

AVEVA GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2010

AVEVA Group plc ('AVEVA'; stock code : AVV), one of the world's leading providers of engineering data and design IT systems, today announces its audited results for the year ended 31 March 2010.

Highlights

- Solid performance in challenging market conditions focusing on our core strengths of supplying world class solutions and services to our customers in the Oil and Gas, Power and Marine markets
- Revenue of £148.3 million (2009 - £164.0 million)
- Recurring revenue up 9% to £102.7 million (2009 - £94.2 million) representing 69% (2009 - 57%) of total revenue
- Investment in Research and Development of £20.9 million (2009 - £27.3 million)
- Restructuring programme complete at a cost of £1.9 million and annualised savings of approximately £5.0 million per annum
- Adjusted profit before tax of £50.7 million (2009 - £66.4 million)*
- Profit before tax of £49.6 million (2009 - £59.2 million)
- Adjusted basic earnings per share of 50.92 pence (2009 - 69.99 pence)*
- Basic earnings per share of 49.36 pence (2009 - 62.27 pence)
- Final dividend increased to 13.9 pence (2009 - 6.5 pence) resulting in total dividend of 16.9 pence for the year (2009 - 9.36 pence), an increase of 81%
- Continued strong cash generation with net cash and deposits at the year end of £149.7 million (2009 - £126.2 million)

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

Commenting on the outlook, Chairman Nick Prest said:

"Despite the challenges of 2009, we have continued with the development of the business through product innovation and securing growth in new markets such as the CIS and Brazil. We see growth opportunities in each of our vertical end markets.

The key drivers for growth remain in the Power and Oil and Gas markets where projects in new regions and more complex designs are likely to see new customer wins and the expansion of existing relationships. Although the traditional Marine market looks set to be slow for some time, emerging countries that are investing to develop local capacity afford some opportunities, as does offering new product functionality to existing customers. AVEVA NET remains a strong focus for the business as a growing customer base accepts the technology solution for managing the large volumes of data in both new build and brownfield assets.

Ongoing investments in products and delivery capabilities across AVEVA's entire portfolio will continue but added emphasis on AVEVA NET delivery capacity will help to accelerate our position within the market and capitalise on the growing opportunity.

The Group's market leading technologies and a global sales infrastructure capable of benefiting from both improving global and local trends, means that AVEVA remains well placed to continue to build on its success over recent years."

Enquiries:

AVEVA Group plc

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Wednesday 26 May 2010
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An analysts' briefing will be held at 29 Cloth Fair, London EC1A 7NN at 10.00 a.m. on 26 May 2010. For further information please contact Alex Brennan on 020 7796 4133 or on abrennan@hudsonsandler.com.

Chairman's Statement

I am pleased to report on another set of solid results for AVEVA for the year ended 31 March 2010. Good levels of revenue and profits have been achieved in difficult world economic conditions.

Key financials

Revenue for the year amounted to £148.3 million (2009 - £164.0 million). The performance across all our regions was impacted by recent economic uncertainty and, as anticipated, this resulted in a reduction in new licence sales which was particularly pronounced in the Marine market in Asia. However, recurring revenue increased by 9% to £102.7 million (2009 - £94.2 million) and this, coupled with a fall in initial fees to £35.1 million (2009 - £57.7 million), has meant that recurring revenue as a proportion of total revenue increased to 69% (2009 - 57%).

Following the restructuring programme undertaken in the early part of the year, the Group has remained well positioned to respond to market conditions whilst maintaining the appropriate level of investment for the longer term. As part of the restructuring, the Group achieved annualised cost savings of approximately £5.0 million which helped to maintain solid operating margins that the Group has historically achieved. Operating margins were 33% for the year (2009 - 35%).

Adjusted profit before tax, amortisation, share-based payments, restructuring costs and fair value of forward foreign exchange contracts amounted to £50.7 million (2009 - £66.4 million). Adjusted basic earnings per share amounted to 50.92 pence (2009 - 69.99 pence), a decrease of 27%. Profit before tax amounted to £49.6 million (2009 - £59.2 million) and basic earnings per share were 49.36 pence (2009 - 62.27 pence).

The Group's balance sheet continued to strengthen during the period as the Group's cash, including treasury deposits which comprise bank deposits with a maturity date of up to six months, increased by 19% to £149.7 million (2009 - £126.2 million), once again reflecting the strong conversion of profits into cash flow.

Dividend

Following a number of years of high levels of profitability and cash generation the Board has reviewed the existing level of dividend payout and has decided to increase it from what it now considers to be a relatively low base. The Board is therefore recommending a final dividend of 13.9 pence (2009 - 6.5 pence). Combined with the interim dividend of 3.0 pence (2009 - 2.86 pence) this gives a full year dividend of 16.9 pence (2009 - 9.36 pence), an increase of 81%. The rebased dividend better reflects the established nature of our business and the strength and stability of our cash flows without impinging materially on our ability to continue to invest and grow the business.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 July 2010 to shareholders on the register on 25 June 2010.

People

Our people remain the principal foundation of our success and this continues to be one of our market differentiators. Our staff are highly skilled and dedicated to keeping the AVEVA brand synonymous with quality and delivery. The past twelve months have presented a number of challenges for the Group and its employees. The global economic slowdown and the subsequent restructuring programme created both business and personal challenges for many of our staff. Throughout this period our staff remained highly focused and professional and have contributed to our solid performance during the year, whilst building a strong base from which we can continue to both grow the business and maintain our first class reputation. On behalf of the Board I wish to thank all of our people for their hard work, commitment and contribution over this year to the success of the Group.

As announced earlier in May 2010, after eleven years of contribution to the Group, David Mann will retire from his role as Non-Executive Director of the Company at the Annual General Meeting in July of this year. I would like to take this opportunity to thank David for both his personal contribution and his help in developing the Group and the Board over his tenure.

I would also like to welcome Hervé Couturier who joined the Board in April 2010. Hervé's experience, in particular at SAP AG, will no doubt prove invaluable as AVEVA continues to develop its products and solutions for the markets in which it operates.

Outlook

Despite the challenges of 2009, we have continued with the development of the business through product innovation and securing growth in new markets such as the CIS and Brazil. We see growth opportunities in each of our vertical end markets.

The key drivers for growth remain in the Power and Oil and Gas markets where projects in new regions and more complex designs are likely to see new customer wins and the expansion of existing relationships. Although the traditional Marine market looks set to be slow for some time, emerging countries that are investing to develop local capacity afford some opportunities, as does offering new product functionality to existing customers. AVEVA NET remains a strong focus for the business as a growing customer base accepts the technology solution for managing the large volumes of data in both new build and brownfield assets.

Ongoing investments in products and delivery capabilities across AVEVA's entire portfolio will continue but added emphasis on AVEVA NET delivery capacity will help to accelerate our position within the market and capitalise on the growing opportunity.

The Group's market leading technologies and a global sales infrastructure capable of benefiting from both improving global and local trends, mean that AVEVA remains well placed to continue to build on its success over recent years.

Nick Prest
Chairman
26 May 2010

Chief Executive's Review

Overview

AVEVA continued its development despite the challenges of the world economy, delivering a good performance reflecting the fundamental strengths of the business. Our strong base of recurring revenue and good growth in developing markets helped to mitigate the impact of global economic uncertainty, particularly on initial fees in Marine. As a result, overall revenue fell only 10% to £148.3 million (2009 - £164.0 million).

Decisive restructuring actions taken in the first half delivered the anticipated efficiency savings, better equipping the Group to address the trading environment. This helped to ensure that margins remained strong at 33% (2009 - 35%), whilst also enabling us to invest selectively in growth opportunities, particularly in South America, the CIS, where we expanded local resources and AVEVA NET where we increased capacity in solutions delivery. The whole organisation showed great professionalism and commitment throughout this process and the Group was quickly able to move forward this year with the right cost base.

Overall performance of most industry segments served by AVEVA has been in line with our expectations. Funding constraints in the Oil and Gas sector led to some major new projects proceeding slowly, although the situation steadily improved during the year. In particular, there have been some areas of intense activity, notably Brazil, where we have expanded our presence in Rio de Janeiro. The Power industry tends to have much longer investment cycles and has not been as susceptible to the global downturn with our business in both fossil-fuelled and nuclear builds continuing to grow steadily. Marine did suffer from a dramatic decline in new build orders and concerns over funding for the existing ship order backlog.

By making some hard decisions at the start of the year to adjust the cost base we have been able to expand the business during the year to exploit new opportunities. We have recruited high calibre people into both our office network and the AVEVA NET organisation, which has already benefited our sales. There have been a number of significant sales of AVEVA NET during the year and a strengthening business pipeline as we have built up our specialist business development team focused on sales into the owner operator market. We have already started on building up our service delivery capability in order to serve this £500 billion market.

Global performance

Providing a consistent high quality level of product performance and customer service has become increasingly important during the last year, as customers who already operate internationally seek to introduce further efficiencies into their own operations by increasing the use of 24/7 working and high value engineering centres.

Key to the success in winning customers away from our competitors has been the high quality of support and service we can offer from our 35 locations, in addition to the partners who work with us in some regions.

Asia Pacific – Revenue £50.5 million (2009 - £67.1 million)

Whilst we have had to adjust for a rapid decline in Marine sales, growth was delivered in other parts of the business, in particular the Chinese Power market. We also made good progress in sales of AVEVA NET to both Plant and Marine customers. Asia has borne the brunt of the decline in initial fee licence sales, as the majority of Asian business tends to be based on the initial fee sales as opposed to the rental model, which is more prevalent in other regions.

Due to the very high number of sales in Marine during the latter part of 2008/09 and the ongoing opportunities of providing start up assistance to new customers, support levels were maintained in China Marine. However, we were also able to focus these resources on selling AVEVA NET into the rapidly growing market for Product Lifecycle Management (PLM) solutions within the Marine customer base.

Despite the downturn, AVEVA managed to secure important new contracts with Kyokuyo Shipyard in Japan and Samsung in Korea.

In non-Marine markets we made good progress in securing important new strategic contracts. This included collaboration with one of the world's largest companies, China National Petroleum Co Petrochemical Project Company (CNPC PPC).

Americas – Revenue £26.9 million (2009 - £24.4 million)

Latin America, particularly in Brazil, provides an important development opportunity for the Group. Since the opening of our office in Rio de Janeiro last year, we have built a high quality team and have already doubled the size of our original office, with plans to continue hiring into our sales and customer support teams. The quality of the AVEVA products and their suitability for the Oil and Gas projects in Brazil, along with the local support, has positioned AVEVA for strong growth in this market for the foreseeable future. We have secured a two year corporate agreement with Petrobras for the supply of design products.

AVEVA products are already being used on many of the offshore projects starting to be commissioned in the region, with new customers joining from the Brazilian Engineering, Procurement and Contracting (EPC) community. In addition, AVEVA has the opportunity to sell the AVEVA Marine products into new shipyards which are expected to be commissioned to build Floating Production and Storage Offshore (FPSO) vessels and a fleet of Very Large Crude Carriers (VLCC).

Performance in North America has remained subdued. As in previous years our strong and enduring relationships with many Oil and Gas customers have provided stability and some growth opportunities. We have used the downturn to build our business development expertise, with particular focus on deeper penetration of the Owner Operator market in the United States, with the aim of replicating our recent successes. We were pleased with the highly successful implementation of AVEVA NET at Mustang, one of the largest EPC firms in the US.

The market in Canada was one of the first casualties of the rapid oil price decline and shows little sign of recovery in the short term. With the oil price at circa US\$80 there is still uncertainty surrounding the exploitation of oil sands reserves in Canada and the high costs of subsequent environmental impact.

EMEA – Revenue £70.9 million (2009 – £72.6 million, combined former WEMEA and CES regions)

The combined EMEA region, which was created last year from two business regions, has performed very well throughout the year. This region has a very diverse spread of business and a wide geographic mix with diverse drivers, from the Middle East, up through the CIS, across to Spain and down as far as South Africa.

The Oil and Gas business has performed well. Some notable highlights include a large rental expansion from Technip and our first significant sale in Iraq with AVEVA products installed at SIDDCO and ADMA in Abu Dhabi, who have mandated the use of AVEVA products on all future projects. The Power market is very important across the EMEA region, with long-term customers like Alstom and AREVA as key players. We have extended our relationship with AREVA by securing business from the AREVA Nuclear Fuels division. The Marine business, which is spread across the region, has been generally flat throughout the year.

EMEA has been the region where we have been the most consistently successful in winning customers away from our competitors. This year we have added 79 new name customers across the region, with many of these converting to AVEVA after years of using competitors' systems.

We are also investing in the CIS and have seen very strong sales in this sub region. AVEVA has won important new business with customers in the Oil and Gas and Power markets. Some of these customers will be strategic in winning further business as we expand in the region. Of particular note is the contract with OJSC Taneko, the operator of the new multibillion dollar refinery complex in Russia, who will now use AVEVA NET as the consolidation tool for all engineering data for this mega project. In the Nuclear power field we have secured KIEP as our second nuclear design institute.

End user market trends

We have seen differing trends in each of the main end user markets during the year. AVEVA has achieved a very strong position as a preferred supplier for many of the world's power station providers, both fossil-fuelled and nuclear. The global span of customers using AVEVA products on new build power plants can be seen by our leading position with many of the European suppliers but is particularly pronounced in Asia, with some great successes during the past year in China. The market for power stations has a very long-lead cycle and may span a recession but there have been concerns over the funding of future projects, in particular large nuclear power projects. Although we have not yet seen a huge upturn in demand for products from this sector, we anticipate a steady increase in demand for many years to come, as the current global power generation capacity falls well short of predicted consumption even before taking into account all of the capacity which is due to be retired in the near future.

Marine presented us with the most challenges but has performed predictably throughout the year. We still have a very busy customer base in Marine as most customers are working on orders received over recent years and for the majority of customers these orders still stretch out over the next two or three years. Until the market for new ships returns we expect the market for design tools to remain subdued. However, efficient production is paramount in a modern shipyard and we plan to extend the use of the Marine variant of AVEVA NET to more yards, particularly in China and Korea.

In Oil and Gas, whilst the tar sands project in Canada remains slow to recover from the stoppages caused by uncertainty over commodity prices, most other areas have remained buoyant. In Brazil the market is very strong, as Petrobras and others rush to capitalise on the huge oil reserves off the Brazilian east coast. We expect this market to continue to grow strongly and further investment in Brazil is a key element of our future planning. We see additional opportunities in Russia and expect to continue to grow our team there following the strong performance from this region during the past year. With greater stability in the oil price we are planning further investment in those regions likely to benefit from consistently increased commodity prices. These include Malaysia and the global market for FPSO assets, where AVEVA is already a leader.

Technology and products

Research and Development continued to be a key priority during the year in order to enhance our software applications and functionality. The high levels of investment in recent years ensure that we have the most advanced product offering in the industry. There has been a large investment in consolidating the developments of recent years and further improving quality. This work has been carried out across the entire product portfolio, with special focus on those developments deemed essential for deeper penetration of developing markets in Latin America and Eastern Europe.

Integration between applications from multiple vendors has been high on the agenda of many Chief Information Officers and AVEVA has always been a leader in providing open solutions and investing in global standards initiatives. During the last year we have provided more interfaces to third-party software products than ever before to enable customers to achieve greater value from their project and enterprise information.

Last year we acquired a specialist business in Australia to manage instrumentation data. The new version of this instrumentation product has been delivered and, with many new customers taking up this product during the year, we have received very positive feedback on the level of functionality and the competitiveness of our new solution.

In addition to work on consolidating the core product range, we have continued to expand the functionality of AVEVA NET with many new features added, as we gained further experience working with oil majors and large Chinese shipbuilders. The teams working on AVEVA NET have been increased during the year, with plans in place to continue the expansion of AVEVA NET and bring to market a novel web navigation capability within the coming months.

Organisation and people

The AVEVA human resources team played a key role in successfully transitioning the organisation into a shape and size which was needed as we entered the downturn. This was achieved by introducing a range of cost saving measures including a salary freeze, career breaks, part-time working and some redundancies, both voluntary and compulsory. Once again I would like to thank all those affected by this for their understanding and professionalism.

We have continued to expand the sales and support network and our relatively new office in Brazil has doubled in size to cope with the demands of this exciting new market for AVEVA products and services. We have also increased staff numbers in Russia and the CIS, along with some areas within the Asia Pacific region.

Since merging two sales regions into one to form EMEA last year and the rigorous examination of our cost base, we have made cost savings by rationalising some corporate functions and introduced new centralised systems to streamline the reporting processes of a very international business.

Outlook

AVEVA has done very well over the last year and the core strengths in both our people and products have served to provide confidence to customers in a difficult year.

As the global economic outlook improves, AVEVA is well placed to fulfil customers' requirements through our world-class products together with their increasingly high level of service demanded. We have taken the opportunity over the past year to evaluate all aspects of our business and have been continually strengthening the areas where we see the most opportunity for growth, in particular increasing the investment levels in AVEVA NET.

With our design products we have invested in new geographies that have grown strongly and we will continue to invest and develop offices and people. AVEVA has the right products and a proven track record which appeal to customers seeking highly functional products backed by first class local support and service.

We will continue to seek to maximise organic growth and to complement it with acquisitions as and when opportunities arise which can extend the functionality of our products or our market reach.

Richard Longdon
Chief Executive
26 May 2010

Finance Director Review

Business model

At the core of AVEVA's business is the intellectual property generated in its software products. The Group sells its proprietary software products by licensing rights to use the software directly to customers through our network of global sales offices rather than through resellers or distributors. This strategy provides customers with local sales and support and helps AVEVA to work closely with the leading companies principally in the Oil and Gas, Power and Marine markets. AVEVA's software products also provide the customer with 'data for life' whereby current versions of the software are compatible with previous versions allowing customers to access design data over a long time span, which is essential for assets which can have a life in excess of 20 years. This strategy has helped establish long-term relationships with many of our customers and several have been users of our products for over 30 years.

At the cornerstone of our business philosophy is our 'right to use' licensing model. Customers license our software for a specified number of users by paying an initial licence fee followed by an obligatory annual fee or by paying a rental fee over a fixed period of time. In both cases, the customer has to continue to pay a fee in order to use the software. The 'right to use' model provides a strong recurring revenue base for AVEVA which allows us to invest in the future roadmap of our products. This provides visibility to the customers and allows them to provide input to the direction of the products. In addition, customers receive upgrades to software as and when they become available as well as support and maintenance.

Key performance indicators

The Group's key financial and non-financial performance indicators are total revenue, adjusted profit before tax, headcount and adjusted earnings per share. The financial results for the year ended 31 March 2010 are summarised below. These are discussed as part of the review below:

	2010 £000	2009 £000	% change
Revenue			
Recurring revenue	102,701	94,196	9%
Initial licence fees	35,149	57,741	(39%)
Services	10,484	12,104	(13%)
Total revenue	148,334	164,041	(10%)
Cost of sales (including Research and Development costs)	(30,380)	(37,612)	(19%)
Gross profit	117,954	126,429	(7%)
Total operating expenses	(68,745)	(69,780)	(2%)
Profit from operations	49,209	56,649	(13%)
Operating margin	33%	35%	(2%)
Net bank interest	1,097	2,805	(61%)
Net interest on pension scheme	(732)	(253)	189%
Adjusted profit before tax*	50,685	66,360	(24%)
Profit before tax	49,574	59,201	(16%)
Income tax expense	(16,134)	(17,047)	(5%)
Profit after tax	33,440	42,154	(21%)
Earnings per share (pence)			
– basic	49.36p	62.27p	(21%)
– diluted	49.08p	61.98p	(21%)
– adjusted basic (2009 restated)*	50.92p	69.99p	(27%)
– adjusted diluted (2009 restated)*	50.62p	69.67p	(27%)

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

Revenue

Total revenue for the year fell by 10% to £148.3 million compared to £164.0 million last year with, as previously disclosed, the Group being impacted by the world recession. Revenue from initial licence fees in the Marine market was particularly affected falling 39% from £57.7 million to £35.1 million. In particular, initial licence fees in Asia Pacific fell from £36.8 million to £19.7 million reflecting this trend.

However the decline in initial licence fees was partly offset by the robustness of our recurring revenue consisting of annual fees, rental licence fees and recurring services. Recurring revenue increased by 9% from £94.2 million to £102.7 million reflecting the continued renewals of annual fees and rental fees from our established customer base and new customers preferring to rent rather than buy the software for more flexibility.

Services continue to remain a relatively small part of the business with associated revenue falling by 13% from £12.1 million to £10.5 million although in future this is expected to increase as sales of AVEVA NET software increase.

The Group's revenue was impacted by movements in foreign exchange rates during the year, particularly in US Dollars and Euro. Revenue on a constant currency basis was approximately £141.0 million (reported £148.3 million) compared to £164.0 million in 2008/09, down 14%.

Cost of sales and operating expenses

Cost of sales consists of direct cost of selling (third party royalties, consultancy costs and agent's commission) as well as Research and Development costs and associated Information Technology costs. Total cost of sales for the year was £30.4 million (2009 - £37.6 million). Research and Development costs were £20.9 million (2009 - £27.3 million), a decrease of 23% which reflects the impact of the restructuring programme that was carried out in April 2009. Research and Development costs represented 14% of total revenue (2009 - 17%). The focus in Research and Development has been targeting our investment in key product areas such as AVEVA NET and to continue to improve the quality of AVEVA Marine and AVEVA Plant products.

Operating expenses were £68.7 million (2009 - £69.8 million) for the year, a decrease of 2% on the prior year. Of the total operating expenses selling and distribution costs were £60.0 million (2009 - £53.2 million) and administrative expenses were £8.7 million (2009 - £16.5 million). Selling and distribution costs increased by 13% during the year which reflected the additional investments in our direct sales office network. Administrative expenses included a gain on the fair value of forward foreign exchange contracts of £3.6 million (2009 – loss of £3.7 million) and, excluding these amounts, administrative expenses were broadly in line.

The operating margin in 2009/10 was maintained at 33% (2009 – 35%) which was pleasing in light of the difficult trading conditions and reflects the benefits of the restructuring programme implemented in the year.

Headcount

Total headcount at 31 March 2010 amounted to 820 (2009 - 843), a net decrease of 23 staff. The average headcount during the year was 815 (2009 - 809) of which 228 were in Research, Development and product support (2009 - 253), 417 in sales, marketing and customer support (2009 - 380) and in 170 administration (2009 - 176).

As noted below, the restructuring programme implemented during the year largely affected Research and Development which resulted in the reduction in the average headcount. The increase in the average headcount in sales, marketing and customer support was due to the continued investment in our direct sales offices, particularly in South America and Eastern Europe.

Total staff costs for the year were £58.8 million compared with £55.5 million in 2009, an increase of 6%.

Restructuring

As announced previously, the Group implemented a restructuring programme at the start of the financial year to make sure that AVEVA was better equipped to address the difficult trading environment, whilst also selectively investing to exploit growth opportunities. As part of this restructuring programme, we combined the Central, Eastern and Southern Europe region with our Western Europe, Middle East and Africa region to form the European, Middle East and Africa region (EMEA). As part of this combination and restructuring of some of our Research and Development activities, a number of employees were made redundant giving rise to a one-off cost of £1.9 million. The cost of restructuring was lower than anticipated and annualised savings were approximately £5.0 million, which was in line with our expectations.

Finance revenue and finance costs

Finance revenue represents bank interest receivable on cash and cash equivalents of £1.1 million (2009 - £2.8 million) and the expected return on the UK defined benefit pension plan of £1.7 million (2009 - £2.0 million). Despite strong growth in cash and cash equivalents and treasury deposits, bank interest receivable fell from £2.8 million to £1.1 million due to the significant falls in UK and US interest rates. Finance costs principally relate to the interest charge on the pension scheme liabilities of £2.5 million (2009 - £2.3 million).

Presentation of adjusted profit before tax

We have amended the calculation of adjusted profit before tax to include the change in the fair value of forward foreign exchange contracts as this is a non-cash item that has become more material due to the volatility in the underlying exchange rates. In the year ended 31 March 2010, there was a gain on the fair value of forward foreign exchange rates amounting to £3.6 million (2009 – loss of £3.7 million). Adjusted profit before tax also takes into account amortisation of intangibles, share-based payments and restructuring costs totalling £4.7 million (2009 - £3.4 million). This resulted in adjusted profit before tax for the year of £50.7 million (2009 - £66.4 million). Profit before tax for the year was £49.6 million compared to £59.2 million in 2008/09.

Taxation

The Group's effective tax rate for the year was 32.5% compared to 28.8% in 2008/09. The main reasons for the increase was irrecoverable withholding tax suffered in Asia, expenses not deductible for tax purposes and adjustments in respect of prior years. The Group has tax losses of £5.1 million (2009 - £3.8 million) which relate to overseas subsidiaries for which no deferred tax asset has been recognised (2009 - £0.6 million). The losses can be carried forward indefinitely.

Earnings per share and dividends

Basic earnings per share were 49.36 pence (2009 - 62.27 pence) and diluted earnings per share were 49.08 pence (2009 – 61.98 pence).

Following the change to the presentation of adjusted profit before tax as noted above, adjusted earnings per share has also been amended to reflect the changes in the fair value of forward foreign exchange contracts. Therefore adjusted basic earnings per share, which is calculated before amortisation of intangibles, gain on the fair value of forward foreign exchange contracts, restructuring costs and share-based payments and the associated tax effects, were 50.92 pence (2009 – 69.99 pence). Diluted adjusted earnings per share on the same basis were 50.62 pence (2009 – 69.67 pence). The Directors believe that adjusted earnings per share provide a more representative presentation of the underlying performance of the business.

Comparative figures in the financial statements for adjusted profit before tax and adjusted basic and diluted earnings per share have been restated accordingly to reflect this change in presentation.

The Board of Directors recommend payment of a final dividend of 13.9 pence (2009 - 6.5 pence) which, together with the interim dividend of 3.0 pence (2009 - 2.86 pence), gives a total dividend for 2009/10 of 16.9 pence (2009 - 9.36 pence), an 81% increase over 2008/09. Subject to approval at the Annual General Meeting, the final dividend will be paid on 30 July 2010 to shareholders on the register on 25 June 2010.

Balance sheet and cash flows

AVEVA's balance sheet continued to strengthen during the year and at 31 March 2010 net assets were £169.2 million compared to net assets of £143.1 million at 31 March 2009 with increased cash and treasury deposits being the main driver behind this.

Non-current assets at 31 March 2010 were £42.1 million (2009 - £42.2 million) which was in line with the prior year. Investments in intangible assets during the year included software licences for components used in the suite of AVEVA products at a cost of £1.2 million. Investments in tangible assets of £1.5 million (2009 - £3.7 million) were for replacement computer equipment and the refurbishment of offices.

Current assets increased to £195.6 million from £183.7 million principally due to the increase in cash and cash equivalents and treasury deposits of £23.5 million from £126.2 million to £149.7 million. AVEVA continues to be cash generative and the Group has continued to focus closely on cash management during the year particularly on the collection of customer receivables and repatriation of cash to the UK from overseas subsidiaries. Total cash and deposits held in the UK at 31 March 2010 represented 85% of the total cash and deposits balance (2009 - 69%). As noted below, treasury deposits represent deposits with an original maturity of six months following the amendment to the Group's treasury policy. The Group has no debt.

Cash generated from operating activities before tax in the period amounted to £47.7 million (2009 - £58.7 million). Cash conversion, measured by cash generated from operating activities before tax as a percentage of profit from operations, was 97% compared to 104% in 2008/09 which continues to reflect the quality of earnings and results of these cash management initiatives.

Trade and other receivables were £44.1 million (2009 - £56.8 million) which partly reflects the reduction in revenue but also continued focus on collection of customer receivables. Accounts receivable is also net of the provision for impairment of £6.6 million (2009 - £4.8 million) which reflects the Group's continued prudent view of the collectability of accounts receivable.

Current liabilities totalled £48.9 million at 31 March 2009 (2009 - £56.6 million) which included deferred revenue of £26.9 million (2009 - £31.1 million), and trade payables and accruals of £22.0 million (2009 - £25.5 million). Non-current liabilities include retirement benefit obligations of £13.1 million (2009 - £8.8 million). This mainly relates to the UK defined benefit pension plan which had a deficit under IAS 19 of £11.7 million at 31 March 2010 (2009 - deficit of £7.6 million). The increase in the deficit was caused by increased liabilities from £36.3 million to £52.4 million due to the updated assumption for discount rate. This was partly offset by an increase in the fair value of the scheme assets from £28.7 million to £40.7 million at 31 March 2010.

Capital structure

The authorised share capital of the Company is 120,000,000 ordinary shares of 3.33 pence each (2009 - 90,000,000). The issued share capital at 31 March 2010 was 67,928,208 ordinary shares of 3.33 pence each (2009 - 67,818,868). During the year the AVEVA Group Employee Benefit Trust 2008 purchased 89,016 ordinary shares in the Company in the open market at an average price of £7.29 per share for total consideration of £653,000 in order to satisfy awards made under the AVEVA Group Management Bonus Deferred Share Scheme 2008. At 31 March 2010, the Trust owned 122,770 ordinary shares in the Company.

Treasury policy

The Group treasury policy aims to ensure that the capital held is not put at risk and the treasury function is managed under policies and procedures approved by the Board. These policies are designed to reduce the financial risk arising from the Group's normal trading activities, which primarily relate to credit, interest, liquidity and currency risk. The Group is, and expects to continue to be, cash positive and currently holds net deposits. The treasury policy includes counterparty limits which are adhered to. During the year the treasury policy was updated to enable deposits with an original maturity of up to six months to be placed with banks with a high credit rating.

During the year the Group had a bank overdraft facility of approximately £0.9 million (SEK 10 million) (2009 - £0.8 million, SEK 10 million) in Sweden, aimed at managing short-term fluctuations in cash of which £nil had been drawn down at 31 March 2010 (2009 - £nil). The Group has a net funding requirement in Sterling due to the majority of Research and Development costs being incurred in the UK. The revenue of the Group is predominantly in foreign currency, with approximately 35% in US Dollar and 25% in Euro. The overseas entities incur costs in their local functional currency, which acts as a partial net hedge. Any cash flows which cannot be offset against each other result in a net currency exposure and where possible these exposures are hedged. These hedges aim to minimise the adverse effect of exchange rate movements, without eliminating all upside potential.

Review of principal risks and uncertainties

AVEVA has continued to be successful during the year, but as with any organisation there are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. Where possible the Group seeks to mitigate these risks through its system of internal controls but this can only provide reasonable and not absolute assurance against material losses.

The principal risks and uncertainties faced by the Group are as follows:

Protection of the Group's intellectual property rights

The Group's success has been built upon the development of its substantial intellectual property rights and protection of this remains critical. The Group generally protects its proprietary software products by licensing rights to use the application, rather than selling or licensing the computer source code. Infringement of the Group's intellectual property rights by third parties or its failure to defend infringement claims from third parties could cause damage to the business. 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 and the Group seeks to ensure that its intellectual property rights are appropriately protected by law wherever possible.

Dependency on key markets

AVEVA generates a substantial amount of its income from customers whose main business is derived from capital projects driven predominantly by growth in the Oil and Gas, Power and Marine markets. The current world economic conditions may adversely affect our financial performance. Funding constraints may cause the delay of major new projects and customers who operate in the Oil and Gas, Marine and Power industries may reduce capital expenditure budgets further. Future success is dependent on growth and continued demand from within these markets. These industries are cyclical and subject to fluctuations in the price of oil and general economic conditions. Such downturns, pricing pressures and restructurings may cause delays and reductions in expenditure by many of these companies and reduced demand for our products and services. A recurrence of these industry patterns, as well as general domestic and foreign economic conditions and other factors that reduce spending by companies in these industries, could harm our operating results in the future.

Competition

AVEVA operates in highly competitive markets that serve the Oil & Gas, Power and Marine markets. If we do not respond effectively we may lose market share and the business could suffer. We believe that there are a relatively small number of significant competitors serving our markets. However, some of these competitors could, in the future, pose a greater competitive threat, particularly if they consolidate or form strategic or commercial relationships among themselves or with larger, well capitalised companies.

Foreign exchange risk

Exposure to foreign currency gains and losses can be material to the Group, with approximately 80% of the Group's revenue denominated in a foreign currency, of which our two largest are US Dollar and Euro. The Group enters into forward foreign currency contracts to manage the currency risk where material. The overseas subsidiaries trade in their own currencies, which also acts as a natural hedge against currency movements. The Group is also exposed to foreign currency translation risk on the translation of its net investment into Sterling.

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 by their work and there are regular appraisals, with staff encouraged to develop their skills.

Identification and successful integration of acquisitions

The Group expects to continue to review acquisition targets as part of its strategy. The integration of any acquisitions also 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, system integration and risks associated with unanticipated events or liabilities.

Research and Development

The Group makes substantial investments in Research and Development in enhancing existing products and introducing new products. There are many risks in software development. 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. Our software products are complex and may contain undetected errors, failures, performance problems or defects. Furthermore if new products or enhancements are introduced which do not meet customer requirements or competitors introduce a rival product which better meets the requirements of the market, this may have a material impact on the long term revenue and profit.

International operations

The Group operates in Continental Europe, the Middle East, the United States, South America and Asia Pacific and 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. Dependence on local management can

increase the risks of Group policy not being correctly applied, especially where diverse languages and cultures exist. The Group endeavours to mitigate these risks through oversight by regional management in each of the three major zones of the Group, Asia Pacific, EMEA and the Americas, as well as through the use of local professional advisers.

Paul Taylor
Finance Director
26 May 2010

Consolidated income statement

For the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Revenue	3/4	148,334	164,041
Cost of sales		(30,380)	(37,612)
Gross profit		117,954	126,429
Operating expenses			
Selling and distribution costs		(60,027)	(53,248)
Administrative expenses		(8,718)	(16,532)
Total operating expenses		(68,745)	(69,780)
Profit from operations		49,209	56,649
Finance revenue		2,861	4,846
Finance expense		(2,496)	(2,294)
Analysis of profit before tax			
Profit before tax, amortisation, share-based payments, foreign exchange contracts and restructuring costs		50,685	66,360
Amortisation of intangibles (excluding other software)		(1,665)	(2,482)
Share-based payments		(1,184)	(940)
Gain/(loss) on fair value of forward foreign exchange contracts		3,610	(3,737)
Restructuring costs	5	(1,872)	—
Profit before tax		49,574	59,201
Income tax expense	6	(16,134)	(17,047)
Profit for the year attributable to equity holders of the parent		33,440	42,154
Earnings per share (pence)			
– basic	8	49.36p	62.27p
– diluted	8	49.08p	61.98p

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 2010

	Notes	2010 £000	2009 £000
Profit for the year		33,440	42,154
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1,537	5,503
Actuarial loss on defined benefit pension schemes		(4,907)	(7,523)
Tax on items relating to components of other comprehensive income	6(a)	1,302	1,885
Total comprehensive income for the year		31,372	42,019

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

Consolidated balance sheet

31 March 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Goodwill		18,177	17,055
Other intangible assets		10,571	10,750
Property, plant and equipment		7,557	8,096
Deferred tax assets		5,016	5,514
Other receivables	9	746	804
		42,067	42,219
Current assets			
Trade and other receivables	9	44,084	56,768
Current tax assets		1,801	746
Treasury deposits		106,555	—
Cash and cash equivalents		43,169	126,164
		195,609	183,678
Total assets		237,676	225,897
Equity			
Issued share capital		2,264	2,260
Share premium		27,288	27,176
Other reserves		14,455	13,535
Retained earnings		125,215	100,160
Total equity		169,222	143,131
Current liabilities			
Trade and other payables	10	48,869	56,598
Financial liabilities		1,033	4,643
Current tax liabilities		4,044	11,172
		53,946	72,413
Non-current liabilities			
Deferred tax liabilities		1,426	1,589
Retirement benefit obligations	11	13,082	8,764
		14,508	10,353
Total equity and liabilities		237,676	225,897

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

Consolidated statement of changes in shareholders' equity

31 March 2010

	Share capital £000	Share premium £000	Other reserves				Retained earnings £000	Total equity £000
			Merger reserve £000	Cumulative translation adjustments £000	Own shares held £000	Total £000		
At 1 April 2008	2,250	26,522	3,921	4,606	—	8,527	68,447	105,746
Profit for the year	—	—	—	—	—	—	42,154	42,154
Other comprehensive income/(expense)	—	—	—	5,503	—	5,503	(5,638)	(135)
Total comprehensive income	—	—	—	5,503	—	5,503	36,516	42,019
Issue of share capital	10	654	—	—	—	—	—	664
Share-based payments, net of tax	—	—	—	—	—	—	515	515
Investment in own shares	—	—	—	—	(495)	(495)	—	(495)
Equity dividends	—	—	—	—	—	—	(5,318)	(5,318)
At 31 March 2009	2,260	27,176	3,921	10,109	(495)	13,535	100,160	143,131
Profit for the year	—	—	—	—	—	—	33,440	33,440
Other comprehensive income/(expense)	—	—	—	1,537	—	1,537	(3,605)	(2,068)
Total comprehensive income	—	—	—	1,537	—	1,537	29,835	31,372
Issue of share capital	4	112	—	—	—	—	—	116
Share-based payments, net of tax	—	—	—	—	—	—	1,692	1,692
Investment in own shares	—	—	—	—	(653)	(653)	—	(653)
Cost of employee benefit trust shares issued to employees	—	—	—	—	36	36	(36)	—
Equity dividends	—	—	—	—	—	—	(6,436)	(6,436)
At 31 March 2010	2,264	27,288	3,921	11,646	(1,112)	14,455	125,215	169,222

Consolidated cash flow statement

For the year ended 31 March 2010

	2010	2009
	£000	£000
Cash flows from operating activities		
Profit for the year	33,440	42,154
Income tax	16,134	17,047
Net finance revenue	(365)	(2,552)
Amortisation of intangible assets	1,749	2,538
Depreciation of property, plant and equipment	1,948	1,550
Loss on disposal of property, plant and equipment	38	11
Share-based payments	1,184	940
Difference between pension contributions paid and amounts recognised in the Consolidated income statement	(1,389)	(603)
Changes in working capital:		
Trade and other receivables	9,684	(15,550)
Trade and other payables	(11,123)	9,409
Changes to fair value of forward foreign exchange contracts	(3,610)	3,737
Cash generated from operating activities before tax	47,690	58,681
Income taxes paid	(22,114)	(15,109)
Net cash generated from operating activities	25,576	43,572
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,479)	(3,668)
Purchase of intangible assets	(1,305)	(58)
Acquisition of subsidiary, net of cash acquired	—	(1,664)
Proceeds from disposal of property, plant and equipment	98	30
Interest received	1,114	2,815
Purchase of treasury deposits	(106,555)	—
Net cash used in investing activities	(108,127)	(2,545)
Cash flows from financing activities		
Interest paid	(17)	(7)
Payment of finance lease liabilities	—	(145)
Purchase of own shares	(653)	(495)
Proceeds from the issue of shares	116	664
Dividends paid to equity holders of the parent	(6,436)	(5,318)
Net cash flows used in financing activities	(6,990)	(5,301)
Net (decrease)/increase in cash and cash equivalents	(89,541)	35,726
Net foreign exchange difference	6,546	7,589
Opening cash and cash equivalents	126,164	82,849
Closing cash and cash equivalents	43,169	126,164

1. Basis of preparation

The Group is required to prepare its Consolidated financial statements in accordance with IFRS as adopted by the European Union. For the purposes of this document the term IFRS includes International Accounting Standards.

The preliminary announcement covers the period 1 April 2009 to 31 March 2010 and was approved by the Board on 26 May 2010.

The financial information contained in this preliminary announcement of audited results does not constitute the Group's statutory accounts for the years ended 31 March 2010 or 31 March 2009. The accounts for the year ended 31 March 2009 have been delivered to the Registrar of Companies. The statutory accounts for the years ended 31 March 2010 and 2009 have been reported on by the Company's auditors; the reports on these accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The statutory accounts for the year ended 31 March 2010 are expected to be posted to shareholders in due course and will be delivered to the Registrar of Companies after they have been laid before the shareholders in a general meeting on 7 July 2010. Copies will be available from the registered office of the Company, High Cross, Madingley Road, Cambridge CB3 0HB and can be accessed on the AVEVA website, www.aveva.com. The registered number of AVEVA Group plc is 2937296.

2. Accounting policies

The preliminary statement has been prepared on a consistent basis with the accounting policies set out in the last published financial statements for the year ended 31 March 2009 except for the adoption of the following new and amended IFRS and IFRIC interpretations during the year. The other pronouncements which came into force during the year were not relevant to the Group.

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 4, including the related revised comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The Consolidated statement of changes in shareholders' equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2. Accounting policies continued

IFRS 3 Business Combinations (Revised)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations. The new standard is effective for annual reporting periods beginning on or after 1 July 2009. However, the Group has decided to adopt this standard early. During the year the Group recognised the benefit of tax losses of £500,000 attributable to an acquisition completed in a previous period. The impact is included within the current income tax expense. Had the standard not been adopted early, an adjustment to goodwill would have been required.

3. Revenue

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

	2010	2009
	£000	£000
Annual fees	40,397	33,912
Rental licence fees	61,164	57,657
Recurring services	1,140	2,627
Total recurring revenue	102,701	94,196
Initial licence fees	35,149	57,741
Services	10,484	12,104
Total revenue	148,334	164,041
Finance revenue	2,861	4,846
	151,195	168,887

Services consist of consultancy and training fees.

4. Segment information

For management purposes the Group is organised into three geographical segments known as Sales divisions: Asia Pacific; Americas; and Europe, Middle East and Africa (EMEA). On 1 April 2009, Central, Eastern and Southern (CES) Europe Sales division and Western Europe, Middle East and Africa (WEMEA) Sales division were merged to form EMEA. Comparatives have been restated to reflect this change. 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. Sales divisions are granted distribution rights to license the Group's software to customers in their respective territories. The segments identified under IFRS 8 are unchanged from those previously identified under IAS 14.

The Executive Board, comprising of the Chief Executive, Finance Director, Head of Group Operations, Head of Product Development and Head of Human Resources, monitors the operating results of the Sales divisions for the purposes of making decisions about performance assessment and resource allocation. Sales division performance is evaluated based on profit before tax using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive Board. Support functions such as product development and head office departments are controlled and monitored centrally.

Information concerning the Group's segments is set out below:

	Year ended 31 March 2010			
	Asia Pacific £000	EMEA £000	Americas £000	Total £000
Income statement				
Revenue				
Annual fees	15,436	20,360	4,601	40,397
Rental licence fees	12,823	30,347	17,994	61,164
Recurring services	—	100	1,040	1,140
Initial licence fees	19,703	13,548	1,898	35,149
Services	2,542	6,541	1,401	10,484
Segment revenue	50,504	70,896	26,934	148,334
Segment operating costs	(20,361)	(28,267)	(11,545)	(60,173)
Segment profit contribution before interest	30,143	42,629	15,389	88,161
Finance revenue	40	15	44	99
Finance expense	—	(13)	—	(13)
Segment profit contribution	30,183	42,631	15,433	88,247
Reconciliation of segment profit contribution to profit before tax				
Segment profit contribution				88,247
Research and development expenditure				(20,946)
Corporate overheads (including restructuring costs of £1,617,000)				(18,006)
Other finance revenue				2,762
Other finance expense				(2,483)
Profit before tax				49,574
Other segmental disclosures				
Restructuring costs	(71)	(159)	(25)	(255)
Depreciation	(691)	(303)	(169)	(1,163)

4. Segment information continued

	Year ended 31 March 2009 (restated)			
	Asia Pacific	EMEA	Americas	Total
	£000	£000	£000	£000
Income statement				
Revenue				
Annual fees	12,541	17,774	3,597	33,912
Rental licence fees	14,983	28,289	14,385	57,657
Recurring services	—	99	2,528	2,627
Initial licence fees	36,774	19,069	1,898	57,741
Services	2,769	7,377	1,958	12,104
Segment revenue	67,067	72,608	24,366	164,041
Segment operating costs	(22,957)	(26,487)	(9,868)	(59,312)
Segment profit contribution before interest	44,110	46,121	14,498	104,729
Finance revenue	112	238	12	362
Segment profit contribution	44,222	46,359	14,510	105,091
Reconciliation of segment profit contribution to profit before tax				
Segment profit contribution				105,091
Research and development expenditure				(27,332)
Corporate overheads				(20,748)
Other finance revenue				4,484
Other finance expense				(2,294)
Profit before tax				59,201
Other segmental disclosures				
Depreciation	(507)	(207)	(93)	(807)

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £11,951,000 and £136,383,000 (2009 - £11,146,000 and £152,895,000) respectively. No individual country accounted for 10% or more of the Group's total revenue. Revenue is allocated to countries on the basis of the location of the customer.

Non-current assets (excluding deferred tax assets) held in the UK and all foreign countries amounted to £7,878,000 and £29,173,000 (2009 - £8,528,000 and £28,177,000) respectively. There are no material non-current assets located in an individual country outside of the UK.

No single external customer accounted for 10% or more of the Group's total revenue (2009 – none)

Further information concerning revenue by type of product and service is disclosed in note 3.

5. Restructuring

Restructuring costs incurred in the year amounted to £1,872,000 (2009 - £nil) and arose from the programme to reduce headcount following the merger of CES Europe and WEMEA Sales divisions and the restructuring of operations in Research and Development. The costs mainly comprise of redundancy costs and related expenditure and was all borne in the year.

6. Income tax expense

a) Tax on profit

The major components of income tax expense for the years ended 31 March 2010 and 2009 are as follows:

	2010	2009
	£000	£000
Tax charged in Consolidated income statement		
Current tax		
UK corporation tax	7,282	13,243
Adjustments in respect of prior periods	(575)	(40)
	6,707	13,203
Foreign tax	6,721	6,585
Adjustments in respect of prior periods	849	(162)
	7,570	6,423
Total current tax	14,277	19,626
Deferred tax		
Origination and reversal of temporary differences	1,715	(2,534)
Adjustment in respect of prior periods	142	(45)
Total deferred tax	1,857	(2,579)
Total income tax expense reported in Consolidated income statement	16,134	17,047
Tax relating to items (charged)/credited directly to Consolidated statement of comprehensive income		
Deferred tax on retranslation of intangible assets	(40)	(220)
Deferred tax on actuarial loss on defined benefit pension scheme	1,342	2,105
Tax credit reported in Consolidated statement of comprehensive income	1,302	1,885

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:

	2010	2009
	£000	£000
Tax on Group profit before tax at standard UK corporation tax rate of 28% (2009 – 28%)	13,881	16,576
Effects of:		
- expenses not deductible for tax purposes	866	434
- irrecoverable withholding tax	392	—
- movement on unprovided deferred tax balances	257	204
- higher tax rates on overseas earnings	322	80
- adjustments in respect of prior years	416	(247)
Income tax expense reported in Consolidated income statement	16,134	17,047

7. Dividends paid and proposed on equity shares

	2010	2009
	£000	£000
Declared and paid during the year		
Interim 2009/10 dividend paid of 3.0 pence (2008/09 – 2.86 pence) per ordinary share	2,034	1,938
Final 2008/09 dividend paid of 6.5 pence (2007/08 – 5.0 pence) per ordinary share	4,402	3,380
	6,436	5,318
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2009/10 of 13.9 pence (2008/09 – 6.5 pence) per ordinary share	9,442	4,408

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2010 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 30 July 2010 to shareholders on the register at the close of business on 25 June 2010.

8. Earnings per share

	2010	2009
	Pence	Pence (restated)
Earnings per share for the year:		
– basic	49.36	62.27
– diluted	49.08	61.98
Adjusted earnings per share for the year:		
– basic	50.92	69.99
– diluted	50.62	69.67

	2010	2009
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	67,741,927	67,695,127
Effect of dilution: employee share options	394,460	312,387
Weighted average number of ordinary shares adjusted for the effect of dilution	68,136,387	68,007,514

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 £33,440,000 (2009 – £42,154,000). 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.

8. Earnings per share continued

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

	2010	2009
	£000	£000
		(restated)
Profit after tax for the year	33,440	42,154
Intangible amortisation (excluding software)	1,665	2,482
Share-based payments	1,184	940
(Gain)/loss on fair value of forward foreign exchange contracts	(3,610)	3,737
Restructuring costs	1,872	—
Tax effect	(58)	(1,935)
Adjusted profit after tax	34,493	47,378

The denominators used are the same as those detailed above for both basic and diluted earnings per share. The adjusted earnings per share comparative has been restated to include the gain/loss on the fair value of forward foreign exchange contracts.

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 in the current year. The preceding year has been restated to reflect this.

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

9. Trade and other receivables

	2010	2009
	£000	£000
Current		
Amounts falling due within one year:		
Trade receivables	40,928	54,201
Prepayments and other receivables	2,630	2,386
Accrued income	526	181
	44,084	56,768

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.

	2010	2009
	£000	£000
Non-current		
Prepayments and other receivables	746	804

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

9. Trade and other receivables continued

As at 31 March 2010 the provision for impairment of receivables was £6,629,000 (2009 – £4,823,000) and an analysis of the movements during the year was as follows:

	£000
At 1 April 2008	1,964
Charge for the year, net of amounts reversed	3,523
Utilised	(853)
Exchange adjustment	189
At 31 March 2009	4,823
Charge for the year, net of amounts reversed	1,834
Utilised	(235)
Exchange adjustment	207
As at 31 March 2010	6,629

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

	Total £000	Neither past due nor impaired £000	Past due not impaired			
			Less than four months £000	Four to eight months £000	Eight to twelve months £000	More than twelve months £000
2010	40,928	23,245	14,555	2,426	702	—
2009	54,201	29,457	20,070	4,361	313	—

10. Trade and other payables

	2010 £000	2009 £000
Current		
Trade payables	2,630	2,583
Social security, employee taxes and sales taxes	4,160	4,490
Other payables	51	197
Accruals	15,091	18,241
Deferred income	26,937	31,087
	48,869	56,598

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.

11. 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 2008	669	539	384	1,592
Current service cost	1,093	31	188	1,312
Interest on pension scheme liabilities	2,251	33	—	2,284
Expected return on pension scheme assets	(2,031)	—	—	(2,031)
Actuarial loss	7,517	6	—	7,523
Employer contributions	(1,877)	(76)	(60)	(2,013)
Exchange adjustment	—	91	6	97
At 31 March 2009	7,622	624	518	8,764
Current service cost	834	31	154	1,019
Interest on pension scheme liabilities	2,428	41	—	2,469
Expected return on pension scheme assets	(1,747)	—	—	(1,747)
Actuarial loss	4,794	113	—	4,907
Employer contributions	(2,239)	(81)	(78)	(2,398)
Exchange adjustment	—	(25)	93	68
At 31 March 2010	11,692	703	687	13,082

12. Directors

Nick Prest CBE

Chairman

David Mann

Non-Executive Director and Senior Independent Director

Jonathan Brooks

Non-Executive Director

Philip Dayer

Non-Executive Director

Hervé Couturier

Non-Executive Director

Richard Longdon

Chief Executive

Paul Taylor

Finance Director/ Secretary

13. Responsibility statement on the annual report pursuant to FSA's Disclosure and Transparency Rule 4 (DTR 4)

Each Director of the Company (whose name and functions appear in note 12) confirms that (solely for the purpose of DTR 4) to the best of his knowledge:

- the financial statements, 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 Group taken as a whole; and
- the Chairman's statement, Chief Executive's review and Finance Director's review include a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Richard Longdon
Chief Executive

Paul Taylor
Finance Director

26 May 2010