It is how we empower our customers to transform the speed, accuracy and reliability of their decision-making. The approach empowers our customers to capture, create and know everything about each project or asset throughout its lifecycle – equipping them to make the informed decisions that are critical to success in today's dynamic, competitive markets.

Our growth objectives are realised through four growth strategies:

STRATEGIC PRIORITIES	OPPORTUNITY	
PLANT OPERATORS	We'll continue to work with Owner Operators on large downstream Capex projects	Using our knowledge gained through the company's long history in the integrated engineering and design space we will position ourselves as the best solution provider for brownfield and large Capex projects. By leading with our integrated Laser, AVEVA E3D and AVEVA Net™ story we will demonstrate how we seamlessly integrate with our design solutions, to offer our customers the best, fastest and most cost-effective platform for brownfield projects.
HIGH GROWTH MARKETS	A key market for AVEVA is defined as one that is experiencing high economic growth or is strategically significant	Key markets are those with strategic significance due to their ability to influence AVEVA's core market dynamics. Today these regions are China, India, the Middle East and North America. For these growing economies AVEVA will continue to invest in customer service and support infrastructure.
DIVERSIFY END MARKETS	The AVEVA concept of a Digital Asset to mirror the physical one is applicable in adjacent markets	The Architecture Engineering Construction (AEC) sector, which has been quick to embrace new technologies, will see construction companies delivering a physical building and a 'digital twin' (the equivalent of AVEVA's Digital Asset). Our strategy is to continue to grow in these markets through our Fabricator business as well as extending our SaaS-based Digital Asset into these markets.
EXTEND TO A DIGITAL ASSET SAAS FOOTPRINT	AVEVA will continue to grow market share in our core design business	AVEVA's strategy to transition all its applications onto to a unified platform will improve our ability to sell the whole portfolio. Transitioning the AVEVA business into becoming a pure Software as a Service (SaaS) provider of the Digital Asset will allow AVEVA to better compete in adjacent markets where cloud has already been accepted, as well as targeting 2nd/3rd tier EPCs who currently find the setup cost of AVEVA's solutions prohibitive.

£30m

cumulative revenue from AVEVA E3D

WHAT WE SAID	WHAT WE DID
– Continue to innovate our information management solutions based upon our customers' needs for reliable, available and known maturity of information	– Launched our showcase touch-driven decision support system AVEVA Engage.™ The launch of AVEVA Engage is another industry first for AVEVA, following on from the world's first plant walk-through visualisation system and the world's first plant design solution for lean construction (AVEVA E3D)
– Strengthen our partner ecosystem to build new channels – Continue to expand our reach within key growth markets to continue to drive the highest levels of customer support	– Partnered with many regional businesses to expand AVEVA's reach through its partner channel – Invested in our regional teams to give us a stronger presence closer to our customers
– Target steel fabrication market with steel detailing and fabrication management – Continue to appraise acquisition opportunities to increase our exposure to wider capital intensive industries	– Acquired fabrication management software provider FabTrol Systems Inc. Combining FabTrol software together with AVEVA E3D, which is already integrated with AVEVA Bocad™ structural steel detailing software, creates a powerful design, detailing and fabrication solution. The FabTrol software expands AVEVA's fabrication portfolio and provides integration across the steel fabrication value chain
– Extend our 3D dominance with AVEVA E3D	– Migrated a record number of customers from PDMS™ to AVEVA E3D; our top-of-the-range, multi-discipline, 3D plant design solution which integrates with our innovative laser scanning solutions – AVEVA E3D revenue now accounts for c. 10% of Group revenue

See page 12

See pages 16-17

See page 27

See pages 24-25

Strategy in Action

High growth markets

AVEVA WILL INVEST IN CUSTOMER SERVICE AND SUPPORT IN HIGH-GROWTH AND EMERGING ECONOMIES ACROSS THE GLOBE

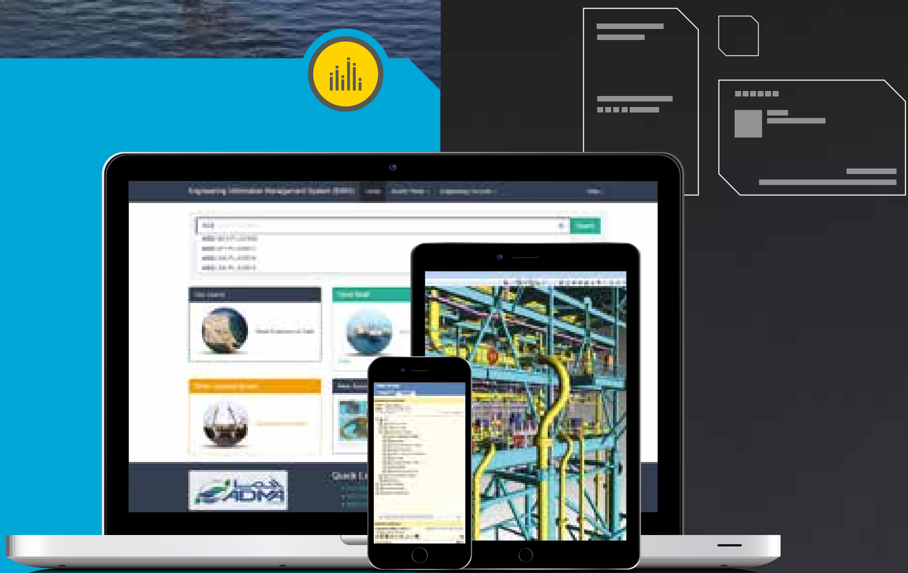
Zakum West. Courtesy of ADMA-OPCO.

Case study

ADMA-OPCO

Abu Dhabi Marine Operating Company, ADMA-OPCO, is a major producer of Oil & Gas in the Emirate of Abu Dhabi. The company has completed over 45 years of Oil & Gas production.

ADMA began its AVEVA partnership in 2004 and is currently using AVEVA technology within its As-Built Campaign to provide a Digital Asset and develop a digital hub of up-to-date, validated information that accurately describes the current condition of its super-complexes.



read the full article in AVEVA World Magazine 2015, Issue 1
www.avevaworld.com/magazine

"The Middle East is a key region for Oil & Gas reserves; it has a large concentration of national oil companies and was the only region to increase exploration and production spending during 2015."

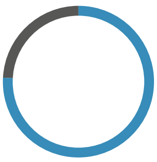
Mohamad Awad
VP, Regional Sales,
Middle East and Africa

Chief Executive's strategic review

OUR BUSINESS REMAINS STRONGLY POSITIONED IN ITS MARKETS, WITH FUNDAMENTAL DRIVERS THAT ARE EXPECTED TO SUPPORT SUSTAINED GROWTH OVER THE LONG TERM

"AVEVA has made good progress on a number of important fronts during the year."

Richard Longdon
Chief Executive Officer



Recurring revenue

£154m

Summary

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

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

The business environment

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

Among the principal long-term drivers of historical revenue growth for AVEVA has been the growing complexity of the engineering challenges that our customers are required to undertake within ever-shrinking time schedules,

£63.4m

5% growth in Annual fees in organic, constant currency terms

c. 10%

of revenue in the year from AVEVA E3D

which necessitates an increasing investment in upfront engineering design and hence drives demand for our software applications. This has been a feature in all of our markets, but in particular in Oil & Gas, representing around 40% of revenue, where AVEVA has a competitive edge in the most complex of all design environments: upstream, offshore and deep water.

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

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

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

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

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

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

Market fundamentals and our positioning

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

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

Within our Marine segment, the shipbuilding market remains depressed given subdued demand and overcapacity in the world fleet. The market is affected by trends in global GDP and a general slowdown in global trade combined with an economic slowdown in emerging markets, particularly the leading global importer, China. There are some areas where we see growth, for example in naval shipbuilding in China and India, but the overall macro picture is expected to remain challenging. Whilst a number of

Chief Executive's strategic review
CONTINUED

our major shipyard customers have been successful in diversifying their businesses into offshore projects over the past five years, their pipelines for this activity have seen a sharp slowdown since 2014, affected in particular by the boom in North America's shale Oil & Gas market.

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

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

Progress towards our key strategic goals

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

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

Increasing our revenue from OOs

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

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

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

Increasing solution sales through our MT3D initiative

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

Broadening our market exposure

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

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

'MORE THAN 3D' – WE SEE A MAJOR OPPORTUNITY IN LEVERAGING OUR 3D INSTALLED BASE BY SELLING ADDITIONAL ENGINEERING SOFTWARE TOOLS

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

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

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

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

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

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

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

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

Chief Executive's strategic review
CONTINUED

Further developing our Software as a Service (SaaS) solutions

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

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

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

Outlook

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

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

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

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

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

Richard Longdon
Chief Executive Officer
24 May 2016

Key performance indicators

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 continued to be 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, 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

£201.5m (–3%)

Reflects difficult markets

Recurring revenue (£m)
Provides visibility

£154.0m (–3%)

Resilient performance

R&D expenses (£m)
Investment in innovation

£32.1m (–2%)

Lower cost operations

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

£51.2m (–18%)

Due to lower revenue and cost inflation

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

25.4% (2015 – 29.8%)

Remains highly profitable

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

62.0p (–17%)

Lower profit in year

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

36.0p (+18%)

Reflects long-term confidence

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

123% (2015 – 83%)

Strong cash collection

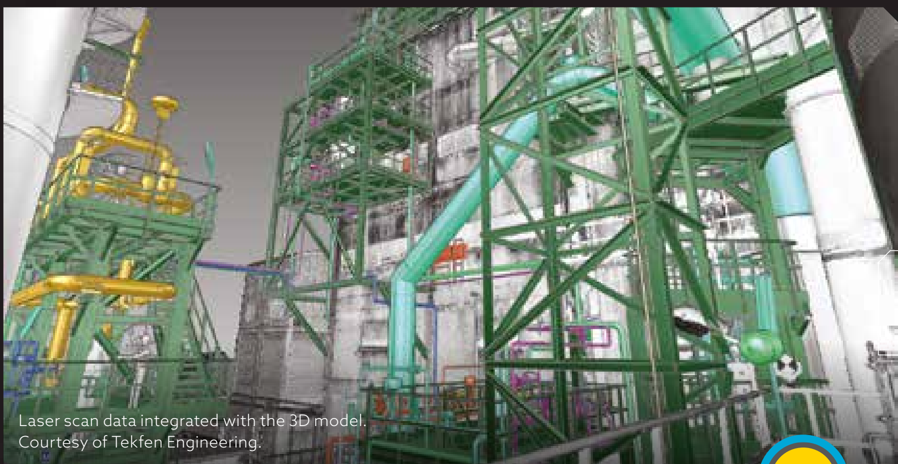
Operating cash flow (£m)
AVEVA remains a highly cash generative business

£36.1m (–20%)

£49.1m excluding exceptional items

Strategy in Action
Extend to a Digital Asset SaaS footprint

AVEVA WILL EXTEND THE DIGITAL ASSET BY UNIFYING ITS APPLICATIONS ONTO A COMMON PLATFORM


Laser scan data integrated with the 3D model.
Courtesy of Tekfen Engineering.

Case study
TEKFEN ENGINEERING

Tekfen Engineering is a multi-disciplinary Engineering, Procurement and Construction Management contractor and the largest engineering company in Turkey.

The company was an early adopter of AVEVA E3D and has pioneered the integration of 3D design with laser scanning in the Turkish market.

Today, Tekfen utilises a wide range of integrated AVEVA products to help it create Digital Assets for its customers.

read the full article in AVEVA World Magazine 2016, Issue 1
www.avevaworld.com/magazine

"A Digital Asset transforms the creation and management of complex assets by enabling information to flow across technologies, the asset's life cycle and supply chain."

Emre Özsoy
Senior Sales Manager, Turkey

CTO's review

THROUGHOUT ITS HISTORY, AVEVA HAS PARTNERED WITH ITS CUSTOMERS IN SEARCHING FOR NEW WAYS IN WHICH TECHNOLOGY CAN DELIVER MAJOR BUSINESS BENEFITS

"During the past year we have delivered a number of ground-breaking innovations, spanning the entire solution portfolio."

Dave Wheeldon
Chief Technology Officer and Head of Solutions & Technology

Continued focus on delivering innovation

Often this is achieved through the transformation of how activities are undertaken or even by eliminating entire steps in their business processes, thus enhancing efficiency, driving down costs and improving quality and business agility. Our search for transformational technology ideas continues.

During the past year we have delivered a number of ground-breaking innovations, spanning the entire solution portfolio.

Lifetime extensions

Current economic conditions are challenging for many of our customers and many asset owners are looking to improve operating performance and to extend the life of their existing assets, while limiting their investment in new green-field facilities. Life extension projects are by their nature complex involving refitting equipment and systems into the existing facility. There is usually no single right answer to the re-design or to achieve the re-construction, but the aim is to achieve an improved, possibly extended, facility and have it operational in the shortest possible time achievable within the available budget. In a typical project of this kind, thousands of decisions are needed across many different areas of speciality.

Through careful planning and targeted investment, AVEVA's technology has evolved to address these specific needs.

We have developed and incorporated several major new capabilities into our market leading 3D design product, AVEVA E3D. As a result, AVEVA E3D directly addresses the requirements for asset modification and lifetime extension that are urgently required by our customers.

Customers are benefiting from the ability to handle laser data directly within the design environment. The latest innovations allow AVEVA's laser-modelling technology to enable new capabilities such as the demolition and removal of existing plant items in the laser model prior to re-construction and installation of new equipment and systems.

The technology allows continuous updating of the laser point cloud as modifications are made to the operating asset. By doing so, the point cloud can be maintained as a true model of the operating asset and can be used to provide a true-to-life 3D visualisation to easily and naturally navigate and access all types of information about the asset. As a result of this unique capability, we are now delivering what we term the 'Trusted Living Pointcloud™', an evolving source of reliable, value-rich information that forms a core 3D component to a perpetually changing Digital Asset. This is true for both existing assets and for new greenfield or brownfield projects. We are continuing to invest in our laser-modelling technology and recently introduced the HyperBubble,™ which delivers a photo-realistic overlay of laser point cloud data in a freely navigable, immersive environment.

£171m
5 year R&D investment

1,000
AVEVA Experience registrations

Engineering decision support
Ultra-high performance visualisation brings models to life and makes information far more accessible, but has traditionally been the domain of specialist applications and so not readily available to the broader population of decision makers. The advent of large format, touch-enabled display devices removes the need to learn a specialist application and provides an unrivalled environment for reviewing asset information and driving more effective decision making. The launch of AVEVA Engage in October 2015 created a new benchmark in information accessibility through combining ultra-high performance visualisation with application-agnostic access to information via large format touch devices. The effect is amazing and inspiring and has begun to generate immediate interest from owner operators and engineering contractors alike.

These technical advances can replace existing methods and, by adding greater automation, streamline customers' businesses making them leaner and more efficient. AVEVA's unique object-management platform does this by allowing multiple disciplines to interact on the same data objects, driving out data duplication and reducing the risk of errors and miscommunication.

We have recently extended this benefit to incorporate the work of electrical departments by making AVEVA Electrical™ the only engineering product of its type to allow accurate cable-length and sizing calculations through integration with AVEVA E3D for cable routing. This enhancement reflects our continued commitment to realise our vision for AVEVA Integrated Engineering & Design by ensuring that all 2D and 3D designs are tightly integrated throughout the product lifecycle.

This past year has seen very good progress in our adoption of cloud technologies. The launch of AVEVA Experience, which provides on-demand cloud-based access to AVEVA E3D for customers to get hands-on experience of the new design platform has been particularly well received, with over 1,000 registrations since launch.

We continue to develop our products with the eventual move to the cloud in mind in order to provide an appropriate solution for customers, with the cloud delivering a hybrid extension of their on-premise environment, creating new efficiencies and flexibility for rapid redeployment of resources and, over time, on-demand access to our entire application portfolio.

I am very excited about AVEVA's portfolio and the opportunities it can bring to help support our customers in their quest for greater efficiency and return on investment.

Strategy in Action

Diversify end markets

AVEVA WILL CONTINUE TO GROW IN THE AEC MARKET THROUGH ITS FABRICATOR BUSINESS

The KAFD Conference Centre Parcel A.01, Riyadh. Courtesy of FZETA.

Case study
FZETA

Based in Italy, FZETA specialises in, and excels at, the kind of complex structural steel projects that others struggle with.

They chose AVEVA Bocad as a tool that would keep them at the forefront of their industry as the AEC sector drives towards ever more sophisticated design.

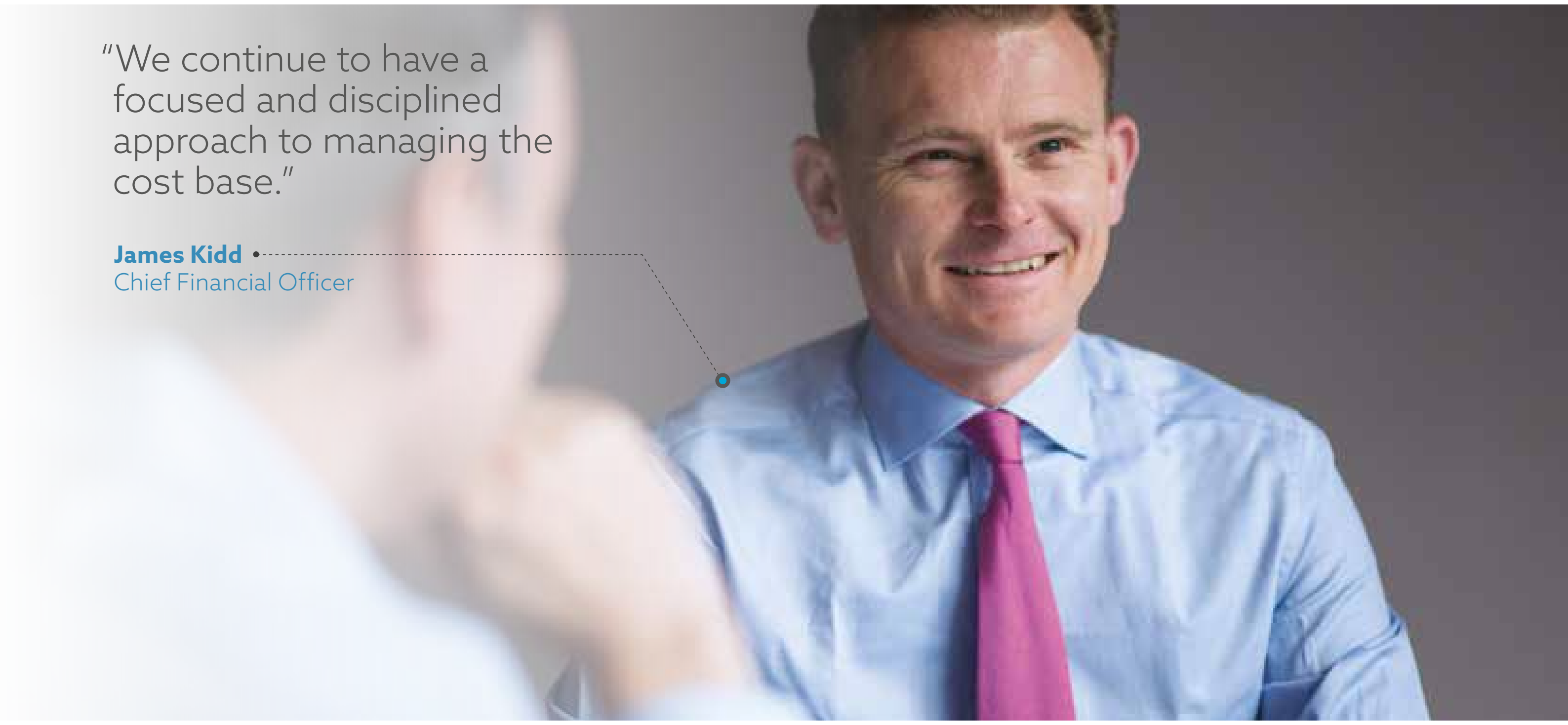
Using AVEVA Bocad, FZETA can visualise the entire 3D model of a structure, to quickly locate key information such as weld identification or specific details of joints.

Automatic creation of accurate production deliverables eliminates sources of error, helping to keep projects on schedule.

Read the complete case study at
www.aveva.com/casestudy/fzeta

Finance review

THE BUSINESS HAS DELIVERED A SOLID PERFORMANCE DESPITE DIFFICULT MARKET CONDITIONS



Summary

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

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

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

Revenue

Organic, constant currency revenue by category

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

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

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

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

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

123%
Operating cash conversion

£107.9 million
Net cash balance

76%
recurring revenue, holding stable with previous years

The results for the year are summarised as follows:

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

1 Organic constant currency is defined as the period's reported results restated to reflect the previous year's average exchange rates and excludes the contribution from 8over8 and FabTrol.
2 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.

Segment performance

An analysis of revenue by geography is set out below:

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

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

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

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

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

Finance review
CONTINUED

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

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

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

Cost analysis
As disclosed in the interim statement, the allocation of costs between selling and distribution costs and administrative expenses has been amended during the year and the income statements of prior periods have been restated accordingly. There has been no impact on profit from operations. Further details are contained in note 2.

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

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

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

We continue to invest in Research & Development in both continued advancement of our existing products with examples including the new version of AVEVA E3D with enhanced laser capability for brownfield projects and new products such as AVEVA Engage. Research & Development costs fell by 15% on an organic, constant currency basis partly due to the benefit of the restructuring that was undertaken in the first half, savings from utilising our in-house facility in Hyderabad for more projects and an increased benefit from a higher R&D tax claim in the UK.

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

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

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

WE CONTINUE TO HAVE A FOCUSED AND DISCIPLINED APPROACH TO MANAGING THE COST BASE

Exceptional items

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

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

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

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

Profit before tax

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

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

Taxation

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

Dividends

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

Earnings per share

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

Balance sheet and cash flows

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

Non-current assets

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

Working capital

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

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

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

Cash generation

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

Finance review
CONTINUED

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

Pensions

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

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

Capital structure

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

Treasury policy

The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board. These policies are designed to reduce the financial risk arising from the Group's normal trading activities, which primarily relate to credit, interest, liquidity and currency risk. The Group is, and expects to be, cash positive and at 31 March 2016 held net cash of £107.9 million. The treasury policy includes strict counterparty limits.

James Kidd
Chief Financial Officer
24 May 2016

Principal risks and uncertainties

AVEVA FACES A NUMBER OF POTENTIAL RISKS AND UNCERTAINTIES WHICH COULD HAVE A MATERIAL IMPACT ON THE GROUP'S LONG-TERM PERFORMANCE. THE BOARD IS RESPONSIBLE FOR DETERMINING THE NATURE OF THESE RISKS AND ENSURING APPROPRIATE MITIGATING ACTIONS ARE IN PLACE TO MANAGE THEM EFFECTIVELY

Risk management process

The Board retains ultimate responsibility for the Group's risk management and as part of this regularly completes a review of the Group's Risk Register and an assessment of the adequacy of the mitigating controls identified by management. To aid this process the Board approved the formation of a Risk Committee comprising senior management from each function of the business. The Risk Committee reports jointly to the Board and the Executive Board.

The Risk Committee meets at least quarterly and has responsibility for considering risk appetite, risk identification, risk quantification/qualification and the determination of mitigating internal controls. The Risk Committee is not responsible for internal audit activities which remain under the responsibility of the Audit Committee. More details of AVEVA's assessment of internal controls is included within the Audit Committee Report and on page 42 of the Corporate Governance section of the Directors' Report.

This year the Risk Committee gathered opinions, via a Risk Questionnaire, from around 50 of the most senior managers within the Group and this formed a valuable input when considering the Group risk profile and in undertaking the annual review of the Risk Register. The Risk Register was compiled after considering three main risk characteristics – likelihood, size of impact and timeframe for when the risk may impact the Group. Likelihood was assessed on a net risk basis (i.e. after the operation of internal controls) as the Risk Committee considered this gave a more robust view of the risks currently faced by AVEVA. Separately, the Audit Committee has responsibility for determining the appropriate level of review required to ensure that internal controls are operating as designed.

The updated Group risk register was ultimately reviewed and approved by the Board and in the context of the assessment of viability the Board considered which risks, and combination of risks, would threaten the viability of the company.

The principal risks faced by the Group are set out on pages 34 to 35, and include indicators of the financial impact, likelihood and whether the risk has increased or decreased in significance since the last review.

Viability Statement

In accordance with the revised UK Corporate Governance Code, the Directors have assessed the Group's prospects and viability over a period significantly longer than the outlook of the Going Concern statement of 12 months. The Directors have determined that the appropriate period is three years, corresponding with the period covered by the Group's business planning cycle.

The Directors considered the principal risks in plausible but severe scenarios and assessed the potential impact of a decline in the Group's revenue caused by a period of sustained low economic growth resulting in low levels of capital investment, together with the potential deterioration in the market share of our dominant product family and this was combined with an unfavourable foreign exchange assumption.

Based on this assessment, the Directors have considered the Group's current position and principal risks, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three year period.

In making this statement, the Directors have also made the following assumptions:

– oil prices will not fall significantly further
– the UK EU referendum, which could lead to Britain exiting the EU, will not affect current trading or existing customer contracts or relationships
– our internal controls in mitigation of a significant proportion of the risks on the register continue to operate effectively

Going concern statement

The Group has significant financial resources, is profitable and has a strong position in the markets it serves. At 31 March 2016, the Group had cash and treasury deposit balances of £107.9 million (2015 – £103.8 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 in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks and uncertainties
CONTINUED

Risk change from 2015

Low	No change
Medium	Risk decreased
High	Risk increased

STRATEGIC AND MARKET RISKS

Risk	Likelihood	Impact	Change	Mitigation	Strategy
Dependency on key markets AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects in the Oil & Gas, Power and Marine markets. World economic conditions or funding constraints for new capital projects may adversely affect our financial performance. Currently, some of AVEVA's vertical end markets are under pressure with lower oil prices and inevitably this is having an impact on the Group's revenues.	High	High	No change	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 OOs and Plant operations. This will help secure a longer-term income stream that extends beyond the design/build phase of these capital projects. In addition, our extensive global presence provides some mitigation from over-reliance on key geographic markets.	
Competition AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. Our 3D design tools are well established in our markets and we believe that there are a relatively small number of significant competitors. However, some of these competitors could, in the future, pose a greater competitive threat to AVEVA's revenues, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies. Further threats are posed by the entrance, into AVEVA's markets, of a much larger technology competitor or transformational technology, such as Cloud-based solutions. The Group's strategy to extend the digital asset footprint is key to ensuring that our customer penetration is broad and that AVEVA's sources of revenue are diversified.	Medium	High	Risk increased	We carefully monitor customers and other suppliers operating within our chosen markets. We stay close to our customers and ensure we have a strong understanding of their needs and their expectations from the AVEVA product development roadmap. We expect that the customers we serve will, over the next three to five years, show an increased appetite or insistence on their software needs being delivered with more flexibility. AVEVA is already well progressed with its Cloud strategy and expects to be able to meet these customer demands as they develop.	
Professional Services Where AVEVA assists customers with the deployment of an enterprise solution this involves some degree of consulting and/or implementation work. This requires specialist knowledge to be available and well managed in many geographic locations. There is a risk that the services provided do not meet the customer's expectations or that technical difficulties are encountered. In some instances we may opt to partner with a third party for this work and this relationship also requires careful management and maintenance to ensure that AVEVA's strong reputation with our customers is not damaged.	Medium	Medium	No change	We employ experienced industry professionals within our professional services team and continue to build commercial partnerships with third party systems integrators. We have rigorous processes and controls for the appraisal of potential commercial opportunities prior to any bid being submitted. Bids are appraised on grounds of technical complexity as well as financial and commercial risk.	
Acquisitions An acquisition by AVEVA or of AVEVA could pose a significant distraction to management and to the delivery of our business plan. The Group expects to continue to review acquisition targets as part of its strategy. The integration of acquisitions involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business, failure to realise the benefits anticipated to result from the acquisition, and successful integration of the acquired intellectual property.	High	Medium	Risk increased	While each acquisition and integration is unique, AVEVA now has an experienced team to appraise and complete acquisitions. The Group's experience of previous 'bolt-on' acquisitions as well as the aborted transaction with Schneider Electric provides a good understanding of potential transaction and integration risks.	

OPERATIONAL RISKS

Risk	Likelihood	Impact	Change	Mitigation	Strategy
Recruitment and retention of employees AVEVA's success has been built on the quality and reputation of its products and services, which rely almost entirely on the quality of the people developing and delivering them. Managing this pool of highly skilled and motivated individuals across all disciplines and geographies remains key to our ongoing success.				The Group endeavours to ensure that employees are motivated in their work and there are regular appraisals, with staff encouraged to develop their skills. Annually there is a Group-wide salary review that rewards strong performance and ensures salaries remain competitive. Commission and bonus schemes help to ensure the success of the Group and individual achievement is appropriately rewarded.	
Protection of intellectual property The Group's success has been built upon the development of its substantial intellectual property rights and the future growth of the business requires the continual protection of these tools. The protection of the Group's proprietary software products is achieved by licensing rights to use the application, rather than selling or licensing the computer source code.				The Group uses third party technology to encrypt, protect and restrict access to its products. Access limitations and rights are also defined within the terms of the software licence agreement. The Group seeks to ensure that its intellectual property rights are appropriately protected by law and seeks to vigorously assert its proprietary rights wherever possible.	
Research & Development The Group makes substantial investments in Research & Development in enhancing existing products and introducing new products and must effectively appraise its investment decisions and ensure that we continue to provide class-leading solutions that meet the needs of our markets. Our software products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers.				AVEVA continually reviews the alignment of the activities of our Research & Development teams to ensure that they remain focused on areas that will meet the demands of our customers and deliver appropriate financial returns. This process is managed by developing a product roadmap that identifies the schedule for new products and the enhancements that will be made to successive versions of existing products. Products are extensively tested prior to commercial launch.	
International operations The Group operates in over 30 countries globally and must determine how best to utilise its resources across these diverse markets. Where necessary, the business must adapt its market approach to best capitalise on local market opportunities, particularly in the strategically key growth economies. In addition, the Group is required to comply with the local laws, regulations and tax legislation in each of these jurisdictions. Significant changes in these laws and regulations or failure to comply with them could lead to additional liabilities and penalties.				The Group manages its overseas operations by employing locally qualified personnel who are able to provide expertise in the appropriate language and an understanding of local culture, custom and practice. Local management is supported by local professional advisers and further oversight is maintained from the Group's corporate legal and finance functions.	

FINANCIAL RISKS

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

Corporate responsibility

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 AVEVA PARTICIPATES IN WITHIN LOCAL COMMUNITIES AS AN ETHICALLY RESPONSIBLE BUSINESS

5%
increase in headcount

30
countries where we have offices

Internal stakeholders

AVEVA is a diverse organisation with employees in 30 countries and from many different cultures. Our Global Ambassador Network continues to expand and provides a channel for our employees to provide feedback to the senior management team.

Editorial teams manage the network's regional communications to ensure our largest regions receive both corporate and regionally focused updates regularly, to support our employees in their roles.

As of 31 March 2016 we have a headcount of 1,706, a 5% increase on last year (2015 – 1,623). 75% of our employees are male and 25% are female (2015 – 73% and 27%).

External stakeholders

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

To protect the interest of our customers, our Anti-Piracy and Compliance teams monitor the illegal use of AVEVA software and enforce compliance within our terms and conditions. This team has been expanded over the past two years in order to tackle the increased use of illegal software. AVEVA will continue to invest in both people and technology to further ensure compliant use of its technology. Whilst illegal use of our software is an ongoing challenge, AVEVA is becoming much more successful in the detection of such cases and the subsequent enforcement of licence terms.

To embed and reinforce our corporate policy against the acceptance or payment of bribes we have enhanced and improved our eLearning tools. Every employee completes the Global Corporate Governance and Group IT Compliance training each year to ensure that we maintain our high ethical standards. We review monthly operational challenges in the key regional hubs to ensure local governance.

Employee engagement

During September 2015 we carried out 'Pulse' engagement surveys in five key locations. Out of the total 654 employees who were invited to participate we achieved a 78% response rate and the overall score for engagement was 82%.

Where there were areas highlighted that showed improvement was necessary, action plans were developed and implemented.

Managers play a critical role in engagement and we continue to invest to support our senior management team. An example of this has been the development of a specific 'Managers' Zone' on our corporate intranet which hosts a range of materials, information and toolkits for managers, to support them as they communicate with and develop their teams. The Executive Team holds manager briefings on key issues affecting employees, providing updates along with an open forum for questions and answers.

Communications

Keeping employees informed of business priorities and changes remains a key focus within AVEVA. As a global organisation, it is important that everyone feels part of AVEVA and that we share information across all teams and regions. Regular internal communication campaigns help to achieve this – through people stories, successes and competitions, our aim is to be inclusive and to celebrate our diversity.

Engagement levels remain high and we use feedback from our Global Ambassador Network to continue to improve and develop information that both informs and motivates our employees.

Learning and Development

Our well established learning and development programmes continue to provide a range of opportunities for our current employees. This includes on-line language studies, technical development and management & leadership programmes.

To support our ambition to attract and nurture young, talented people we continue, through our apprenticeship schemes, work experience and as members of specific science and engineering groups, to encourage young people to start their careers with us.

Last year we saw:

- 2,166 hours of technical training (PluraSight) completed
- 2,671 hours of classroom training
- 44 colleagues completing Management Development
- 254 hours of AVEVA eLearning completed

AVEVA in the community

We are proud of our AVEVA colleagues who continue to support many local, national and international charities. We match the funding raised by employees who have participated in various events, such as marathons, charity auctions, events, and fun runs. This year AVEVA has matched a total of £59,473 to support local communities.

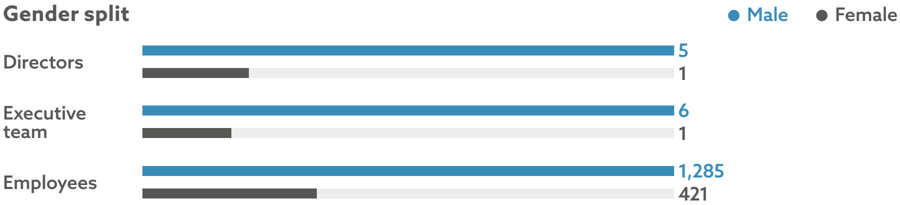
One of the many fine examples of the fantastic support that our teams have given during the course of the year comes from our team in Japan, who wanted to provide support to the growing number of refugees who find themselves in difficult situations. The team took part in a charity initiative to donate their used clothes to help raise funds through a Japanese clothing retail chain.

The chain have been donating clothing to many vulnerable groups in the region: evacuees, victims of disaster, expectant and nursing mothers, as well as others in need across the globe. The team collected a vast amount of clothing and are looking to continue to support this charity in such a simple but effective way to make a difference to people's lives.

01 **Charity clothing collection point set up by our Japanese office**
02 **Participants from our Hyderabad office graduate Springboard programme**

Corporate responsibility
CONTINUED

Gender split



2,166 hours
of technical training (PluraSight) completed

2,671 hours
of classroom training

44
colleagues completing Management Development

254 hours
of AVEVA eLearning completed

Carbon emissions

AVEVA is committed to minimising its carbon emissions, increasing the use of recycling opportunities and reducing the use of valuable natural resources. We are continually improving the way in which we capture and record our emissions data.

For the purposed of this report, the emissions have been calculated according to the 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' issued by the Department for Environment, Food and Rural Affairs (DEFRA), and by applying DEFRA's Conversion Factors. We have aimed for the Greenhouse Gas (GHG) emissions to be captured for all of our UK and overseas offices between April 2015 and March 2016.

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 UK offices, which we believe offers the best available comparison.

The 2014 financial year serves 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 2016 this intensity ratio increased to 13.80 tonnes CO_2e/£ million (2015 – 10.36). This increase reflects the growth of our overall headcount and hence a larger overall carbon footprint, rather than any particular inefficiencies arising during the course of the year.

Tonnes of CO_2e

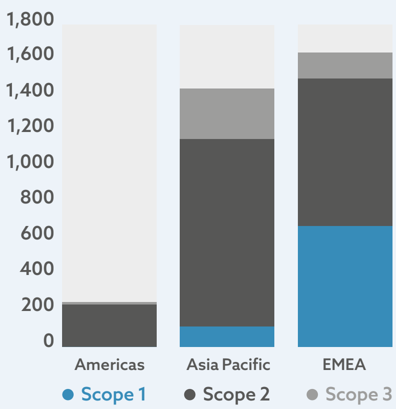
Emissions from:	2016	2015
Scope 1 – Combustion of fuel and operation of facilities	789	859
Scope 2 – Electricity, heat, steam and cooling purchased for own use	2,106	1,424
Scope 3 – Transmission & Distribution losses	446	257
	3,341	2,540
Intensity Measurement (Scopes 1 and 2) – Tonnes CO_2e/£m revenue	13.80	10.36

Scope 1
Combustion of fuel and operation of facilities

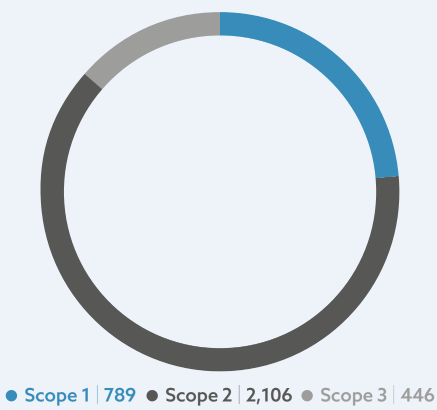
Scope 2
Electricity, heat, steam and cooling purchased for own use

Scope 3
Transmission & Distribution losses

Tonnes of CO_2e by region



Tonnes of CO_2e equivalent



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

Philip Aiken
Chairman
24 May 2016

DIRECTORS' REPORT

Corporate governance

THE COMPANY IS COMMITTED TO ROBUST PRINCIPLES OF CORPORATE GOVERNANCE AND RISK MANAGEMENT

"2015/16 proved to be an eventful year for the Board with six months of discussions between AVEVA and Schneider Electric. Whilst ultimately no agreement was reached, the Board was involved closely with the transaction and discussed at length key elements of the proposed transaction and associated risks."

Philip Aiken
Chairman
24 May 2016

Introduction

I am pleased to introduce the 2016 Corporate Governance statement. The Company is committed to the principles of Corporate Governance contained in the UK Corporate Governance Code provided by the Financial Reporting Council and for which the Board is accountable to shareholders. The Company has complied with the provisions of the UK Corporate Governance Code throughout the year and to the date of this report. Further explanation of how the principles have been applied is set out below and, in connection with Directors' remuneration, in the Remuneration Committee report on pages 49 to 63.

Composition of the Board

Throughout 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 44 and 45. The membership of all Board Committees is set out on page 42.

Board changes

The Nominations Committee has responsibility for Board and committee composition, particularly in relation to the diversity of background, skills and experience. The committee oversees the nomination, selection and appointment of Non-Executive and Executive Directors and monitors succession planning for Board and senior management roles.

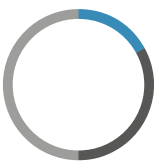
The Chairman of the Nominations Committee and the remainder of the Board considered the independence of Philip Dayer and Jonathan Brooks now that both are in their third term of office. It was concluded that both remained independent and continued to contribute to the operation of the Board. Jonathan Brooks will stand for re-election to the Board at the Annual General Meeting (AGM) on the basis that he will resign from the Board in November 2016. The intent would be to allow a transition to a newly appointed Non-Executive Director during this time frame. Philip Dayer will not stand for re-election at the 2017 AGM. On this basis, and after considering a number of search firms, the Chairman has retained Spencer Stuart to find two new NEDs over the next 12-18 months. The first search to replace Jonathan Brooks is well advanced with a long list of candidates screened by the Chairman; shortlisted candidates have been interviewed by the Chairman and Audit Committee Chairman and, at the time of writing, the leading candidates are being interviewed by the Executive Directors. An appointment is expected to be made prior to the AGM.

Operation of the Board

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

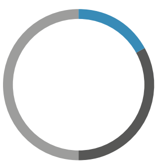
– The AVEVA Group Board meets regularly in combination with the Board of AVEVA Solutions Limited, the main operating company in the Group which owns all of the Group's trading subsidiaries. The AVEVA Solutions Limited Board includes as members the Chief Technical Officer and Head of Solutions & Technology and the Chief Operations Officer as well as all the members of the Group Board.

Board tenure



- 0–3 years (17%)
- 3–6 years (33%)
- 7+ years (50%)

Board composition



- Chairman (17%)
- Executive Directors (33%)
- Non-Executive Directors (50%)

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 had seven scheduled meetings 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. In addition, nine unscheduled meetings of the Board took place predominantly to deal with matters arising related to the proposed transaction with Schneider Electric.
- Each scheduled Board meeting has an over-arching theme. These include annual technology review, business plan/strategy day, succession planning, annual budget, presentations from Executive management 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 2015 the entire Board travelled to the Group's office in Frankfurt and held a Board meeting, as well as meetings with staff and customers. In addition, in September 2015 one Non-Executive Director travelled to China to meet with management and staff in Shanghai to review operations.
- In addition, the Board holds a full-day strategy meeting every year at which Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- The Board delegates the day-to-day responsibility for managing the Group to the Executive Directors.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each Executive is distributed to the Board on a monthly basis.

GROUP STRUCTURE 2016

Corporate governance
CONTINUED

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Meetings scheduled:	7	2	6	4
Meetings attended:				
Philip Aiken	7	2	6	n/a
Jonathan Brooks	7	2	6	4
Philip Dayer	7	2	6	4
Jennifer Allerton	7	2	6	4
Richard Longdon	7	n/a	n/a	n/a
James Kidd	7	n/a	n/a	n/a

- 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.

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.

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 44 and 45 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.

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.

Details of the main responsibilities and activities during the year of the Audit Committee are included on pages 46 to 48 and for the Remuneration Committee on pages 49 to 63.

Performance evaluation
The Board undertakes a formal and rigorous review of its performance and that of its committees and Directors each financial year. In 2014, an extensive review was externally facilitated by Armstrong Bonham Carter LLP, the independent board performance consultants. The most recent review carried out in March 2016 led by the Chairman and 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. The Board is considered to be of the right size and has appropriate skills representation. The 2016 review identified three priorities in the form of the development of strategy, the monitoring of risks and succession planning which the Board is addressing.

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 34 and 35. There were no significant control failures during the year.

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 team 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 team 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 team, 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 from local management on their operations.

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 by a newly formed Risk Committee, with representatives involved from the Executive team 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.

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 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. 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.

Board of Directors

THE DIRECTORS COLLECTIVELY BRING A STRONG MIX OF EXPERIENCE WHICH ENSURES THE BOARD OPERATES EFFECTIVELY AND PROVIDES STRONG LEADERSHIP

Philip Aiken
Chairman

Length of tenure
4 Years (appointed 1 May 2012)

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.

Richard Longdon
Chief Executive

Length of tenure
22 Years (appointed 16 August 1994)

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.

James Kidd
Chief Financial Officer

Length of tenure
5 Years (appointed 1 January 2011)

James Kidd is a Chartered Accountant and joined AVEVA in 2004. Prior to his appointment to the Board, James held several senior finance roles within the Group and was Head of Finance from 2006 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.

Jonathan Brooks
Non-Executive Director

Length of tenure
9 Years (appointed 12 July 2007)

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.

Philip Dayer
Non-Executive Director

Length of tenure
8 Years (appointed 7 January 2008)

Philip Dayer qualified as a Chartered Accountant and pursued a corporate finance career in investment banking, specialising in advising UK-listed companies. He was first appointed an Advisory Director in 1983 of Barclays Merchant Bank Limited and since then has held the position of Corporate Finance Director with a number of banks. He retired from Hoare Govett Limited in 2004. Philip is a Non-Executive Director of Kazmunaigas Exploration Production JSC, The Parkmead Group plc, VTB Capital plc and PAO Severstal.

Jennifer Allerton
Non-Executive Director

Length of tenure
3 Years (appointed 9 July 2013)

Jennifer Allerton has more than 38 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.

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. THE AUDIT COMMITTEE ASSISTS THE BOARD IN ITS OVERSIGHT AND GOVERNANCE OF THESE CRITICAL AREAS

"After nine years on the Board, I will be resigning this year. I will stay until November to effect a smooth handover to the new Audit Committee Chair."

Jonathan Brooks
Audit Committee Chairman
24 May 2016

Having joined the Board in the summer of 2007, this will be my ninth and final report as Chair of the Audit Committee. At the time of writing we are in the final stages of appointing a new Audit Committee Chair and in order to ensure a period of continuity and handover, I have agreed to continue to chair the committee until the publication of the interim results in November 2016 at which point I intend to resign from both the Audit Committee and the Board.

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 on 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

During the financial year, the committee comprised three independent Non-Executive Directors. As Chairman of the committee, I was 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 made up the other two members of the Audit Committee. Brief biographical details for all the members of the committee are included on pages 44 and 45.

Information flows to the Audit Committee

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

The committee meets quarterly with the auditor without any members of the executive management team being present. I also meet with the external auditor from time to time away from the Company's offices.

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 48. The principal risks the Group faces are set out on pages 34 and 35. 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.

Overview of the year's activities

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

Topic	Activity in the year
Proposed AVEVA-Schneider Electric transaction	The committee spent considerable time on various aspects of the proposed AVEVA-Schneider transaction. There were a number of items which had to be addressed during the year, including resolving potential differences in accounting policies between the two companies, particularly those concerning revenue recognition, as well as assessing the impact of the complex structuring of the proposed transaction on goodwill and intangible assets. In addition, all adviser fees had to be approved by the committee.
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. The Company is currently targeting to be 'IFRS 15 ready' by 1 April 2017 and to this end, management's conclusions from a preliminary impact assessment were presented to the committee in March 2016.
Viability statement and establishment of a risk committee	The committee reviewed the work done to justify the proposed period for the new viability statement to be included in the 2016 Annual Report, deciding that a three-year viability period was the most appropriate given this is the Group's usual business planning horizon and also given the fast-changing nature of the software industry. In light of the recent changes in corporate governance to enhance the overall level of Risk Reporting, the committee also established a separate risk committee, comprising staff from each business function, chaired by the Executive Vice President of Regional Operations and tasked with the ongoing review and identification of risks faced by the Group prior to periodic reviews first by the Audit Committee and subsequently by the main Board.
Risks and internal controls	In May 2015, the committee received a report covering management's annual cyber-security review and following this, cyber-security was discussed at two out of the three subsequent meetings held, reflecting its growing significance as a risk. Separately, a series of simulated phishing attacks were conducted during the year, targeted at different users and functions within the Company, from which many useful lessons were learned. In March 2016, the committee received, reviewed and discussed the findings of the extended external audit procedures conducted in India, which also included a visit to the Group's Indian offices by the Group's Head of Finance and the external Audit Partner. Generally controls were considered to be good with only some minor opportunities for improvement in credit control being identified. In March 2016, management presented a Group taxation update and assessment of current risks for the Group, particularly in India, as well as its annual treasury review.
External audit	The committee's intention had been to conduct an audit tender in the summer of 2015 but this became impracticable due to the talks with Schneider Electric. Initially the intention was to defer the tender process to the autumn of 2015 but it quickly became clear this was not possible. The tender process will now be conducted in 2016/17, following the appointment of the new Audit Committee Chair.
Assessment of AVEVA E3D pricing	The committee conducted a review of the pricing discipline and penetration of AVEVA E3D since its launch in April 2013. The review established that the licensing of AVEVA E3D had resulted in an overall price uplift of the order of 15% when compared to the previous PDMS licences, with little evidence of discounting outside of agreed parameters.

Audit Committee report
CONTINUED

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 process is effective and reviews key issues which are reported.

Key estimates and judgments

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 upon which the financial statements are prepared and this year for the first time the committee considered the Group's viability statement disclosures.

Internal audit

The Group does not maintain a separate internal audit function, however during the past year a new role within the Group's finance function was created with approximately one half of this role being dedicated to internal audit activities and to the monitoring of risk and internal controls. The holder of this new role undertook the AVEVA E3D review that was conducted during the year, which the committee found valuable and insightful.

The Group's operations are geographically widely spread which means that in many instances where assurance over the operation of internal control is considered valuable, there is a clear advantage in such reviews of controls being undertaken by teams with specific local regulatory knowledge and without any local language barrier. Further, the committee believes that such instances favour 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, although it should be noted that the enormous volume of additional accounting and due diligence work done on the proposed AVEVA-Schneider transaction effectively curtailed any new projects in this area.
– The use of qualified third parties to undertake specialist reviews in more technical areas. During 2015/16 third-party technical reviews were undertaken on tax risks in India and 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 2015/16 extended external audit procedures were undertaken in India, following similar exercises in recent years in France, Japan, Brazil, South Korea, China and Russia.
– 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 6 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 transaction support services, 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 over £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, Marcus Butler, will complete his first year with the Group this year, having taken over from Bob Forsyth who stepped down in 2015 following completion of his fifth year.

At the May 2016 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 2015 meeting of the committee the auditor presented their audit plan for 2015/16. 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 auditor extended the scope of its analysis while also bringing more of the smaller entities in the Group into a 'full scope' audit. The Audit Committee was in agreement with both enhancements.

Remuneration Committee report

THE COMMITTEE CONSIDERS THAT THE EXECUTIVE DIRECTORS HAVE CONTINUED TO MANAGE THE BUSINESS WELL WITH COMMITMENT AND LEADERSHIP THROUGH A CHALLENGING PERIOD

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

Philip Dayer
Remuneration Committee Chairman
24 May 2016

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 of 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. However, during the course of the year the committee will review the current policy in readiness for the submission to shareholders of a new policy at the 2017 AGM (the current policy by then having come to the end of its three-year life). To the extent that material changes to the existing policy are considered appropriate, we will consult with the Company's major shareholders.

As previously highlighted, the business has faced a number of headwinds during 2015/16, particularly in its end markets of Oil & Gas and Shipbuilding and in some of the countries where AVEVA has previously seen good growth such as China, Brazil and South Korea. This has been coupled with Sterling generally remaining strong against the Euro and other currencies in which the business trades. Despite these challenges, the business has remained resilient and is well positioned for when its end markets recover.

The committee considers that the Executive Directors have continued to manage the business well with commitment and leadership through a challenging period. The Executive Management team has carefully balanced the requirements to continue to invest in the future growth of the business through Research & Development and other initiatives whilst at the same time ensuring the cost base is appropriate given the challenging conditions.

Against this backdrop the committee has concluded the following in terms of the operation of the policy for 2016/17:

Base salary – to be increased in line with UK employees

The committee considers it appropriate to increase the salaries of the Executive Directors by 2 per cent, in line with the other UK employees, with effect from 1 April 2016. The following table sets out the proposed increases in salary:

With effect from	CEO	CFO
1 April 2015	£485,000	£300,000
1 April 2016	£495,000	£306,000
Increase	c. 2.1%	c. 2.0%

Annual incentive arrangements – no changes proposed

There are no changes proposed to alter the quantum or principles of the current annual incentive scheme.

In line with last year, the annual incentive scheme will predominantly be based on stretching Group adjusted profit before tax (PBT) targets.

Long term incentive plan (LTIP) – change proposed to performance targets

The committee reviewed again the appropriateness of a single vesting performance metric for the LTIP and concluded Earnings Per Share (EPS) continued to be the most appropriate measure linked to delivering the Company's strategy. Accordingly, the committee has agreed that awards to be granted under the LTIP in 2016 will continue to be based solely on EPS performance and that there will be no change to the quantum of the awards. The committee will, however, continue to assess regularly the suitability of the vesting performance metrics of the LTIP.

Remuneration Committee report
CONTINUED

As noted above, AVEVA has faced challenging market conditions over the last two years, which are expected to continue until there is a prolonged recovery in the Oil & Gas industry. The impact of those challenges has been evident in the low proportions of vesting of recent LTIP awards, with 0% having vested in 2015 and 2016.

The slowdown in demand in the Oil & Gas industry has been reflected in the Group's three-year business plan, and whilst it still remains a challenging plan to deliver, unsurprisingly the growth potential has been scaled back to reflect the market conditions. As a result, and having consulted with the Company's major shareholders, the committee has decided to adjust the EPS performance targets that will apply to the 2016/17 grant to bring them into line with the Group's business plan. Furthermore, given the unpredictability of when the Group's end markets will recover, the committee has also decided to widen the range to take account of the potential volatility. Whilst reduced in absolute terms, these targets remain relatively tough compared with similar targets within the FTSE 250.

The committee believes that the annual review is consistent with the approved Remuneration Policy and consistent with our ethos of rewarding the Executive Directors and in the interests of the shareholders.

2015/16 Out-turns

Primarily as a result of continued stagnation of oil prices, trading conditions in the upstream Oil & Gas markets in which the Company operates have continued to be difficult for the Group. This, together with a strong foreign currency headwind, led to performance in 2015/16 being below the target set. Total revenue for the year was £201.5 million which was down 3% compared to 2014/15. Adjusted profit before tax for the year ended 31 March 2016 was £51.2 million (2015 – £62.1 million), a decrease of 18%.

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 Remuneration Committee have decided that the individual performance element of the annual incentive (10% of the core award) will pay out in full.

Further, none of the LTIP awards granted in 2013 under the previous LTIP shall vest as growth in diluted EPS over the three-year period to 31 March 2016 did not reach the 14% p.a. growth needed for threshold levels of awards to vest.

Remuneration reporting

The Directors' remuneration policy, which was approved by the shareholders with votes in favour of 97.31%, will continue to 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 2015/16 financial year, is set out below.

Agenda for 2016/17

The committee will continue to keep the structure and details of our remuneration arrangements under review and, in particular and as noted above, will conduct a full review of the current policy in advance of its formal renewal at the 2017 AGM.

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 2015/16 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 FIT Remuneration Consultants LLP (FIT). Previously the committee received advice from Deloitte LLP but during the year and following a review of other providers, the committee appointed FIT as its remuneration adviser. FIT adheres to the Remuneration Consultants Code of Conduct in its dealings with the committee. The committee is satisfied that the advice provided by FIT is independent. The fees paid to FIT 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 2015/16, FIT received fees of £24,500 in relation to advice provided to the committee.

Performance	Current targets[1] 2015	**Proposed targets[1] 2016**	Proportion of vesting (% of total award)[2]
Threshold	12%	**5%**	25%
Maximum	20%	**15%**	100%

1 Average adjusted diluted EPS growth per annum
2 If average EPS growth is between threshold and maximum then vesting shall be on a straight-line basis

Shareholder voting

The table below sets out the results of the voting outcome for the Directors' remuneration policy at the 2014 AGM and the Directors' Remuneration Report at the 2015 AGM.

	Number of votes in favour and discretionary	% of votes cast	Number of votes against	% of votes cast	Total number of votes cast	Number of votes withheld
Directors' Remuneration policy	51,530,628	97.31%	1,422,153	2.69%	52,952,781	53,176
2015 Directors' Remuneration Report	52,382,152	97.87%	1,100,016	2.06%	53,518,520	11,864

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 2016 remuneration review ahead of this published report.

The Directors' remuneration policy

Set out overleaf 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, Executive Director salaries, Non-Executive Director fees and scenario charts showing the operation of the policy have been updated for 2016/17.

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 (until such time as the Policy requires renewal, as will be the case at the 2017 AGM). The only substantive change to how the current Policy will be operated in 2016/17 is the adjustments to the EPS targets in relation to the forthcoming LTIP awards as referred to on page 49.

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: the Executive Directors 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 Directors are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

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

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

Remuneration Committee report
CONTINUED

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 2016 are:
		  – CEO (Richard Longdon) £495,000
		  – CFO (James Kidd) £306,000
			None

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 health, equivalent to two-thirds of his pensionable salary provided he has completed (or would have completed in the case of ill health) 25 years' service. – A 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

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
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
Annual Incentive Scheme & Deferred Share Scheme			
– Incentivises and rewards the achievement of annual financial and strategic business targets and delivery of personal objectives. – Deferred element encourages long-term shareholding, helps retention and discourages excessive risk taking.	– The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies. – Performance targets are set by the Committee on an annual basis. – The Committee determines the level of bonus paid taking into account performance against targets, the underlying performance of the business and Executive Directors' performance during the year. – The annual bonus is generally paid in a mix of cash and deferred shares. – For the core award, at 100% achievement of bonus performance targets, 60% of the bonus amount is payable in cash and the balance, 40%, is used to calculate the number of deferred shares. If the bonus amount is less than or equal to 70% of the potential maximum bonus, then 75% of the total bonus is paid in cash and 25% is deferred into shares. If the bonus amount is between 70% and 100% of the potential maximum then the proportion paid in deferred shares is determined by linear interpolation between 25% and 40%. The Committee may determine that a different balance of cash and deferred shares should apply. – The whole outperformance award would normally be delivered in deferred shares. – Further details of how the deferred share element operates are included as a footnote to this table.	– The maximum bonus opportunity is 125% of base salary (core award of 100% of salary, outperformance award of 25% of base salary).	Core Award – The core bonus award is based on a mix of financial and individual objectives. For 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.

Remuneration Committee report
CONTINUED

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
The AVEVA Group Long-Term Incentive Plan 2014 (the 2014 LTIP)			
– Establishes a motivational and performance-orientated structure to incentivise Directors to focus on the creation of shareholder value aligned with the longer term strategy for the Group.	– 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.	– The maximum limit under the plan rules is 250% of base salary. – The current intention is that awards will be limited to: – 150% of base salary for the CEO – 120% of base salary for the CFO – The intention is the maximum award will only be awarded in exceptional circumstances (e.g. recruitment). – The Committee retains the discretion to grant awards up to the maximum limit under the plan rules. The Committee's intention would be to consult with shareholders in the event that awards were to be increased.	– Awards vest based on earnings per share performance. – The Committee retains the discretion to introduce alternative or additional performance measures if it considers that these would be better aligned with strategy and incentivise Executive Directors to deliver long-term shareholder value. However, in any, year financial performance will always account for at least 75% of an award. – For threshold levels of performance, 25% of the award vests, increasing to 100% of the award for maximum performance. There is straight-line vesting of awards between these points.

Policy table footnotes
- The deferred share element for both the core and outperformance annual incentive will be structured as a nil-cost option.
- Deferred awards will normally deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted. The committee has discretion to determine an alternative vesting profile.
- Awards granted from 2012 onwards under the LTIP and the deferred share scheme are subject to malus and clawback provisions. Those provisions may apply at the discretion of the committee if accounts are corrected or published that indicate the relevant performance was materially worse than in the accounts used to assess vesting.
- Other elements of remuneration are not subject to 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.

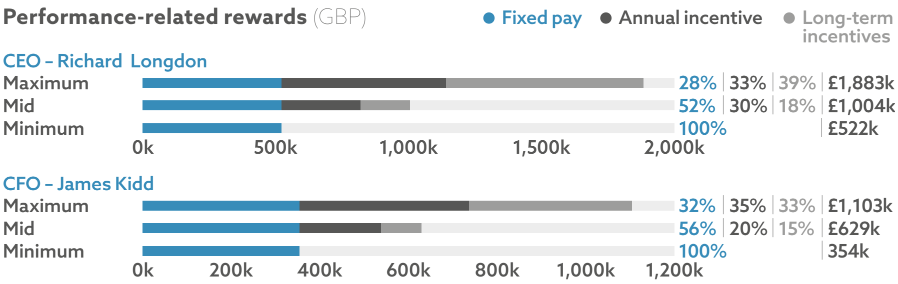
Remuneration outcomes in different performance scenarios

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

		CEO	CFO
Maximum award opportunities % of salary	Annual Incentive Scheme LTIP	125% 150%	125% 120%
Minimum	– No annual incentive pay-out – No vesting under the LTIP		
Mid performance	– 60% of salary pays out under the annual incentive (48% of maximum); 10% for the half year, 10% personal objectives and half of the 80% for full year targets – 0–50% of maximum vesting under the LTIP		
Maximum performance	– 100% of maximum annual incentive pay-out – 100% of maximum LTIP vesting		

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



Remuneration Committee report
CONTINUED

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 as follows:
	  – Chairman's fee – £187,000
	  – Basic Non-Executive Director fee – £49,000
	  – Committee Chairman fee (Audit and Remuneration) – £11,200
	  – Senior Independent Director fee – £11,300
	– Fees may be increased in future years in line with the policy outlined above.
		– Non-Executive Directors do not receive incentive pay or share awards.
		– Non-Executive Directors do not currently receive any benefits. Benefits may be provided in the future if, in the view of the Board (or, in the case of the Chairman, the Committee), this was considered appropriate.
		– Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors.

Non-Executive Director Letters of appointment
The Non-Executive Directors have appointment letters, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services are 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	9 July 2013	1 July 2013	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 predetermined special provisions for Non-Executive Directors with regard to compensation in the event of loss of office. Non-Executive Directors are not entitled to any payments in lieu of notice.

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

Annual report on remuneration

Implementation of policy for 2016/17

The Remuneration Committee aims to ensure that: the Executive Directors 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 Directors are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

Base salary

The Committee considers it appropriate to increase the base salary for the CEO and CFO for 2016/17 by c. 2%, which is in line with that of the UK employee base:

Base salary with effect from	CEO	CFO
1 April 2015	£485,000	£300,000
1 April 2016	£495,000	£306,000
Increase	c. 2.1%	c. 2.0%

Benefits

In line with benefits provided for other senior employees, in 2016/17 Executive Directors will continue to 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 52, 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). Due to recent changes significantly reducing the annual allowance for pension contributions, the Remuneration Committee, in consultation with our advisers, have decided that it would be appropriate to offer a cash alternative to the extent that the overall cost to the Group of providing this is unchanged. For 2016/17, the Company contribution to the plan of 10% of salary will instead be paid as a cash alternative, with James contributing the maximum amount possible of £10,000 via salary sacrifice.

Annual Incentive Scheme

For 2016/17, the maximum opportunity for Executive Directors under the annual incentive will continue to 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 has been 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 2016/17.

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 Board believes that, given the annual incentive scheme rewards the achievement of the annual business plan, the targets are market sensitive and therefore should not be disclosed in advance.

Deferral

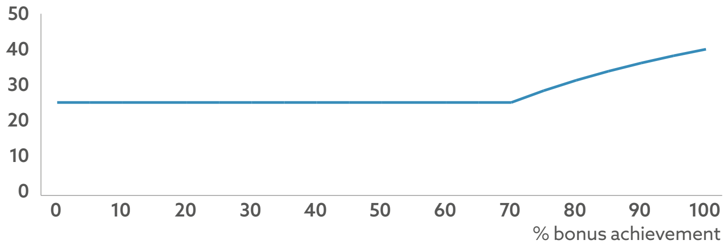
For the core award, at 100% achievement of bonus performance conditions, 60% of the bonus amount is payable in cash and the balance, 40%, is deferred into shares. If the bonus amount is less than or equal to 70% of the potential maximum core bonus, then 75% of the bonus is paid in cash and 25% paid in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

Proportion of bonus payable as deferred shares (%)



Long-Term Incentive Plan
In line with our Policy, the award opportunity for the CEO will continue to 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. However, the Committee has (following consultation with major shareholders) decided to adjust the EPS performance targets applying to the 2016 awards to bring them into line with the Group's business plan. Furthermore, given the unpredictability of when the Group's end markets will recover, the Committee has also decided to widen the range to take account of the potential volatility. The performance ranges for the awards to be granted in 2016 are therefore as follows:

Performance	Targets	Proportion of vesting (% of total award)[1]
Threshold	5%	25%
Maximum	15%	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 2015/16 and 2014/15 financial years.

Executive Directors

	Richard Longdon		James Kidd	
	2015/16 £'000	2014/15 £'000	**2015/16 £'000**	2014/15 £'000
Salary	**485**	445	**300**	280
Benefits	**27**	27	**20**	20
Annual bonus	**49**	45	**30**	28
LTIPs	**–**	–	**–**	–
Pension	**–**	–	**30**	28
Total	**561**	517	**380**	356

Elements of single figure of remuneration
Base salary
The CEO's salary in 2015/16 was £485,000 (2014/15 – £445,000). The CFO's salary in 2015/16 was £300,000 (2014/15 – £280,000). These salary increases were disclosed and explained in last year's report.

Benefits
In 2015/16 and 2014/15 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 2015/16 the Company contributed 10% of salary to the plan.

Annual incentive
This reflects the total annual incentive paid and payable in 2016 based on performance in the year ended 31 March 2016. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

The majority of the annual incentive is dependent on achieving Group adjusted profit before tax (PBT) performance targets. 10% of the core award was dependent on achieving the half year PBT target of £15.0m. This was a binary target, paying out either nothing or in full. The actual achievement was £9.3m. 80% was dependent on full year PBT performance, with nothing paying out if achievement was below £60.8m, and fully paying out if achievement reached £70.4m. The actual achievement was £51.2m. In light of the PBT results, the committee determined that none of the financial element of the core award will be paid.

The Executive Directors were given individual performance objectives which comprise the remaining 10% of the annual incentive. The Remuneration Committee have decided that the individual performance element of the annual incentive will pay out in full. None of the outperformance award will be paid as targets were not met. Achievement for the year was 10% of the core award and 8% of the maximum payable for both Executive Directors (2015 – 10% and 8%). When determining the bonus outturn against the personal element, the committee took account of performance in a number of areas, including delivery of cost savings, operational efficiencies and key strategic objectives. Based upon the committee's overall assessment against these objectives, the committee has decided to pay these performance objectives in full.

2016	Cash bonus (£'000)	Deferred bonus (£'000)	Total bonus (£'000)
Richard Longdon	**36.4**	**12.1**	**48.5**
James Kidd	**22.5**	**7.5**	**30.0**

Long-term incentives
This includes the LTIP awards, granted under the previous Long-Term Incentive Plan in 2013 that was capable of vesting based on performance in the three-year period ending 31 March 2016.

These awards were subject to the delivery of EPS growth. 0% of awards vest for diluted adjusted EPS growth of less than 14% p.a., with 100% of awards vesting for diluted adjusted EPS growth of 20% p.a. Average diluted EPS growth for the three year performance period did not reach the minimum 14% p.a. growth needed and therefore 0% of the LTIP awards will vest in the period relating to 2015/16.

For 2014/15, none of the LTIP awards granted to the Executives in 2012/13 vested as the minimum threshold performance target was not met.

Other information in relation to 2015/16

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 2015/16:

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 July 2015	150% of base salary	£727,500[1]	1 April 2015–31 March 2018
James Kidd		120% of base salary	£360,000[1]	

1 To determine the number of shares over which these awards were made, as already disclosed in the relevant RNS announcement, a share price of 1,765p was used which was the average share price for the five days prior to 20 July 2015.

Deferred Share Awards

Executive Director	Date of grant	Basis of Award	Face Value of Awards	Performance Period
Richard Longdon	21 July 2015	Deferred element of 2014/15 annual incentive	£11,120[2]	No performance period. Awards vest in equal tranches on 27 May 2016, 27 May 2017 and 27 May 2018
James Kidd			£6,980[2]	

2 This is calculated as the number of deferred shares issued in the year, multiplied by the closing share price the day before the preliminary announcement (18 May 2015) of 2,000p.

Remuneration Committee report
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Shareholding guidelines and interests in shares (audited)
Executive Directors are required to build up a shareholding from vested Long-term Incentive awards. Shares are valued for these purposes at the year end price, which was 1,575p at 31 March 2016.

	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary) 2015/16	2014/15	Shares owned outright at end of year 2015/16	2014/15
Richard Longdon	200%	Yes	**825%**	834%	**253,974**	249,632
James Kidd	100%	On-target	**82%**	70%	**15,563**	13,108

Outstanding scheme interests (audited)

	As at 1 April 2015	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2016	Exercise price (p)	Market value at exercise date (p)	Gain on exercise of share options
Richard Longdon								
LTIP	112,292	41,218	–	(27,611)	125,899	3.556	n/a	n/a
Deferred shares	8,265	556	(4,342)	–	4,479	nil	2,255	97,912
James Kidd								
LTIP	40,766	20,397	–	(13,569)	47,594	3.556	n/a	n/a
Deferred shares	4,870	349	(2,455)	–	2,764	nil	2,255	55,360

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

Performance measures are based on diluted adjusted EPS growth. 25% vests for diluted adjusted EPS growth of threshold, and 100% vests for diluted adjusted EPS growth of the maximum. Linear interpolation applies between these points.

Date of award	Options granted to Executive Directors	Period of performance measurement	Diluted adjusted EPS[1] growth threshold	Diluted adjusted EPS[1] growth maximum	Achievement
9 July 2012	41,180	2012/13–2014/15	9.5%	16.5%	Target not met, 0% of award vested
21 August 2013	30,578	2013/14–2015/16	14%	20%	Target not met, 0% of award expected to vest
21 July 2014	49,429	2014/15–2016/17	12%	20%	Performance period not yet completed
21 July 2015	61,615	2015/16–2017/18	12%	20%	Performance period not yet completed

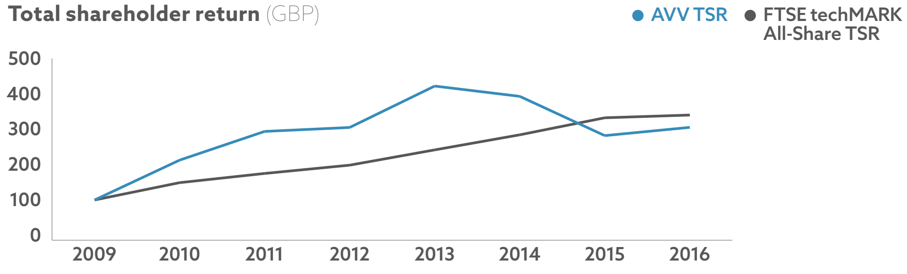
1 The definition of and figures used for diluted adjusted EPS are provided in note 13 in the notes to the consolidated financial statements on page 86.

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 2015/16.

Payments for loss of office (audited)
No payments were made during 2015/16.

Total shareholder return (GBP)



Total shareholder return v. techMARK All-Share Index 2009–2016
The graph above shows performance at 31 March each year, 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 seven year history
Table below shows the seven year history of the CEO single figure of total remuneration:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
CEO single figure of total remuneration (£'000)	818	695	1,003	963	1,163	517	561
Annual incentive pay-out (% of maximum)	100%	100%	68%	94%	50%	8%	8%
LTIP pay-out (% of maximum)	100%	0%	100%	33%	94%	0%	0%

Change in remuneration of the CEO
The table below illustrates the percentage change in salary, benefits and annual incentive for the Group CEO and two selected sub-sets of employees (including only those employees who were employed at the start of the 2014/15 financial year through to the end of the 2015/16 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.

% change (2014/15 to 2015/16)	CEO	Executive team	UK employees
Base Salary	2.1%	1.5%	2.2%
Benefits	0%	0%	0%
Annual Bonus	0%	0%	0%

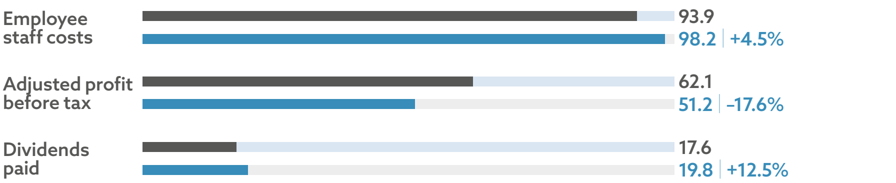
Relative importance of spend on pay
The chart overleaf illustrates the year-on-year change in total remuneration for all employees in the Group compared to adjusted profit before tax and distributions to shareholders for 2015/16 and 2014/15. The committee determined to include adjusted profit before 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 of £20,000 annually for this role, which, as he performs this role independently of his duties to the Company, the committee determined he was entitled to receive.

Remuneration Committee report
CONTINUED

Relative importance of spend on pay (GBP) ● 2015/16 ● 2014/15



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 2016 £	Accumulated accrued pension at 31 March 2015 £	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 Director's contributions £
Richard Longdon	**166,354**	166,354	–	–	–

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 2016 £	31 March 2015 £	Movement, less Director's contributions £
Richard Longdon	**4,543,317**	3,964,246	579,071

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 health, 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 2015/16 received employer contributions of £30,000 (2014/15 – £28,000).

Non-Executive Directors

Implementation of remuneration policy for NEDs in 2016

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	2015/16 fees £	2014/15 fees £
Chairman	**170,000**	165,880
Basic Non-Executive Director fee	**48,000**	47,150
Committee Chairman fee (Audit and Remuneration)	**11,000**	10,700
Senior Independent Director	**11,000**	10,700

Fees for 2016/17 shall increase by the same rate as the salary increase for UK employees (2%), with the exception of the Chairman, who will receive a 10% increase following a benchmarking exercise.

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 2015/16 and 2014/15.

	2015/16 fees £	2014/15 fees £
Philip Aiken (Chairman)	170,000	165,880
Jennifer Allerton	48,000	47,150
Jonathan Brooks	59,000	57,850
Philip Dayer	70,000	68,550

NEDs' interests in shares (audited)
The table shows the interests in AVEVA ordinary shares of Non-Executive Directors and their connected persons as at 31 March 2016.

	Shares owned outright at 31 March 2016	Shares owned outright at 1 April 2015
Philip Aiken (Chairman)	1,537	1,537
Jennifer Allerton	3,000	3,000
Jonathan Brooks	1,500	1,500
Philip Dayer	7,696	7,696

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
Remuneration Committee Chairman
24 May 2016

Other statutory information

Results and dividends

The Group made a profit for the year after taxation of £20.5 million (2015 – £41.6 million). Revenue was £201.5 million (2015 – £208.7 million) and comprised software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 30.0 pence per ordinary share (2015 – 25.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 5 August 2016 to shareholders on the register at close of business on 1 July 2016.

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 strategic review 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 2016 are set out on page 23, together with figures for the previous year and a discussion of the principal risks and uncertainties facing the Group is included on pages 33 to 35.

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.

Directors and their interests

The Directors who served during the year under review are shown, together with brief biographical details, on pages 44 and 45. Resolutions will be submitted to the Annual General Meeting for the re-election of all current Directors.

The interests (all of which are beneficial) in the shares of the Company of Directors who held office at 31 March 2016 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 2016 ordinary shares	At 31 March 2015 ordinary shares
Philip Aiken	**1,537**	1,537
Philip Dayer	**7,696**	7,696
Jonathan Brooks	**1,500**	1,500
Jennifer Allerton	**3,000**	3,000
Richard Longdon	**253,994**	249,632
James Kidd	**15,563**	13,108

No changes took place in the interests of Directors in the shares of the Company between 31 March 2016 and 24 May 2016.

Directors' share options are disclosed in the Remuneration Committee report on pages 49 to 63.

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.

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.

Articles of Association

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

Powers of the Directors

The business of the Company is managed by the Directors, who may exercise all powers of the Company, subject to the Company's Articles of Association, relevant statutory law and to any direction that may be given by the Company in general meeting by special resolution.

Subject to the Companies Act, shares may be issued by Board resolution. At the Company's last Annual General Meeting, powers were granted to the Directors (subject to limits set out in the resolutions) to issue and to buy back its own shares; similar powers are proposed to be granted at the forthcoming Annual General Meeting. The buy-back authority was limited to 10% of the Company's issued share capital. No shares have been bought back under this authority.

Appointment of Directors

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

The Company's Articles of Association require that at each AGM there shall retire from office (and be subject to re-election by members) any Director who shall have been a Director at the preceding two Annual General Meetings and who was not appointed or re-appointed

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 2016 Percentage held %	Number	As at 24 May 2016 Percentage held %
Aberdeen Asset Management	**7,090,766**	**11.1**	7,650,598	12.0
1818 Partners	**3,503,733**	**5.5**	3,263,733	5.1
Standard Life Investments	**3,416,783**	**5.3**	1,404,846	2.2
Oppenheimer Funds	**3,264,194**	**5.1**	3,271,894	5.1
Columbia Threadneedle Investments	**3,226,759**	**5.0**	3,219,503	5.0
Select Equity Group	**2,723,406**	**4.3**	3,238,857	5.1
Sheffield Asset Management	**2,366,757**	**3.7**	2,366,757	3.7
BlackRock	**2,190,546**	**3.4**	2,131,850	3.3
Kames Capital	**–**	**–**	2,212,120	3.5

Other statutory information
CONTINUED

then or subsequently. However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2016 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 8 July 2016 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 22,077 ordinary shares in AVEVA Group plc representing 0.03% (2015 – 44,722 shares representing 0.07%) 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 including FRS 101 "Reduced Disclosure Framework"). 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 64. 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 44 and 45) confirms that (solely for the purpose of DTR 4) to the best of their knowledge:

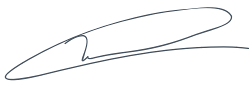
- the financial statements in this document, prepared in accordance with the applicable UK law and applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- 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
Chief Financial Officer
24 May 2016

Richard Longdon
Chief Executive
24 May 2016

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



Claire Denton
Company Secretary
24 May 2016

FINANCIAL STATEMENTS

Independent auditor's report to the members of AVEVA Group plc

Our opinion on the financial statements

In our opinion:

- AVEVA Group plc's financial statements and Parent company financial statements (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 2016 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 reduced disclosure framework; 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

AVEVA Group plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2016	Balance sheet as at 31 March 2016
Consolidated income statement for the year then ended	Statement of changes in shareholders' equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 10 to the financial statements
Consolidated statement of changes in shareholders' equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 1 to 29 to the financial statements	
Statement of Group accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risk of material misstatement	– Risk of inappropriate revenue recognition on software licence contracts, in particular: – Due to complex contractual arrangements, inappropriate application of the group revenue recognition policy and IAS 18 (Revenue) for rental 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.
Audit scope	– We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further eight components. – The components where we performed full or specific audit procedures accounted for 105% of adjusted pre-tax profit and 81% of Revenue.
Materiality	– Overall Group materiality of £2.2m which represents approximately 5% of adjusted pre-tax profit.

Independent auditor's report to the members of AVEVA Group plc
CONTINUED

Our assessment of risk of material misstatement
We identified the risk of material misstatement described below as that which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing this risk, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk

Inappropriate revenue recognition on rental licence software contract – £90.6m (2015: £97.5m)

Refer to the Audit Committee Report (page 46); Accounting policies (page 111); and Note 2 of the Consolidated Financial Statements (page 80)

Due to complex contractual arrangements, the risk in particular is inappropriate application of the group revenue recognition policy and IAS 18 (Revenue) for rental 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 for all significant revenue streams, as revenue may not have been recognised in the correct accounting period.

Our response to the risk

We have reviewed and walked through the central process over the approval and recognition of revenue contracts across the group.

We have walked through and assessed the design effectiveness of key management controls over data input and IT.

A summary of our key procedures are:
We have performed rental licence revenue sample transaction testing at a local and group level to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IAS 18 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts by

- agreeing licence revenues through to signed contracts or software licence agreements.
- agreeing the revenue through to subsequent payment as evidence of collectability.
- checking evidence to support that software has been delivered to customers and therefore correct timing of revenue recognition.
- reviewing contract terms for any conditions that would impact the timing of the revenue recognition and in turn the completeness of deferred revenue
- ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract
- assessing whether revenue has been recognised in line with the Group's revenue recognition policy and IAS 18.

We have 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 Group's revenue recognition policy and IAS 18. The sample selected was based on risk based criteria including but not limited to manual journal entries, those close to period end and postings that are inconsistent with roles and responsibilities.

We have tested management's methodology surrounding the fair value of the support and maintenance element of the revenue contracts. 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 and legal counsel to ensure that appropriate obligations and commitments had been recorded in the financial statements.

We have performed a test of detail on a sample of deferred revenue and accrued revenue items to ensure it is in accordance with the revenue recognition principles.

We have performed cut-off testing for a sample of revenue items booked either side of year end to ensure that licence revenue was only recognised for software in the period where the contract was signed by both AVEVA and the customer prior to year end and the software has been made available prior to the year end.

As a primary team we gained oversight of the testing performed by the overseas teams through:

- Our review of their reporting deliverables where they are required to report on any exceptions identified from their testing and unusual contractual terms and conditions;
- Reviewing contracts meeting the Board review threshold and;
- Reviewing any contracts identified as having unusual terms or conditions by management and/or overseas audit teams to confirm appropriate recognition of revenue in accordance with the contract accounting policy.

We performed full and specific scope audit procedures over this risk area in 13 locations, which covered 81% of revenue.

What we concluded to the Audit Committee

We conclude that revenue recognised in the year, and deferred as at 31 March 2016, is materially correct on the basis of our procedures performed both at group and by component audit teams.

We have further refined our revenue recognition risk from the prior year to be specific to the rental revenue due to the complex contractual arrangements.

In the prior year we had the assessment of the carrying value of goodwill in relation to the Enterprise Solutions business segment as a significant risk. As a result of the groups reorganisation an exercise was performed to identity the new Cash generating Units (CGUs) of the group. The new CGUs identified are on a geographical basis which is also in line with the change in operating segments in line with IFRS 8. Under the new CGU's the level of headroom is now significantly greater which has reduced the risk in relation to potential impairment of goodwill.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 30 reporting components of the Group, we selected 13 components that represent the principal business units within the Group.

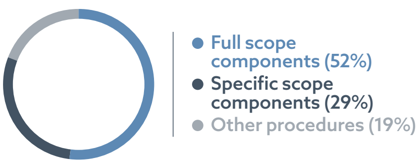
Of the 13 components selected, we performed an audit of the complete financial information of five components ("full scope components") which were selected based on their size or risk characteristics. For the remaining eight components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 105% of the Group's adjusted pre-tax profit and 81% of the Group's Revenue. For the current year, the full scope components contributed 57% of the Group's adjusted pre-tax profit and 52% of the Group's Revenue. The specific scope components contributed 48% of the Group's adjusted pre-tax profit and 29% of the Group's Revenue. In the prior year the full scope and specific scope components contributed 96% of the Group's pre-tax profit and 81% of the Group's revenue. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. The Group audit risk in relation to revenue recognition was subject to audit procedures at each of the full and specific scope locations with revenue.

Of the remaining 17 components that together represent an overall loss of 5% to the Group's adjusted pre-tax profit; none are individually greater than 5% of the Group's adjusted pre-tax profit. For these components, we performed other procedures, including analytical review, testing a sample of revenue contracts at group level which were in limited scope entities, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The chart below illustrates the coverage obtained from the work performed by our audit teams.

Revenue



Changes from the prior year

France, Germany and Korea have been designated as full scope components this year, whereas they were designated as specific scope locations in the prior year. We have changed the designation in order to obtain greater quantitative full scope coverage of the Group's key metrics. We do not perceive any additional risk in these components and no additional risk areas were discovered as a result of the increase in audit scope.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on two of these directly by the primary audit team. In addition audit procedures were also performed by the primary audit team for two of the eight specific scope components. For the remaining six specific scope and three full scope components, the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor or his representative visits at least two (2015: two) of the components each year. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in India and Germany (2015: Korea and Germany). These visits involved, where appropriate, discussing the audit approach with the component team and any issues arising from their work, meeting with local and regional management, attending the planning meeting in India and the closing meeting in Germany and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams during various stages of the audit, reviewed selected working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Independent auditor's report to the members of AVEVA Group plc
CONTINUED

Starting basis	– Profit before tax – £29.4m
Adjustments	– Exceptional items – £14.0m
Materiality	– Adjusted pre-tax profit – £43.4m – Materiality of £2.2m (5% of materiality basis)

We determined materiality for the Group to be £2.2 million , which is approximately 5% of adjusted pre-tax profit because, in our view, this is the most relevant measure of the underlying financial performance of the Group. For 2016 we used pre-tax profit adjusted for the aborted acquisition costs of Schneider Electric (£10.2m) and certain restructuring costs (£3.8m). In 2015 we used pre-tax profit and materiality for the Group was £3.1m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 50%) of our planning materiality, namely £1.7m (2015: £1.5m) although we reduce our testing thresholds in areas of significant risk to appropriately reflect our assessment of risk in the business and to focus on the key judgements and estimates. We have increased our assessment of performance materiality from 50% to 75% during the year as the previous audit findings which warranted the reduction in performance materiality in the prior year were one off in nature, are not applicable to the current year audit and are not indicative of systemic issues in other areas. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our materiality of £2.2 million for the group financial statements as a whole.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5m to £0.9m (2015: £0.3m to £0.7m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.11m (2015: £0.15m), which is set at 5% of planning materiality, 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 light of other relevant qualitative considerations in forming our opinion.

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 and accounts 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 67, 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.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting
We are required to report to you if, in our opinion, financial and non-financial 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
- otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting
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.

We have no exceptions to report.

Listing Rules review requirements
We are required to review:

- the directors' statement in relation to going concern, and longer-term viability, set out on page 33; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting
We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
24 May 2016

Notes:
1. The maintenance and integrity of the AVEVA Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 31 March 2016

	Notes	2016 £000	2015* £000
Revenue	3, 4	**201,491**	208,686
Cost of sales		**(14,689)**	(15,538)
Gross profit		**186,802**	193,148
Operating expenses			
Research & Development costs		**(32,128)**	(32,696)
Selling and administrative expenses	5	**(125,252)**	(105,899)
Total operating expenses		**(157,380)**	(138,595)
Profit from operations	6	**29,422**	54,553
Finance revenue	8	**633**	765
Finance expense	9	**(626)**	(456)
Analysed as:			
Adjusted profit before tax		**51,201**	62,098
Amortisation of intangibles (excluding other software)		**(5,617)**	(4,707)
Share-based payments		**(494)**	441
Loss on fair value of forward foreign exchange contracts		**(432)**	(980)
Exceptional items	7	**(15,229)**	(1,990)
Profit before tax		**29,429**	54,862
Income tax expense	11	**(8,955)**	(13,303)
Profit for the year attributable to equity holders of the parent		**20,474**	41,559
Earnings per share (pence)			
– basic	13	**32.03**	65.07
– diluted	13	**31.96**	64.92
Adjusted earnings per share (pence)			
– basic	13	**62.04**	74.51
– diluted	13	**61.91**	74.34

* Restated for a reclassification of expenses, as explained in note 2.

All activities relate to continuing activities.

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

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Profit for the year		**20,474**	41,559
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain/(loss) arising on translation of foreign operations		**3,812**	(9,393)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/(loss) on defined benefit plans	26	**7,837**	(11,496)
Income tax effect	11(a)	**(1,654)**	2,657
Total of items that will not be reclassified to profit or loss in subsequent periods		**6,183**	(8,839)
Total comprehensive income for the year, net of tax		**30,469**	23,327

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

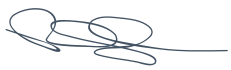
Consolidated balance sheet

31 March 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Goodwill	15	**51,697**	50,589
Other intangible assets	16	**24,841**	27,506
Property, plant and equipment	17	**7,101**	7,595
Deferred tax assets	25	**2,617**	3,800
Other receivables	19	**1,257**	1,440
		87,513	90,930
Current assets			
Trade and other receivables	19	**97,138**	96,468
Treasury deposits	20	**43,316**	45,248
Cash and cash equivalents	20	**64,611**	58,519
Current tax assets		**3,492**	2,195
		208,557	202,430
Total assets		**296,070**	293,360
Equity			
Issued share capital	28(a)	**2,274**	2,274
Share premium		**27,288**	27,288
Other reserves		**5,965**	1,655
Retained earnings		**165,471**	158,713
Total equity		**200,998**	189,930
Current liabilities			
Trade and other payables	21	**84,070**	81,613
Financial liabilities	22	**864**	432
Current tax liabilities		**1,789**	5,718
		86,723	87,763
Non-current liabilities			
Deferred tax liabilities	25	**3,187**	1,480
Retirement benefit obligations	26	**5,162**	14,187
		8,349	15,667
Total equity and liabilities		**296,070**	293,360

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

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2016. They were signed on its behalf by:



Philip Aiken
Chairman

Richard Longdon
Chief Executive

Company number
2937296

Consolidated statement of changes in shareholders' equity

31 March 2016

	Notes	Share capital £000	Share premium £000	Other reserves: Merger reserve £000	Other reserves: Cumulative translation adjustments £000	Other reserves: Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2014		2,271	27,288	3,921	8,109	(1,441)	10,589	144,829	184,977
Profit for the year		–	–	–	–	–	–	41,559	41,559
Other comprehensive (loss)		–	–	–	(9,393)	–	(9,393)	(8,839)	(18,232)
Total comprehensive (loss)/income		–	–	–	(9,393)	–	(9,393)	32,720	23,327
Issue of share capital	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	12	–	–	–	–	–	–	(17,558)	(17,558)
At 31 March 2015		2,274	27,288	3,921	(1,284)	(982)	1,655	158,713	189,930
Profit for the period		–	–	–	–	–	–	20,474	20,474
Other comprehensive income		–	–	–	3,812	–	3,812	6,183	9,995
Total comprehensive income		–	–	–	3,812	–	3,812	26,657	30,469
Issue of share capital		–	–	–	–	–	–	–	–
Share-based payments		–	–	–	–	–	–	494	494
Tax arising on share options			–	–	–	–	–	13	13
Investment in own shares		–	–	–	–	(94)	(94)	–	(94)
Cost of employee benefit trust shares issued to employees		–	–	–	–	592	592	(592)	–
Equity dividends		–	–	–	–	–	–	(19,814)	(19,814)
At 31 March 2016		**2,274**	**27,288**	**3,921**	**2,528**	**(484)**	**5,965**	**165,471**	**200,998**

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

Consolidated cash flow statement

for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**20,474**	41,559
Income tax	11(a)	**8,955**	13,303
Net finance revenue	8, 9	**(7)**	(309)
Amortisation of intangible assets	16	**5,954**	5,335
Depreciation of property, plant and equipment	17	**2,167**	2,914
Loss on disposal of property, plant and equipment	6	**2**	191
Share-based payments	27	**494**	(441)
Difference between pension contributions paid and amounts charged to operating profit		**(1,849)**	(6,565)
Research & Development expenditure tax credit		**(2,076)**	(930)
Changes in working capital:			
Trade and other receivables		**514**	(11,752)
Trade and other payables		**1,076**	852
Changes to fair value of forward foreign exchange contracts		**432**	980
Cash generated from operating activities before tax		**36,136**	45,137
Income taxes paid		**(11,798)**	(14,231)
Net cash generated from operating activities		**24,338**	30,906
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(2,056)**	(2,571)
Purchase of intangible assets	16	**(393)**	(522)
Acquisition of subsidiaries and business undertakings, net of cash acquired	14	**(2,540)**	(25,651)
Refund of consideration for prior year business combination		**4,349**	–
Proceeds from disposal of property, plant and equipment		**429**	345
Interest received	8	**633**	765
Maturity/(purchase) of treasury deposits (net)	20	**1,932**	(5,010)
Net cash flows from/(used in) investing activities		**2,354**	(32,644)
Cash flows from financing activities			
Interest paid	9	**(48)**	(73)
Purchase of own shares	28(b)	**(94)**	(305)
Proceeds from the issue of shares	28(a)	**–**	3
Dividends paid to equity holders of the parent	12	**(19,814)**	(17,558)
Net cash flows used in financing activities		**(19,956)**	(17,933)
Net increase/(decrease) in cash and cash equivalents		**6,736**	(19,671)
Net foreign exchange difference		**(644)**	881
Opening cash and cash equivalents	20	**58,519**	77,309
Closing cash and cash equivalents	20	**64,611**	58,519

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 109 to 116.

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 2016. The Consolidated financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Consolidated financial statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2016. The Group's financial statements are also consistent with IFRSs as issued by the IASB.

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 13, is calculated having adjusted profit after tax for the same items and their tax effect. The term adjusted profit is not defined under International Financial Reporting Standards (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 parent Company financial statements of AVEVA Group plc are included on pages 103 to 107.

From 1 April 2015, the EDS and ES lines of business were merged and the Executive team now monitor and appraise the business based on the performance of three geographic regions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). These three regions are now the basis of the Group's primary operating segments reported in the financial statements. Performance is evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive team. Support functions such as head office departments are controlled and monitored centrally. Disclosure for the year ended 31 March 2015 has been restated to reflect the new organisational structure.

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

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 12 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.

Notes to the consolidated financial statements
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2 Key accounting policies continued

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 up front, 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 the 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

The assessments and estimates used by the Group for revenue recognition could have a significant impact on the amount and timing of revenue recognised.

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.

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17%.

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 2016 was £5,879,000 (2015 – £5,636,000).

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 15.

2 Key accounting policies continued

Income taxes

The Group is subject to income tax in numerous jurisdictions and there are instances where significant judgement is required in determining the provision for tax. 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. Areas of tax judgement and where the ultimate tax determination is uncertain include transfer pricing and deferred tax asset recognition.

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 2016 was £5,162,000 (2015 – £14,187,000).

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:

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

Services consist of consultancy, implementation services and training fees.

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

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

The Executive management team monitors the operating results of the regions for the purposes of making decisions about performance assessment and resource allocation. Performance is evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive management team. Support functions such as head office departments are controlled and monitored centrally. Disclosure for the year ended 31 March 2015 has been restated to reflect the new organisational structure.

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

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

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

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

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

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

5 Selling and administration expenses

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

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

* Restated for a reclassification of expenses, as explained in note 2.

6 Profit from operations

Profit from operations is stated after charging:

	2016 £000	2015 £000
Depreciation of owned property, plant and equipment	**2,167**	2,914
Amortisation of intangible assets:		
– included in Research & Development costs	**4,186**	3,783
– included in selling and distribution expenses	**1,430**	924
– included in administrative expenses	**338**	628
Staff costs	**98,153**	93,904
Operating lease rentals – minimum lease payments	**5,744**	6,113
Loss on disposal of property, plant and equipment	**2**	191
Net foreign exchange losses/(gains)	**930**	(2,547)

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

	2016 £000	2015 £000
Fees payable to the Company auditor for the audit of parent Company and Consolidated financial statements	**255**	297
Fees payable to the Company auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**160**	241
– tax, compliance services	**17**	57
– tax, advisory services	**1**	107
– other assurance services pursuant to legislation	**71**	34
– fees connected with the aborted transaction with Schneider Electric	**1,381**	–
	1,885	736

7 Exceptional items

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

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

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

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

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

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

Notes to the consolidated financial statements
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8 Finance revenue

	2016 £000	2015 £000
Bank interest receivable and other interest earned	633	765

9 Finance expense

	2016 £000	2015 £000
Net interest on pension scheme liabilities	578	383
Bank interest payable and similar charges	48	73
	626	456

10 Staff costs

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

	2016 £000	2015 £000
Wages and salaries	79,852	76,709
Social security costs	10,546	10,026
Pension costs	7,261	7,610
Share-based payments	494	(441)
	98,153	93,904

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

	2016 Number	2015 Number
Research, development and product support	578	562
Sales, marketing and customer support	873	770
Administration	252	265
	1,703	1,597

Included within the average number of persons for 2016 are 82 who joined the Group following the acquisitions of 8over8 Limited and FabTrol Systems Inc.

Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	911	845
Aggregate contributions to defined contribution pension scheme	30	28
Aggregate gains on the exercise of share options	–	–
	941	873

	2016 Number	2015 Number
Number of Directors accruing benefits under defined contributions	1	1

11 Income tax expense

a) Tax on profit

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

	2016 £000	2015 £000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	3,863	5,362
Adjustments in respect of prior periods	(47)	3
	3,816	5,365
Foreign tax	5,869	6,667
Adjustments in respect of prior periods	(704)	553
	5,165	7,220
Total current tax	8,981	12,585
Deferred tax		
Origination and reversal of temporary differences	(441)	785
Adjustment in respect of prior periods	415	(67)
Total deferred tax (note 25)	(26)	718
Total income tax expense reported in Consolidated income statement	8,955	13,303

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

b) Reconciliation of the total tax charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

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

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

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

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

Notes to the consolidated financial statements
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12 Dividends paid and proposed on equity shares

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

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 8 July 2016 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 5 August 2016 to shareholders on the register at the close of business on 1 July 2016.

13 Earnings per share

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

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

The calculations of basic and diluted earnings per share are based on the net profit attributable to equity holders of the parent for the year of £20,474,000 (2015 – £41,559,000). Basic earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 27.

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

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

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

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

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

14 Business combinations

On 22 June 2015, the Group acquired 100% of the issued share capital of FabTrol Systems Inc., a software business headquartered in Eugene, Oregon, USA with operations in North America and the United Kingdom. FabTrol provides fabrication management software to the steel fabrication industry and there are potential sales synergies with the AVEVA Bocad product offering.

	Provisional fair values £000
Developed technology	1,197
Customer relationships	798
Cash	520
Net current liabilities	(938)
Deferred tax liability	(770)
Net assets acquired	**807**
Goodwill	2,793
Total consideration	3,600
Satisfied by:	
Cash	3,060
Deferred cash consideration	540

The deferred consideration is payable in equal cash instalments on the first and second year anniversary of the acquisition. Goodwill represents the assembled workforce and the future synergy benefits of integrating the business into the AVEVA Group. Since the date of acquisition the FabTrol business contributed revenue of £1,946,000 and adjusted profit before tax of £396,000. Acquisition costs (including due diligence and professional fees) and integration costs of £219,000 have been included in the Consolidated income statement.

8over8 Limited

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. Details of the provisional fair values of the net assets acquired and goodwill was set out in detail in the 2015 Annual Report. The final fair values of the assets acquired were increased by £189,000 from the disclosed provisional values as a result of the collection of a customer debt previously provided against. Additionally, in January 2016 the Group successfully obtained a partial refund of acquisition consideration paid of an amount of £4,071,000. This adjustment to the cost of the acquisition and the resulting goodwill was due to the Group claiming under an indemnity provided by the vendors of the business at the time of the acquisition in January 2015.

15 Goodwill

	2016 £000	2015 £000
At 1 April	**50,589**	38,474
Acquisitions	**2,793**	16,334
Adjustments in respect of prior year acquisitions	**(4,260)**	–
Exchange adjustment	**2,575**	(4,219)
At 31 March	**51,697**	50,589

Goodwill which arose on past acquisitions had previously been allocated to the Engineering & Design Systems and Enterprise Solutions cash-generating units (CGUs). As a result of the Group's decision to move to a regional organisation structure, goodwill has been reallocated to the three reported segments of Asia Pacific, EMEA and Americas. This reallocation has been completed on a relative recoverable amount basis. The goodwill attached to each of the Group's CGUs is as follows:

	2016 £000	2015 £000
Engineering & Design Systems	**–**	26,535
Enterprise Solutions	**–**	24,054
Asia Pacific	**19,446**	–
EMEA	**24,305**	–
Americas	**7,946**	–
	51,697	50,589

Notes to the consolidated financial statements
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15 Goodwill continued
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 CGUs that are expected to benefit from that business combination. In 2015/16 the goodwill impairment testing was carried out on a value in use (VIU) basis using the most recently approved management budgets for the year ended 31 March 2017 together with the most recent three-year business plan extrapolated out for a duration of five years in total. Projected cash flows beyond five years have been assumed at the long-term growth rate for that region and these have been used to formulate a terminal value for the discounted cash flow calculation. Cash flows have been discounted at pre-tax rates of 12%, 9% and 11% per annum, reflecting the weighted average cost of capital for each of the Asia Pacific, EMEA and Americas CGUs respectively.

Asia Pacific
During the year the contribution of the Asia Pacific segment was £43.9 million (2015 – £40.6 million). This is far in excess of the attributable goodwill and any other intangible assets. Therefore, the Directors believe that no reasonably foreseeable changes in key assumptions would result in an impairment of goodwill, such is the margin by which the estimated recoverable amount exceeds the carrying value.

EMEA
During the year the contribution of the EMEA segment was £58.8 million (2015 – £61.8 million). This is far in excess of the attributable goodwill and any other intangible assets. Therefore, the Directors believe that no reasonably foreseeable changes in key assumptions would result in an impairment of goodwill, such is the margin by which the estimated recoverable amount exceeds the carrying value.

Americas
During the year the contribution of the Americas segment was £8.3 million (2015 – £19.3 million). A VIU assessment was prepared for this CGU which was based on budget and business planning data for the next three years and which assumed revenues returning to levels recorded in 2015. The VIU assessment demonstrated considerable headroom and the sensitivity analysis performed showed that projected revenue for the Americas region at the end of the period covered by the business plan would need to be 20% lower than projected before a possible impairment would be indicated.

16 Intangible assets

	Developed technology £000	Customer relationships £000	Purchased brand £000	Other software £000	Purchased software rights £000	Total £000
Cost						
At 1 April 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
Additions	–	–	–	149	244	393
Acquisitions	1,197	798	–	–	–	1,995
Disposals	–	–	–	(30)	(636)	(666)
Exchange adjustment	1,722	923	–	30	–	2,675
At 31 March 2016	**39,016**	**14,930**	**1,203**	**3,141**	**8,441**	**66,731**
Amortisation						
At 1 April 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
Charge for the year	3,471	1,189	241	338	715	5,954
Disposals	–	–	–	(30)	(636)	(666)
Exchange adjustment	1,249	505	–	20	–	1,774
At 31 March 2016	**25,434**	**7,018**	**301**	**2,478**	**6,659**	**41,890**
Net book value						
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
At 31 March 2016	**13,582**	**7,912**	**902**	**663**	**1,782**	**24,841**

All amortisation is calculated using the straight-line method over periods of between five and 12 years for developed technology and between five and ten years for customer relationships.

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

For the purposes of the adjusted earnings per share calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £338,000 (2015 – £628,000).

17 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 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
Additions	209	1,229	427	191	2,056
Acquisitions	27	23	4	–	54
Disposals	(456)	(1,012)	(523)	(264)	(2,255)
Exchange adjustment	(122)	66	163	(10)	97
At 31 March 2016	**4,291**	**5,992**	**6,230**	**789**	**17,302**
Depreciation					
At 1 April 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)
Exchange adjustment	105	(125)	(39)	1	(58)
At 31 March 2015	1,301	3,849	4,166	439	9,755
Charge for the year	343	1,092	553	179	2,167
Disposals	(237)	(1,002)	(423)	(162)	(1,824)
Exchange adjustment	(48)	52	100	(1)	103
At 31 March 2016	**1,359**	**3,991**	**4,396**	**455**	**10,201**
Net book value					
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
At 31 March 2016	**2,932**	**2,001**	**1,834**	**334**	**7,101**

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18 Investments
At 31 March 2016, 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. AVEVA Group plc is the ultimate parent company and owns 100% of AVEVA Solutions Limited.

The remainder of companies, not included below, are disclosed on the inside back cover.

	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 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. Limited	China	Software marketing	100% of ordinary shares
AVEVA Denmark A/S	Denmark	Software development and marketing	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 Solutions India LLP	India	Software development	100% ordinary shares of INR 10 each
AVEVA Information Technology India Private Limited	India	Software marketing	100% ordinary shares of INR 10 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 MYR 1 each
AVEVA Asia Pacific Sendirian Berhad	Malaysia	Software marketing	100% ordinary shares of MYR 1 each
AVEVA AS	Norway	Software development and marketing, 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.

19 Trade and other receivables

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

Trade receivables are non-interest bearing and generally on terms of between 30 and 90 days. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

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

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

19 Trade and other receivables continued

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

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

As at 31 March, the ageing analysis of trade receivables (net of provision for impairment) was as follows:

			Past due not impaired			
	Total £000	Neither past due nor impaired £000	Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2016	**88,618**	**54,778**	**30,831**	**2,142**	**867**	**–**
2015	88,618	65,058	20,712	1,650	1,176	22

20 Cash and cash equivalents and treasury deposits

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

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

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. £31,776,000 (2015 – £3,768,000) were at a fixed rate of interest and the remainder were held at a floating rate of interest.

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

21 Trade and other payables

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

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

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22 Financial liabilities

	2016 £000	2015 £000
Current		
Fair value of forward foreign exchange contracts	**864**	432

Borrowing facilities
As at 31 March 2016 the Group had no committed bank overdraft or loan facilities.

23 Obligations under leases
As at 31 March 2016 the Group had the following future minimum rentals payable under non-cancellable operating leases as follows:

	2016		2015	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Not later than one year	**4,753**	**515**	4,951	291
After one but not more than five years	**6,426**	**409**	8,050	353
More than five years	**–**	**–**	261	–
	11,179	**924**	13,262	644

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 £633,000 (2015 – £765,000) and profit after tax by £506,000 (2015 – £604,000).

Foreign currency risk
Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales by business units in currencies other than the Group's functional currency of Sterling.

The majority of costs are denominated in the functional currency of the business unit. The main exposures relate to the US Dollar, Euro, South Korean Won, and Japanese 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.

24 Financial risk management continued

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 2016, the Group had outstanding currency exchange contracts to sell $18 million (2015 – $22.8 million) and €10.4 million (2015 – €9.7 million). It also had outstanding currency exchange contracts to buy Danish kr0 million (2015 – kr4.5 million). Non-deliverable forward contracts were used to hedge the purchase of INR0 million (2015 – INR30 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 2014/15.

31 March 2016	**Increase/(decrease) in average rate**	**Profit/(loss) £000**	**Equity £000**
US Dollar	**10%**	**(1,450)**	**(1,450)**
	(10%)	**1,594**	**1,594**
Euro	**10%**	**(267)**	**(267)**
	(10%)	**294**	**294**

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

b) Credit risk

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

Counterparties 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 counterparty is subject to a specific limit, up to a maximum of 50% of the Group's total counterparty risk. Within this overall limit, some counterparties are subject to more restrictive caps on counterparty exposure.

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

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

Disclosures relating to the credit quality of trade receivables are included in note 19.

Notes to the consolidated financial statements
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24 Financial risk management continued
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 2016				
Trade and other payables	**35,966**	**–**	**–**	**–**
As at 31 March 2015				
Trade and other payables	32,983	–	–	–

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 2016			
Forward foreign exchange contracts (GBP/EUR)			
Outflow	**€4,590**	**€3,000**	**€2,755**
Inflow	**£3,379**	**£2,235**	**£2,141**
Forward foreign exchange contracts (GBP/USD)			
Outflow	**$7,950**	**$5,575**	**$4,300**
Inflow	**£5,263**	**£3,749**	**£2,983**
Forward foreign exchange contracts (USD/EUR)			
Outflow	**$200**	**–**	**–**
Inflow	**€182**	**–**	**–**
Forward foreign exchange contracts (DKK/EUR)			
Outflow	**–**	**–**	**–**
Inflow	**–**	**–**	**–**
Non-deliverable forward foreign exchange contracts (INR/GBP)			
Outflow	**–**	**–**	**–**
Inflow	**–**	**–**	**–**
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	–	–

24 Financial risk management continued

d) Fair values

The book values of the Group's financial assets and liabilities consist of bank and cash balances of £64,611,000 (2015 – £58,519,000) and treasury deposits of £43,316,000 (2015 – £45,248,000). 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).
– 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 2016, 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 £864,000 at 31 March 2016 (2015 – £432,000 liability).

The resulting loss of £432,000 (2015 – loss of £980,000) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated income statement within administrative expenses.

e) 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 2015 or 2016.

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 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
Charged to equity	–	–	–	–	(126)	–	(126)
Exchange adjustment	(25)	–	–	–	–	52	27
At 31 March 2015	209	(130)	2,256	(4,455)	197	4,243	2,320
Acquisition	–	–	–	(798)	–	28	(770)
Credit/(charge) to income statement	(37)	21	21	1,063	(26)	(1,016)	26
Credit/(charge) to other comprehensive income	–	–	(1,868)	–	–	–	(1,868)
Credited to equity	–	–	–	–	2	–	2
Exchange adjustment	4	–	–	(214)	–	(70)	(280)
At 31 March 2016	**176**	**(109)**	**409**	**(4,404)**	**173**	**3,185**	**(570)**

* 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:

	2016 £000	2015 £000
Deferred tax liabilities	**(3,187)**	(1,480)
Deferred tax assets	**2,617**	3,800
	(570)	2,320

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25 Deferred tax continued
At the balance sheet date, the Group has unused tax losses of £7,005,000 (2015 – £1,654,000) available for offset against future profits. Of the total deferred tax asset of £1,514,000 (2015 – £533,000), £933,000 (2015 – £40,000) 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 £37,134,000 (2015 – £37,003,000). 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 2014	5,853	1,074	1,921	8,848
Current service cost	1,487	–	246	1,733
Net interest on pension scheme liabilities	276	42	65	383
Actuarial remeasurements	11,389	122	(15)	11,496
Employer contributions	(7,724)	(47)	(526)	(8,297)
Exchange adjustment	–	(132)	156	24
At 31 March 2015	11,281	1,059	1,847	14,187
Current service cost	–	–	213	213
Net interest on pension scheme liabilities	506	30	42	578
Actuarial remeasurements	(7,936)	211	(112)	(7,837)
Employer contributions	(1,580)	(11)	(471)	(2,062)
Exchange adjustment	–	104	(21)	83
At 31 March 2016	**2,271**	**1,393**	**1,498**	**5,162**

a) UK defined benefit scheme
The Group operates a UK defined benefit pension plan providing benefits based on final pensionable pay which is funded. This scheme was closed to new employees on 30 September 2002 (with the option of reopening if required) and was converted to a Career Average Revalued Earnings basis on 30 September 2004. The scheme closed to future benefit accrual with effect from 1 April 2015. Pensions are also payable to dependants on death. Administration on behalf of the members is governed by a trust deed, and the funds are held and managed by professional investment managers who are independent of the Group.

Contributions to the scheme are made in accordance with advice from an external, professionally qualified actuary, Broadstone Corporate Benefits Limited, at rates which are calculated to be sufficient to meet the future liabilities of the scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

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

	2016 %	2015 %
Main assumptions:		
Discount rate	**3.40**	3.10
Inflation assumption – RPI	**3.30**	3.30
Rate of salary increases	**5.30**	5.30
Rate of increase of pensions in payment	**3.10**	3.10
Rate of increase of pensions in deferment	**2.30**	2.30
Cash Commutation	**20% of pension**	20% of pension

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

For the years ended 31 March 2016 and 2015, the mortality assumptions adopted imply the following weighted average life expectancies at age 65:

	2016 Years	2015 Years
Male pensioners	**23.1**	23.8
Female pensioners	**24.3**	25.0
Non-retired males	**24.2**	25.1
Non-retired females	**25.6**	26.5

Company contributions were £1,580,000 (2015 – £7,724,000). The total contributions in 2016/17 are expected to be approximately £1,580,000. The PPF levy of approximately £20,000 will be payable in addition (2015 – £19,300).

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)	
	2016 £000	2015 £000
0.25 percentage point increase to:		
– discount rate	**(3,744)**	(3,813)
– inflation (including pension increases linked to inflation)	**2,543**	2,858
Additional one-year increase to life expectancy	**2,429**	2,240

The assets and liabilities of the scheme at 31 March 2016 and 2015 were as follows:

	2016 £000	2015 £000
Equities	**33,050**	30,526
Bonds	**25,207**	22,098
Other	**20,720**	24,310
Total fair value of assets	**78,977**	76,934
Present value of scheme liabilities	**(81,248)**	(88,215)
Net pension liability	**(2,271)**	(11,281)

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

	2016 £000	2015 £000
Recognised in the Consolidated income statement		
Current service cost		
Research & Development costs	**–**	927
Selling and distribution expenses	**–**	365
Administrative expenses	**–**	195
Total operating charge	**–**	1,487
Finance revenue		
Interest income on pension scheme assets	**(2,197)**	(2,673)
Finance costs		
Interest on pension scheme liabilities	**2,703**	2,949
Taken to Consolidated statement of comprehensive income		
Actual return on pension scheme assets	**2,526**	8,219
Less: interest income on pension scheme assets	**(2,197)**	(2,673)
	329	5,546
Changes in assumptions and experience adjustments on liabilities	**7,607**	(16,935)
Actuarial gain/(loss) recognised in Consolidated statement of comprehensive income	**7,936**	(11,389)

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

	2016 £000	2015 £000
At 1 April	**88,215**	68,358
Current service costs	**–**	1,487
Contributions by employees	**–**	11
Interest on pension scheme liabilities	**2,703**	2,949
Benefits paid	**(2,048)**	(1,504)
Premiums paid	**(15)**	(21)
Actuarial (gain)/loss due to experience	**(340)**	1,502
Actuarial (gain)/loss due to changes in the economic assumptions	**(4,656)**	13,416
Actuarial (gain)/loss due to changes in the demographic assumptions	**(2,611)**	2,017
At 31 March	**81,248**	88,215

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

Notes to the consolidated financial statements
CONTINUED

26 Retirement benefit obligations continued
Changes in the fair value of plan assets are as follows:

	2016 £000	2015 £000
At 1 April	76,934	62,505
Interest income	2,197	2,673
Contributions by employer	1,580	7,724
Contributions by employees	–	11
Benefits paid	(2,048)	(1,504)
Premiums paid	(15)	(21)
Actuarial gain	329	5,546
At 31 March	78,977	76,934

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:

	2016	2015
Rate of increase of pension in payment	1.25%–2.5%	1.25%–2.5%
Discount rate	1.5%–2.5%	1.25%–3.0%
Mortality	13–20 years	14–18 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 (2015 – 60 and 63 years of age).

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:

	2016 %	2015 %
Rate of salary increases	4.00	4.00
Discount rate	2.29	2.81

The retirement age for AVEVA Korea Limited employees is 60 years of age (2015 – 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 2016, Alecta's surplus in the form of collective funding level was 144% (2015 – 148%) which was calculated in accordance with the Swedish Annual Accounts Act for Insurance Companies. The total cost charged to the income statement was £701,550 (2015 – £603,278).

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 £6,346,000 (2015 – £5,136,000) 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 four equity-settled share schemes: the AVEVA Group plc Long Term Incentive Plan (LTIP); the AVEVA Group Management Bonus Deferred Share Scheme; the AVEVA Group plc Senior Employee Restricted Share Plan 2015; 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.

27 Share-based payment plans continued

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

	2016 Number	2016 WAEP Pence	2015 Number	2015 WAEP Pence
Outstanding at start of year	**584,643**	**3.28**	516,751	3.12
Granted during year	**421,295**	**3.52**	203,731	3.31
Forfeited during year	**(228,394)**	**3.51**	(21,011)	3.31
Exercised during year*	**(39,935)**	**1.15**	(114,828)	2.60
Outstanding at end of year	**737,609**	**3.46**	584,643	3.28
Exercisable at end of year	**56,135**	**3.56**	70,703	3.54

* The weighted average share price at the date of exercise for the options exercised is £19.16 (2015 – £19.85).

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 2016 Number	Number of options 2015 Number	Exercise price Pence
7 July 2009	LTIP	**3,611**	3,611	3.56
26 July 2010	LTIP	**9,682**	16,116	3.56
6 July 2011	LTIP	**42,842**	50,740	3.56
6 July 2012	Deferred Share Scheme	**–**	10,970	–
9 July 2012	LTIP	**–**	149,939	3.56
20 June 2013	Deferred Share Scheme	**8,257**	20,436	–
21 August 2013	LTIP	**109,145**	133,870	3.56
4 July 2014	Deferred Share Scheme	**9,539**	13,660	–
21 July 2014	LTIP	**159,503**	185,301	3.56
21 July 2015	LTIP	**232,025**	–	3.56
21 July 2015	Restricted Share Plan	**64,372**	–	3.56
6 August 2015	Deferred Share Scheme	**1,859**	–	–
22 January 2016	LTIP	**96,774**	–	–
		737,609	584,643	

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 awards:

	2015/16 awards	2014/15 awards
Common to all plans:		
Expected volatility	**37%**	32%
Risk-free interest rate	**0.95%**	0.76%
Expected life of option	**3 years**	3 years
LTIP July and Restricted Share Plan (2015/16 only)		
Weighted average share price	**£22.55**	£19.79
Dividend yield	**1.35%**	1.36%
LTIP January		
Weighted average share price	**£13.57**	–
Dividend yield	**2.25**	–
Deferred Share Scheme		
Weighted average share price	**£21.53**	£21.31
Dividend yield	**1.42%**	1.27%

The weighted average remaining contractual life for the options outstanding at 31 March 2016 is 5.23 years (2015 – 4.77 years).

The average fair value of options granted during the year was £19.55 (2015 – £19.07). 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 Group recognised an expense of £494,000 related to equity-settled share-based payment transactions in the year ended 31 March 2016 (2015 – credit of £441,000).

Notes to the consolidated financial statements
CONTINUED

27 Share-based payment plans continued

Details of the share option plans are as follows:

a) Long-Term Incentive Plan (LTIP)

The following awards have been made under the LTIP. The exercise price is equal to the nominal value of the underlying shares, which is 3.56 pence. Options under the LTIP are normally exercisable in full or in part between the third and tenth anniversaries of the date of grant.

Performance conditions related to LTIP awards originally granted in 2011/12 and 2012/13 have been adjusted to reflect the impact of the special dividend of £100 million and share consolidation during 2013/14.

2015/16 awards

In 2015/16, a total of 253,610 share options were awarded to Executive Directors and senior management under the LTIP. The performance conditions attached to this award are based on Earnings Per Share (EPS) growth over the three years from 2015/16 to 2017/18. 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%.

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 percentage points to 9.5% and 16.5%.

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 August 2015, the AVEVA Group Employee Benefit Trust 2008 awarded 2,131 (2015 – 13,991) deferred shares to the Executive Directors and senior management in respect of the bonus earned in the year ended 31 March 2015 (2015 – bonus earned in year ended 31 March 2014).

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).

c) AVEVA Group plc Senior Employee Restricted Share Plan 2015

During the year a new employee share scheme was approved at the 2015 AGM. The scheme allows awards of options to be made to senior management employees and the exercise price of awards granted is 3.56 pence, being the nominal value of the underlying shares. The right to exercise an option is subject to completion of a required period of continued employment within the Group, usually being three years. Options that are not exercised prior to the fifth anniversary (or, in the case of an award with an overall award period of more than four years, the sixth anniversary) of the date of grant shall lapse.

In July 2015 a total of 66,638 options were granted to senior management. One-third of the shares under option are exercisable two years after the date of award and two-thirds of the shares under option are exercisable after three years.

28 Share capital and reserves

a) Share capital

	2016 £000	2015 £000
Allotted, called-up and fully paid		
63,961,113 (2015 – 63,948,241) ordinary shares of 3.56 pence each	**2,274**	2,274

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

	2016 Number	2016 £000	2015 Number	2015 £000
At 1 April	**63,948,241**	**2,274**	63,873,360	2,271
Exercise of share options	**12,872**	**–**	74,881	3
At 31 March	**63,961,113**	**2,274**	63,948,241	2,274

Year ended 31 March 2016

Date of issue	Number of shares 2016	Nominal value 2016 £	Share premium 2016 £	Market price £
29 July 2015	**5,032**	**179**	**–**	**22.05**
24 September 2015	**4,083**	**145**	**–**	**21.29**
10 February 2016	**3,757**	**134**	**–**	**12.98**
	12,872	**458**	**–**	

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	–	

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, 4,418 shares were purchased by the EBT at a price of £21.23 and 26,791 shares (2015 – 41,895) with an attributable cost of £591,699 were issued to employees in satisfying share options that were exercised.

	£000
At 1 April 2014	1,441
Own shares purchased 9 July 2014	305
Shares issued to employees	(764)
At 31 March 2015	982
Own shares purchased 7 August 2015	94
Share issued to employees	(592)
At 31 March 2016	**484**

Notes to the consolidated financial statements
CONTINUED

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 team, 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 63.

	2016 £000	2015 £000
Short-term employee benefits	**2,137**	2,008
Share-based payments	**106**	183
	2,244	2,191

Company balance sheet

31 March 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Investments	5	**31,823**	31,386
Current assets			
Debtors	6	**94,211**	250,079
Cash at bank and in hand		**9**	9
		94,220	250,088
Creditors: amounts falling due within one year	7	**(30,446)**	(196,369)
Net current assets		**63,774**	53,719
Total assets less current liabilities		**95,597**	85,105
Net assets		**95,597**	85,105
Capital and reserves			
Called-up share capital	8	**2,274**	2,274
Share premium account		**27,288**	27,288
Merger reserve		**3,921**	3,921
Profit and loss account		**62,114**	51,622
Shareholders' funds		**95,597**	85,105

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

The financial statements on pages 103 to 107 were approved by the Board of Directors on 24 May 2016 and signed on its behalf by:

Philip Aiken
Chairman

Richard Longdon
Chief Executive

Company number
2937296

Company statement of changes in shareholders' equity

31 March 2016

	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 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
Profit for the year	–	–	–	29,811	29,811
Share issues	–	–	–	–	–
Share-based payments	–	–	–	58	58
Share options granted to employees of subsidiary companies	–	–	–	437	437
Dividends paid	–	–	–	(19,814)	(19,814)
At 31 March 2016	**2,274**	**27,288**	**3,921**	**62,114**	**95,597**

The accompanying notes are an integral part of this Company statement of changes in shareholders' equity.

Notes to the Company financial statements

1 Authorisation of Financial Statements and Statement of Compliance with FRS 101

The financial statements of AVEVA Group plc (the Company) for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 24 May 2016 and the balance sheet was signed on the Board's behalf by Philip Aiken, the Group Chairman, and Richard Longdon, the CEO. AVEVA Group plc is a limited Company incorporated and domiciled in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal activity of the Company is that of a holding company.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016. The financial statements are presented in sterling, rounded to the nearest thousand.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The results of AVEVA Group plc are included in the Consolidated financial statements of AVEVA Group plc.

The Directors believe that the Company is well placed to manage its business risks successfully despite macroeconomic and geopolitical uncertainties. It has considerable financial resources and no borrowings. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Summary of significant accounting policies

Explained below are the significant accounting policies of the Company. The full Statement of Group Accounting Policies is included on pages 109 to 116.

a) Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice (UK GAAP) for all periods presented. There are no material adjustments required, as disclosed in note 10. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7: Statement of Cash Flows
- the requirements of IAS 8: IFRSs issued but not effective
- the requirements of IFRS 2: Share based payments
- the requirements of IFRS 7: Financial Instruments: Disclosures
- the requirements of IFRS 13: Fair Value measurements
- the requirements of IAS 24: Related party disclosures
- the requirements of IAS 1: Presentation of Financial Statements, to present comparative information and a third balance sheet
- the requirements of IFRS 1, to present an opening statement of financial position when adopting FRS 101 for the first time

There were no transitional adjustments in the transition from UK GAAP to FRS 101 in the opening balance sheet as at 31 March 2014, and therefore no third balance sheet has been prepared.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated financial statements of the Group in which the entity is consolidated.

b) Taxation

Corporation tax payable is provided on taxable profits 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, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

c) Share-based payments

The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated financial statements. 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 IFRS 2 cost in subsidiary undertakings.

d) Investments in subsidiaries

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

3 Result for the year

AVEVA Group plc reported a profit for the financial year ended 31 March 2016 of £29,811,000 (2015 – £29,641,000).

Audit fees of £7,000 (2015 – £7,000) are borne by another Group company.

The Company does not have any employees (2015 – nil). Directors' emoluments are disclosed in the Annual report on remuneration on pages 49 to 63 and, in respect of the Executive Directors, are paid by a UK subsidiary company.

Notes to the Company financial statements
CONTINUED

4 Dividends

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

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 8 July 2016 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 5 August 2016 to shareholders on the register at the close of business on 1 July 2016.

5 Fixed asset investments

	£000
Cost and net book value	
At 1 April 2015	31,386
Additions	437
At 31 March 2016	**31,823**

Details of the Company's principal subsidiary undertakings are set out in note 18 in the Consolidated financial statements of the Group.

6 Debtors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed by Group undertakings	**94,196**	249,996
Prepayments	**15**	83
	94,211	250,079

7 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Accruals	**252**	158
Amounts owed to Group undertakings	**30,194**	196,211
	30,446	196,369

8 Called-up share capital

	2016 £000	2015 £000
Allotted, called-up and fully paid		
63,961,113 (2015 – 63,978,241) ordinary shares of 3.56 pence each	**2,274**	2,274

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

	2016 Number	2016 £000	2015 Number	2015 £000
At 1 April	**63,948,241**	**2,274**	63,873,360	2,271
Exercise of share options	**12,872**	**–**	74,881	3
At 31 March	**63,961,113**	**2,274**	63,948,241	2,274

8 Called-up share capital continued

Year ended 31 March 2016

Date of issue	Number of shares 2016	Nominal value 2016 £	Share premium 2016 £	Market price £
29 July 2015	**5,032**	**179**	**–**	**22.05**
24 September 2015	**4,083**	**145**	**–**	**21.29**
10 February 2015	**3,757**	**134**	**–**	**12.98**
	12,872	**458**	**–**	

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	–	

During the year the Company issued 12,872 (2015 – 74,881) ordinary shares of 3.56 pence each with a nominal value of £458 (2015 – £2,661) pursuant to the exercise of share options. The total proceeds were £458 (2015 – £2,661), which included a premium of £nil (2015 – £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 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.

10 Transition to FRS 101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant UK GAAP. These financial statements, to the year ended 31 March 2016, are the first the Company has prepared in accordance with FRS 101.

There were no transitional adjustments recorded in the transition from UK GAAP to FRS 101 in the opening balance sheet as at 31 March 2014, and therefore no third balance sheet has been prepared.

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the general requirements to apply IFRS retrospectively. The Company has taken advantage of the exemption in respect of merger accounting and merger reserve.

Five year record

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Summarised consolidated results					
Revenue	**201,491**	208,686	237,336	220,230	195,935
Recurring revenue	**153,985**	158,213	167,020	153,224	137,890
Research & development expense	**(32,128)**	(32,696)	(38,278)	(35,539)	(32,121)
Adjusted* profit before tax	**51,201**	62,098	78,257	70,562	62,419
Profit before tax	**29,429**	54,862	68,989	63,495	57,880
Income tax expense	**(8,955)**	(13,303)	(17,978)	(18,098)	(17,806)
Profit for the financial year	**20,474**	41,559	51,011	45,397	40,074
Basic earnings per share	**32.03p**	65.07p	78.12p	66.80p	59.02p
Adjusted* basic earnings per share	**62.04p**	74.51p	89.05p	74.70p	63.96p
Total dividend per share	**36.00p**	30.50p	27.00p	24.00p	21.00p
Summarised consolidated balance sheet					
Non-current assets	**87,513**	90,930	74,038	82,122	62,306
Cash and cash equivalents and treasury deposits (net)	**107,927**	103,767	117,547	190,357	178,951
Net current assets	**121,834**	114,667	121,790	188,524	170,886
Shareholders' funds	**200,998**	189,930	184,977	251,606	221,462

* 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 2016. 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 13, is calculated having adjusted profit after tax for the same items and their tax effect. The term adjusted profit is not defined under International Financial Reporting Standards (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 IFRS, as adopted by the European Union, as they apply to the financial statements of the Group for the year ended 31 March 2016. 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 under the FRS 101 reduced disclosure framework and are included on pages 103 to 107.

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 14	Regulatory Deferral Accounts	1 January 2016
IAS 16 and 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
IFRS 16	Leases	1 January 2019

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.

Statement of Group accounting policies
CONTINUED

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 2016 was £5,162,000 (2015 – £14,187,000).

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 2016 was £5,879,000 (2015 – £5,636,000).

Revenue recognition
The assessments and estimates used by the Group for revenue recognition could have a significant impact on the amount and timing of revenue recognised.

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.

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17%.

Income taxes
The Group is subject to income tax in numerous jurisdictions and there are instances where significant judgement is required in determining the provision for tax. 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. Areas of tax judgement and where the ultimate tax determination is uncertain include transfer pricing and deferred tax asset recognition.

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 15.

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 12 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 up front, 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 the 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.

Statement of Group accounting policies
CONTINUED

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.

Statement of Group accounting policies
CONTINUED

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.

Legislation has been 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 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.

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.

Statement of Group accounting policies
CONTINUED

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

Directors

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

Company Secretary
Claire Denton

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Headquartered in Cambridge, England, AVEVA Group plc and its operating subsidiaries currently employ staff worldwide in:

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Belgium
Brazil
Canada
Chile
China
Colombia
Denmark
Finland
France
Germany
Hong Kong
Hungary
India
Italy
Japan
Malaysia
Mexico
Norway
Poland
Russia
Saudi Arabia
Singapore
South Korea
Spain
Sweden
United Arab Emirates
United Kingdom
United States of America

AVEVA also has representatives in additional countries around the world.

For more details on AVEVA worldwide offices, visit www.aveva.com/offices

In addition to the principal subsidiaries listed in note 18, AVEVA Group plc also has the following subsidiaries:

AVEVA Colombia S.A.S.
AVEVA Chile S.p.A.
AVEVA Belgium S.A.
AVEVA de Mexico S. de R.L.
AVEVA Software and Services S.A de C.V.
LFM Software Limited
8over8 LLC
8over8 Pty Limited
FabTrol Systems Inc.
FabTrol Systems UK
AVEVA Finance Limited
iDesign Office Pty Limited
Tribon Solutions (UK) Limited
Tribon dot com Sweden AB
AVEVA Consulting Limited
AVEVA Managed Services Limited
AVEVA Engineering IT Limited
AVEVA Software India Private Limited
CadCentre Pension Trustee Limited
CadCentre Engineering IT Limited
CadCentre Limited
CadCentre Property Limited
AVEVA Limited

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