

9 November 2010

KEWILL PLC

Interim results for the six months ended 30 September 2010

Kewill plc (Ticker: KWL) ("Kewill" or the "Group"), the provider of software solutions that simplify global trade and logistics, announces its unaudited results for the six months ended 30 September 2010.

HIGHLIGHTS

	Six months ended 30 September 2010	Six months ended 30 September 2009	Growth %
Revenue	£28.9m	£27.2m	6%
Recurring revenue as % of total ⁽¹⁾	62%	63%	
Adjusted operating profit ⁽²⁾	£4.2m	£3.7m	12%
Operating profit	£0.7m	£0.6m	13%
Adjusted operating profit margin ⁽²⁾	14.4%	13.7%	
Operating profit margin	2.4%	2.2%	
Adjusted EBITDA ⁽²⁾	£4.8m	£4.4m	9%
Adjusted EBITDA ⁽²⁾ margin	16.6%	16.3%	
Adjusted EPS ⁽³⁾	4.8p	4.3p	11%
Adjusted diluted EPS ⁽³⁾	4.6p	4.2p	10%
EPS	1.2p	0.8p	55%
Interim dividend	0.37p	0.35p	6%

Highlights

- Revenue growth of 6% and adjusted operating profit growth of 12% despite tough economy
- Organic revenue growth of 3% (constant currency)
- Launch of marketing programs to promote cross selling of global products
- Increased investment in sales and marketing across all of Kewill – direct sales capacity increased in a number of key regions
- Integration of Minihouse (acquired June 2010)
- Successful up-sells to customers: Purolator (Parcel – Americas), eGroup (Integration – UK), Global Air Freight (Forwarding – Asia)
- Successful deals with new customers: William Grant & Sons, Miller Brands (Integration – UK), Estee Lauder and Lowe's (Parcel -Americas), Hitachi and Keppel Logistics (Transport – Benelux), K-Line (Forwarding – Asia)
- Net cash of £12.3 million at 30 September 2010

⁽¹⁾ Defined as annually contracted revenue (Software as a Service, hosting and maintenance).

⁽²⁾ Before amortisation of intangibles of £3.2 million (H1 2010/11: £2.9 million), acquisition costs of £0.1 million and share based payment charges of £0.2 million (H1 2010/11 £0.2 million) as set out in the consolidated income statement as the Directors regard this as providing additional useful information on trends in underlying performance.

⁽³⁾ Adjusted to exclude amortisation of intangible assets, and the notional interest and exchange differences on contingent consideration.

Paul Nichols, Chief Executive Officer commented:

“Kewill has continued to perform strongly in what is still a tough macro trading environment. As our best of breed solutions deliver cost and operating efficiencies to customers, revenues and profits have continued to grow during the period. In anticipation of improved future trading conditions, we have invested in sales people, skills and processes and launched marketing campaigns to cross-sell our global products. Consequently, our sales pipeline remains solid despite the uncertainty in the economy. In light of this and recent modest growth in global trade, the Board remains confident we will meet our challenging targets for the full year.”

- Ends -

For additional information, please contact:

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About Kewill plc:

Kewill delivers solutions that simplify global trade and logistics.

Global businesses face ever increasing complexity across their supply chains including decisions on sourcing, customs, compliance, transportation, storage, finance, visibility and connectivity. Inefficiency in any of these areas will lead to supply chain delays and result in increased costs. Kewill has a suite of software solutions that significantly simplify the management of the most complex global supply chains for enterprises and logistics service providers.

With experience in global trade management and logistics since 1972, and over 600 employees worldwide, Kewill is a long-time innovator of solutions for manufacturers, distributors, retailers, freight forwarders, transport companies, customs brokers, 3PL's and 4PL's, as well as other related institutions involved in financing and underwriting global trade such as banks and insurance providers.

Kewill's solutions are in daily use by more than 40,000 users worldwide and our global customer base which entrusts us with the management of their supply networks includes divisions of Bayer, Caterpillar, DHL, FedEx, Ford, General Electric, General Motors, H.J. Heinz, Kimberly-Clark, Kraft, Levi Strauss, Mazda, Nestlé, Nike, Palm, Procter & Gamble, Smith & Nephew, Sony, TNT, Unilever, UPS, Vodafone, Yamaha, Xerox.

www.kewill.com

Interim Management Report for the six months ended 30 September 2010

Financial Review

Revenue

Revenue for the first six months of the year increased by 6% to £28.9 million (H1 2009/10 £27.2 million). Recurring revenue⁽¹⁾ from Software as a Service (SaaS), hosting and maintenance increased 6% to £18.0 million (H1 2009/10 £17.1 million) and represented 62% of total revenue. Licence revenue for the Group grew by 24% year on year to £1.9 million as a result of improved customer confidence and spending compared to 2009/10. The net impact of exchange rates compared to 2009/10 was not material to total revenue

In Europe, revenue was £17.1 million compared to £15.8 million in H1 2009/10, an increase of 8% year on year. On a constant currency⁽²⁾ basis European revenue increased by 11% largely as a result of the inclusion of Minihouse acquired in June 2010. In addition Europe benefited from the continuation of the Kewill Forwarding project with DamCo and the continued bookings from Kewill customs solutions as our customers ensure they can meet the changing rules for European customs compliance. Most of our customs solutions are delivered in a SaaS environment, including the new solutions from Minihouse and as a result recurring revenue increased by 7% (10% in constant currency) and now represents 67% of all European revenue.

Revenue from the Americas was 1% higher than last year at £10.1 million compared to £10.0 million in 2009/10. On a constant currency basis Americas revenue decreased by 3% compared to last year. Recurring revenue was 1% higher year on year (5% decrease on a constant currency basis) and represents 59% of the total Americas revenue. As part of our growth strategy we have recently strengthened the Americas sales and marketing teams and in particular, added Partner, Product and Marketing skills to increase lead generation from direct and indirect channels.

In Asia, revenue increased to £1.7 million (H1 2009/10 £1.4 million), an increase of 28% year on year. On a constant currency basis Asia revenue increased by 15% primarily driven by the continuation of the Kewill Forwarding project and rollout for NYK logistics together with the addition of several new customers, including K-Line Logistics for Kewill Forwarding. Recurring revenue increased by 40% (constant currency 25%) and now represents 38% of Asia revenue.

Adjusted operating profit⁽³⁾

Despite the continued tough trading conditions, adjusted operating profit increased 12% to £4.2 million (the net impact of exchange rates compared to 2009/10 was not material). Investment in sales and marketing led to increased revenues and strong cost control generated increased profits in the period.

Adjusted EBITDA⁽³⁾

Adjusted EBITDA increased by £0.4 million (a 9% increase over the same period last year) to £4.8 million. The net impact of exchange rates compared to 2009/10 was not material. Adjusted EBITDA represented 17% (2009/10: 16%) of Group revenue for the first six months of the year.

Profit before tax

Profit before tax increased by £0.1 million to £0.6 million. Net finance costs were less than £0.1 million as the Group held net cash throughout the period. Finance costs in 2010/11 relate to fees payable on non-utilised finance facilities (£5.0 million revolving credit facility and £3.0 million overdraft) plus notional interest arising on the Minihouse contingent consideration. Amortisation of intangible assets has increased by £0.1 million due to the impact of the Minihouse acquisition. The net impact of exchange rates compared to 2009/10 was not material.

Cash flow and financing

Net cash generated from operating activities (pre-tax) was again strong at £3.8 million (H1 2009/10: £3.4 million) which represented 79% of adjusted EBITDA (2009/10 76%). Cash at 30 September 2010 was £12.3 million after £0.7 million was paid as dividends to shareholders (H1 2009/10 £0.6 million), £5.0 million paid in respect of the Minihouse acquisition (H1 2009/10: £2.9 million) and £0.9 million of capital expenditure (H1 2009/10: £0.8 million).

⁽¹⁾ Defined as annually contracted revenue (Software as a Service, hosting and maintenance).

⁽²⁾ Calculated by translating current year figures using prior year exchange rates.

⁽³⁾ Before amortisation of intangibles of £3.2 million (H1 2010/11: £2.9 million), acquisition costs of £0.1 million and share based payment charges of £0.2 million (H1 2010/11 £0.2 million) as set out in the consolidated income statement as the Directors regard this as providing additional useful information on trends in underlying performance.

Dividend

In line with the Group's dividend policy, the Board has approved an interim dividend of 0.37 pence per share (2009: 0.35 pence per share), which will be paid on 14 January 2011 to those shareholders on the register at 3 December 2010.

Business Review

Strategy

Kewill's strategic goal is to be the leading provider of Global Trade and Logistics solutions for enterprises, shippers and Logistics Service Providers (LSPs) of all sizes.

In the first six months of the year we made targeted investments in sales and marketing and added resources in the development teams focused on quality delivery of products. The increased focus on sales and marketing is specifically timed to take advantage of the return to growth forecast in Global Trade & Logistics in the next three years and to enhance the cross selling of more products into our large customer base. As part of this program we have implemented Salesforce.com in all regions as an integral part of the sales and marketing process.

On 14 June 2010 we acquired Minihouse, a provider of customs solutions for the Netherlands, Belgium and Luxembourg. Minihouse services a customer base comprising of both LSPs and enterprise shippers with complex supply chains. The acquisition has given us a leading position in customs solutions for the Benelux region to compliment our already strong position in Europe. As part of our strategy we continue to look for further acquisition opportunities that will expand our geographic coverage and complement existing solutions for global trade and logistics.

Market Overview

Kewill's market focus is on delivering global trade and logistics solutions that significantly simplify the management of the most complex global supply chains for enterprises and logistics service providers in the following areas:

- Compliance – software to manage cross border security and customs declarations
- Logistics – software to manage the physical movement and storage of goods
- Reverse Logistics – software to manage the return and repair of products
- Integration and Visibility – software to connect business systems and monitor flows in the supply chain

Compliance

Kewill's compliance solutions simplify the process for clients of importing and exporting goods on a global basis. During the period, legislative changes led to increased sales opportunities, particularly in Europe. The two principal changes in Europe are Excise Movement and Control System ("EMCS") and Import Control System ("ICS"). EMCS relates to the trans European shipment of dutiable goods such as tobacco, alcohol and oil, and becomes mandatory from 1 January 2011. ICS relates to electronic declarations of imports into the European Union and requires a pan European solution, which Kewill CustomsXchange is specifically designed to provide.

In the first six months of the year, the drivers for future growth covered four key product areas:

Kewill CustomsXchange: We continued to add new partners to our Kewill CustomsXchange solution and launched new marketing campaigns in both the Americas and Asia to complement the existing campaign in Europe. Kewill CustomsXchange enables simpler and more cost effective processing of export declarations across multiple countries. We have now delivered this solution to several customers. In particular, Heinz now uses the product in the Netherlands, with more countries to be added soon.

Air Cargo Pool ("ACP"): During 2009 Kewill introduced other innovative solutions for electronic customs initiatives in Europe and these continued to generate strong income. For example, ACP continues to expand its coverage of airports and airlines served and at the end of September 2010 it was being used by 157 Airlines in 15 Airports across Germany and processing over 60,000 export shipments per month. ACP allows truck drivers to register upon arrival at the airport through a Kewill ACP terminal, confirming customs approval for the goods to be exported. This automated on-site process can significantly increase speed of delivery for LSPs.

Minihouse: The integration of the Minihouse SaaS customs solution into our existing product suite has strengthened our dominant market position in the Netherlands, Belgium and Luxembourg. The Minihouse solution is now the principal go to market solution in these countries and is a key component of the Kewill CustomsXchange offering. Our first jointly-sold customer was Van Uden (a Dutch-based logistics and shipping provider).

New releases: Kewill also continued to develop the compliance solutions suite with Kewill Customs v2.1 and Kewill Export v1.2.0 due to go to market in the second half of the financial year. These solutions will allow migration of customers from older technologies to more modern architectures over the next two to three years.

Logistics

Kewill provides solutions for a wide spectrum of logistics requirements, ranging from small parcel delivery to the movement of global container freight by air or ocean. Logistics products include Kewill Forwarding, Kewill Transport and Kewill Warehouse and several products focused on multi-carrier parcel shipping, including Kewill Flagship. In the first six months of the year, Kewill enhanced the functionality of all of key Logistics offerings.

Transport and Warehouse: In order to better address the needs of the small and medium sized business we launched the "Quick Start" version of Kewill Transport in Europe at our annual customer day in June 2010. Quick Start is an easily configured solution that is deployed rapidly and more cost effectively for smaller customers. Quick Start is offered as a hosted solution, thereby simplifying the management for the customer and generating recurring revenues for Kewill. An early order was won here with Hitachi in Europe.

Kewill Logistics: Release v6.03 of Kewill Logistics was completed in the period. This release added new functionality to an already feature rich product plus business process improvements such as shipment handling, user efficiency and a more intuitive workflow. We won new Kewill Logistics business in the first half with Keppel Logistics in Asia

Global Forwarding: Our investment in our global offering Kewill Forwarding has continued throughout the first six months of the year as we add functionality for global tier 1 freight forwarders. Enhancements underway to the core solution include a rate management module to optimise customers' complex tariff handling. This module complements the already comprehensive functionality of the product. The large projects with DamCo and NYK Logistics continued to generate professional services revenues. In April 2010, the first NYK site went live in Bangladesh and was followed by the Philippines, Vietnam and Korea. This pan Asian and American implementation project will continue throughout 2010. In Asia, we won new and additional Kewill Forwarding business in the first half with K-Line Global Air Freight respectively.

Parcel: Our main focus to date in parcel shipping has been aimed at the US market for US businesses shipping high volumes of parcels and this was enhanced during the first six months of the year with the release of Flagship v4.1 and the addition of Electronic Manifesting for the United States Postal Service (USPS). Electronic manifesting eliminates the need for paper manifests, postage statements, and drop-ship clearance documents originating at the warehouse. Blue chip customers that were added to the Kewill Flagship base during the period were Estee Lauder, Lowe's and Talbots. Successful up-sells and upgrades during the period include Purolator and Overstock.

Reverse Logistics

Kewill has a market leading position with Kewill Reverse Logistics, a SaaS enabled solution that manages the return and repair of faulty, broken or unwanted goods. Most of our customers for this offering are in the consumer electronics and telecoms sectors supplying mobile phones, hand-held devices such as PDAs, PCs, servers and computer peripherals. The solution is used by some of the world's top supply chains to manage their reverse logistics operations saving millions of dollars, while improving customer service.

In the first six months of the year, we launched marketing campaigns for Kewill Reverse Logistics in Asia and Europe and continued the marketing drive across the Americas. Collaboration with Michael Blumberg, a renowned expert in reverse logistics, led to a successful whitepaper that increased the visibility of our offering.

In addition, we released v2.0 of Kewill Reverse Logistics (delivering additional call centre, warehouse and shop floor capabilities) and integrated the Kewill Reverse Logistics centre of excellence into our main

European business. This integration will bring additional resources and management expertise to this key solution.

Integration and Visibility

Business integration, principally Electronic Data Interchange (EDI), is one of Kewill's most established market areas. Our network solutions connect multiple retailers with their suppliers (Kewill RetailXchange) and insurance companies with their brokers (Kewill InsuranceXchange). These solutions connect the businesses in the market thereby providing important visibility of items such as orders, shipments and documents. These products continued to generate strong recurring revenues in the UK and saw several new names added to the client list including William Grant & Sons, Miller Brands and eGroup.

Current Trading and Outlook

Investment in sales and marketing has ensured that our sales pipeline remains solid despite the continued tough macro economic conditions. The actions we have taken in the first half of the year underline our commitment to drive increased revenues from our core products and to cross-sell products into our existing customer base. In addition, we continue to look for further strategic acquisition opportunities to expand geographic coverage and to complement existing solutions for global trade and logistics. Whilst the economic outlook remains uncertain we remain confident that we are well positioned to continue building the business for the future.

Directors' responsibilities

The Directors confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board

Paul Nichols
Chief Executive Officer

8 November 2010

Karen Bach
Chief Financial Officer

8 November 2010

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any party or for any other purpose.

The IMR contains forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Kewill plc and its subsidiary undertakings when viewed as a whole.

This report is available in electronic format from the Company's website, www.kewill.com/investor

Consolidated income statement

for the six months ended 31 March 2010

	Six months to Sept 2010 (unaudited) £000	Six months to Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Continuing operations			
Revenue	28,933	27,173	56,312
Operating expenses	(28,249)	(26,568)	(53,693)
Operating profit	684	605	2,619
Analysed as:			
Adjusted operating profit ⁽¹⁾	4,175	3,731	8,790
Amortisation of intangibles	(3,188)	(2,922)	(5,879)
Acquisition costs	(143)	-	-
Share based-payments	(160)	(204)	(292)
Operating profit	684	605	2,619
Interest receivable on cash and short term deposits	54	13	58
Interest payable	(119)	(69)	(116)
Profit before taxation	619	549	2,561
Taxation	434	64	918
Profit for the period	1,053	613	3,479
Basic earnings per share	1.2p	0.8p	4.1p
Diluted earnings per share	1.1p	0.7p	4.0p

Consolidated statement of comprehensive income

for the six months ended 31 March 2010

	Six months to Sept 2010 (unaudited) £000	Six months to Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Profit for the period	1,053	613	3,479
Other comprehensive income:			
Currency translation differences	(2,186)	(1,830)	(933)
Total comprehensive (loss)/income for the period	(1,133)	(1,217)	2,546

⁽¹⁾ Defined as operating profit before amortisation of intangibles, acquisition costs and share-based payments.

Consolidated statement of changes in equity

for the six months ended 30 September 2010

	Share capital	Share premium	Merger reserve	Translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2010	898	27,811	2,325	10,972	13,189	55,195
Profit for the six months	-	-	-	-	1,053	1,053
Other comprehensive income:						
Currency translation differences	-	-	-	(2,186)	-	(2,186)
Total comprehensive (loss)/income for the period	-	-	-	(2,186)	1,053	(1,133)
Employee share option schemes:						
- value of employee services	-	-	-	-	160	160
- proceeds from shares issued	4	29	-	-	-	33
Dividend paid	-	-	-	-	(674)	(674)
At 30 September 2010	902	27,840	2,325	8,786	13,728	53,581
At 1 April 2009	813	27,527	2,325	11,905	3,167	45,737
Profit for the six months	-	-	-	-	613	613
Other comprehensive income:						
Currency translation differences	-	-	-	(1,830)	-	(1,830)
Total comprehensive (loss)/income for the period	-	-	-	(1,830)	613	(1,217)
Employee share option schemes:						
- value of employee services	-	-	-	-	204	204
- proceeds from shares issued	1	105	-	-	-	106
Dividend paid	-	-	-	-	(569)	(569)
At 30 September 2009	814	27,632	2,325	10,075	3,415	44,261
At 1 April 2009	813	27,527	2,325	11,905	3,167	45,737
Profit for the year	-	-	-	-	3,479	3,479
Other comprehensive income for the year:						
Currency translation differences	-	-	-	(933)	-	(933)
Total comprehensive (loss)/income for the year	-	-	-	(933)	3,479	2,546
Employee share option schemes						
- value of employee services	-	-	-	-	292	292
- proceeds from shares issued	4	284	-	-	-	288
Shares issued	81	-	7,134	-	-	7,215
Dividend paid	-	-	-	-	(883)	(883)
Transfer	-	-	(7,134)	-	7,134	-
At 31 March 2010	898	27,811	2,325	10,972	13,189	55,195

Consolidated balance sheet

as at 30 September 2010

	30 September 2010 (unaudited) £000	30 September 2009 (unaudited) £000	31 March 2010 (audited) £000
Assets			
Non-current assets			
Goodwill	36,414	33,092	33,893
Other Intangible assets	11,446	10,897	7,882
Property, plant and equipment	3,226	2,645	2,626
Deferred tax assets	3,460	2,298	3,412
	54,546	48,932	47,813
Current assets			
Inventories	57	124	80
Trade and other receivables	10,606	10,594	10,282
Cash and cash equivalents	12,324	2,586	16,950
	22,987	13,304	27,312
Total assets	77,533	62,236	75,125
Liabilities			
Current liabilities			
Trade and other payables	15,877	13,934	16,242
Current tax liabilities	681	1,718	1,420
Contingent consideration	965	-	-
Provisions	449	20	478
	17,972	15,672	18,140
Net current assets/(liabilities)	5,015	(2,368)	9,172
Non-current liabilities			
Deferred tax liabilities	2,870	2,303	1,656
Contingent consideration	2,991	-	-
Provisions	119	-	134
	5,980	2,303	1,790
Total liabilities	23,953	17,975	19,930
Net assets	53,581	44,261	55,195
Shareholders' equity			
Called up share capital	902	814	898
Share premium account	27,840	27,632	27,811
Merger reserve	2,325	2,325	2,325
Cumulative translation reserve	8,786	10,075	10,972
Retained earnings	13,727	3,415	13,189
Total shareholders' equity	53,581	44,261	55,195

Consolidated cash flow statement

for the period ended 30 September 2010

	Six months to 30 Sept 2010 (unaudited) £000	Six months to 30 Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Cash flows from operating activities			
Cash generated from operations	3,821	3,374	11,789
Income tax paid	(1,027)	(344)	(1,476)
Net cash generated from operating activities	2,794	3,030	10,313
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	(5,022)	(2,857)	(2,857)
Purchase of property, plant and equipment	(902)	(783)	(1,131)
Net Interest received/(paid)	43	(131)	(108)
Net cash used in investing activities	(5,881)	(3,771)	(4,096)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	34	106	7,503
Repayment of borrowings	(229)	-	-
Dividends paid	(674)	(563)	(883)
Net cash used in financing activities	(869)	(457)	6,620
Net (decrease)/increase in cash and cash equivalents	(3,956)	(1,198)	12,837
Cash and cash equivalents at the start of period	16,950	3,983	3,983
Effect of exchange rates	(671)	(199)	130
Cash and cash equivalents at the end of period	12,323	2,586	16,950

Reconciliation of profit for the period to net cash generated from operating activities

	Six months to 30 Sept 2010 (unaudited) £000	Six months to 30 Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Profit for the financial period	1,053	613	3,479
Taxation	(434)	(64)	(918)
Depreciation charges	638	703	1,086
Amortisation of intangible assets	3,188	2,922	5,879
Loss on disposal of property, plant and equipment	-	3	27
Interest receivable	(54)	(13)	(58)
Interest payable	119	69	116
Share-based payments	160	204	292
Decrease in inventories	22	57	100
Decrease in trade and other receivables	115	783	1,372
(Decrease)/ increase in trade and other payables and provisions	(986)	(1,903)	414
Cash generated from operations	3,821	3,374	11,789

1. General information

The information for the year ended 31 March 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation

The annual financial statements of Kewill plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. This condensed set of financial statements has not been reviewed or audited by the Company's auditors.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except as described below.

In the current financial year, the Group has adopted International Financial Reporting Standard 3 "Business Combinations" (revised 2008) and International Accounting Standard 27 "Consolidated and Separate Financial Statements" (revised 2008).

The most significant changes to the Group's previous accounting policies for business combinations are as follows:

- acquisition related costs which previously would have been included in the cost of a business combination are included in administrative expenses as they are incurred;
- any pre-existing equity interest in the entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised in profit or loss;
- any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in profit or loss. Previously, such changes resulted in an adjustment to goodwill.

The revised standards have been applied to the acquisition of Minihouse as described in note 6.

3. Segmental reporting

The Group adopted IFRS 8 Operating Segments with effect from 1 April 2009. The Group's operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Group previously presented all revenues from its Reverse Logistics division within the Europe segment. Management responsibility for Reverse Logistics sales has now been allocated to the segment in which the sale is made, consequently the H1 2009/10 segment revenues have been restated to reflect the way in which these revenues are reported. Reverse Logistics costs remain allocated to the segment in which they are incurred.

3. Segmental reporting (continued)

	Six months to 30 Sept 2010 (unaudited) £000	Restated Six months to 30 Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Revenue (external)			
Europe	17,051	15,810	33,391
USA	10,151	10,008	19,977
Asia	1,731	1,355	2,944
Total Revenue	28,933	27,173	56,312
Adjusted operating profit			
Europe	3,802	3,231	7,347
USA	1,848	1,845	3,693
Asia	(239)	(413)	(251)
Group operating expenses	(1,236)	(932)	(1,999)
Adjusted operating profit	4,175	3,731	8,790
Amortisation of intangibles			
Europe	(3,025)	(2,775)	(5,579)
Asia	(163)	(147)	(300)
Total amortisation of intangibles	(3,188)	(2,922)	(5,879)
Acquisition costs	(143)	-	-
Share-based payments	(160)	(204)	(292)
Total operating profit	684	605	2,619
Operating profit/(loss)			
Europe	777	456	1,769
USA	1,848	1,845	3,693
Asia	(402)	(560)	(552)
Group operating expenses including acquisition costs and share-based payments	(1,539)	(1,136)	(2,291)
Total operating profit	684	605	2,619
Interest receivable	54	13	58
Interest payable	(119)	(69)	(116)
Profit before tax	619	549	2,561
Taxation	434	64	918
Profit for the period	1,053	613	3,479
Total assets			
Europe	52,292	39,665	49,379
USA	19,381	16,645	18,998
Asia	5,860	5,926	6,748
Total assets	77,533	62,236	75,125

4. Dividends

The proposed interim dividend of 0.37 pence per share (Interim 2009/10 0.35 pence per share) was approved by the Board on 8 November 2010 and has not been included as a liability on the balance sheet at 30 September 2010.

5. Share Capital

Share capital at 30 September 2010 amounted to £902,280. During the period the Group issued 9,804 shares to Charles Alexander as remuneration, 26,000 shares to satisfy share options exercised and 385,144 shares to satisfy awards vesting under the Group's Performance Share Plan.

6. Acquisitions

On 11 June 2010, the Group acquired the Minihouse software group comprising 100% of the share capital of Araneae B.V. and Your Result ICT Services Friesland B.V. and their subsidiaries.

Due to the recent completion of the acquisition, the fair values of significant assets and liabilities are provisional and will be finalised during the period to 10 June 2011, as permissible under IFRS 3 (revised). The book and estimated fair values of those assets and liabilities as at 11 June 2010 set out below.

Recognised amounts of identifiable assets acquired and liabilities assumed	Book value (unaudited)	Provisional Fair Value (unaudited)
	£000	£000
Other intangible assets	2,784	7,014
Property plant and equipment	293	460
Trade and other receivables	735	735
Trade and other payables	(1,056)	(1,056)
Deferred tax liabilities	(218)	(1,964)
Borrowings	(229)	(229)
Net assets acquired	2,309	4,960
Goodwill		3,835
Total consideration		8,795
Satisfied by:		
Cash		5,022
Contingent consideration		3,773
Total consideration		8,795

The fair value of trade and other receivables is €735,000 and includes trade receivables with a fair value of €495,000. The gross contractual amount for trade receivables due is €565,000 of which €70,000 is expected to be uncollectible.

Contingent consideration is expected to be between €3.0 million and €6.0 million (£2.5 million and £5.0 million) dependent upon growth in revenues until 30 June 2013. The total potential consideration is capped at €20 million (£16.7 million) which would require annualised revenues of €12.8 million (£10.7 million), equivalent to over 500% growth versus 2009. The fair value of the contingent consideration arrangement of £3.8 million was estimated by applying the estimated future earnings of the business to the formula agreed at the time of the acquisition. The fair value of the contingent consideration is discounted.

Acquisition-related-costs (included in acquisition costs in the consolidated income statement for the period ended 30 September 2010) amounted to £143,000.

Minihouse contributed £0.8 million to revenue and a loss (including amortisation of intangible assets) of £0.4 million to profit before tax for the period between the date of acquisition and 30 September 2010. If the acquisition of Minihouse had been completed on 1 April 2010, Group revenue would have been £29.4 million and Group profit for the period would have been £0.9 million.

The goodwill arising on the acquisition of Minihouse is attributable to the anticipated profitability arising from the expansion of the Group's Customs Compliance offering.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months to 30 Sept 2010 (unaudited) £000	Six months to 30 Sept 2009 (unaudited) £000	Year to March 2010 (audited) £000
Basic and diluted earnings			
Profit attributable to ordinary shareholders	1,053	613	3,479
Amortisation, exchange and notional interest	3,268	2,922	5,798
Adjusted earnings	4,321	3,535	9,277
Number of shares			
Weighted average number of ordinary shares in issue	89,881,038	81,304,994	84,818,219
Effect of dilutive share options	3,347,738	2,600,329	3,239,836
Weighted average number of ordinary shares for the purposes of diluted earnings per share	93,228,776	83,905,323	88,058,055
Unadjusted earnings per share			
Basic	1.2p	0.8p	4.1p
Diluted	1.1p	0.7p	4.0p
Adjusted earnings per share:			
Basic	4.8p	4.3p	10.9p
Diluted	4.6p	4.2p	10.5p

8. Risks and uncertainties

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 March 2010. A detailed explanation of the risks summarised below can be found on pages 17 to 18 of the Annual Report which is available at www.kewill.com/investor. The principal risks and uncertainties associated with the Group's activities are set out below.

Strategic Risks – The main strategic risks to Kewill's business arise from a deterioration in general economic conditions, increased competition and the consolidation and loss of key customers.

When economic conditions worsen, demand for Kewill's products and services may fall and mean that growth in revenues and profits is reduced or reversed. In addition, consolidation among Kewill's customers could also reduce revenues as merged companies look for cost savings by reducing the number of systems they operate. Increased competition in the form of new products and services and consolidation and loss of key customers could also reduce revenues and therefore profits.

To mitigate the impact of reduced demand for Kewill's products and services, the Group continues to invest in the development of new products and in identifying, negotiating and completing acquisitions to maintain its competitive advantage. In addition, the Group plans to continue to increase the proportion of its revenue arising from more stable recurring revenue streams such as SaaS and hosted products.

Operational Risks – Key operational risks involve the delivery and support of customer projects as delays can in turn reduce revenue and profit recognition. In providing SaaS, the Group is reliant on a number of third party suppliers that provide data centres. The provision of SaaS products hosted on Kewill managed servers is critical to the Group's strategy of growing recurring revenues. To mitigate against the risk of data centre failure and to ensure that a high level of service is provided to our SaaS customers the Group's Support Services teams are required to continually monitor service levels and review the disaster recovery plans that are currently in place. Where these are found to be inadequate, corrective action is taken. In addition, the Group has a number of data centre locations with no significant geographic concentration. Additional operational risks lie in customers suffering financial failure and key person loss within the Group.

Financial Risks – The Group has significant operations outside the UK. The Group's consolidated results and net assets of £54 million are therefore exposed to movements in exchange rates. In addition, although the Group is in a net cash position at 30 September 2010, a fall in sales could lead to use of the existing bank facility which provides for total borrowings of £8 million, comprising a £3 million overdraft and a £5 million revolving credit facility. The £5 million revolving credit facility expires in April 2011 and the Group intends to re-finance this facility in advance of this date.

The revolving credit facility has a financial covenant whereby borrowings at the end of each period shall not exceed 150% of consolidated EBITDA for the period. The Group expects to comply with this covenant and manages compliance through regular monitoring of cash flows and forecasts.