

04 November 2008

Interim results for the six months ended 30 September 2008

Kewill plc ("Kewill" or "the Company" or "the Group"), the provider of software and solutions to simplify global trade and logistics, announces its unaudited interim results for the six months ended 30 September 2008, prepared under IFRS.

Key points

- Revenue grew to £24.5m (H1 2007/8: £24.4m)
- Underlying profits* of £2.8m, reflecting delays to orders and increased investments in new products (H1 2007/8: £3.2m)
- Operating profit of £0.5m (H1 2007/8: £0.9m)
- Proposed interim year dividend payment of 0.3p per share (2007/8: 0.25p per share)
- Europe saw strong revenue growth of 9%
 - Compliance regulations driving strong growth in Germany
- US and Asian revenues impacted by order delays
 - Profit maintained through One Kewill cost savings
- Strong pipeline for H2

Paul Nichols, Chief Executive Officer of Kewill plc, said,

"We are pleased to report solid progress with our strategy. We have delivered marginally better revenues than last year, and started to see results from our One Kewill initiative. We now believe we are well on the way to making Kewill the leading provider of global "order to delivery" solutions for enterprises, shippers and logistics service providers of all sizes.

"Despite some strong sales activity, the Group has seen some slippage in deal closures over the past three months, in line with a slowing global economy and increased caution on the part of buyers. While sales in Europe were buoyed by new compliance regulations in Germany, sales in other geographies were down year on year as large projects were not repeated. The pipeline remains strong and the deals signed or in final negotiation at the end of the first half, combined with the accelerated One Kewill business unit integration, provide the Company with a solid platform for the second half. The Board therefore expects, barring a further marked deterioration in economic conditions, adjusted profits before tax for the full year to be in line with current market expectations, with revenue slightly lower than planned."

*underlying profits represent operating profit before amortisation of intangibles of £2.3m (H1 2007/8: £2.3m), as shown in the Income Statement below.

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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 over 35 years' experience in global trade management and logistics, 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 Atlantic Forwarding, DHL, DSV, FedEx, General Electric, General Motors, HP, JD Williams, Mazda, Mitsubishi, Nintendo, Nisa Today's, Palm, Panalpina, Philips, Pratt & Whitney, Sainsbury's, Texas Instruments, TNT and UPS.

Operating review

The Board is pleased to report that the first half of this financial year has seen Kewill make solid progress with its strategy. The Group has delivered marginally better revenues on the same period last year, in line with our trading statement made on 7 October 2008. The Group continues to execute the 'One Kewill' plan, aligning and unifying the brand, the products, the underlying technology and the corporate structure following the various acquisitions made since 2004. As a result, we now believe that we are well on the way to making Kewill the leading provider of global "order-to-delivery" solutions for enterprises, shippers and logistics service providers of all sizes.

As we reported in our October trading statement, despite strong sales activity, the Group has seen some slippage in deal closures over the past three months in line with a slowing global economy and increased caution on the part of buyers. However, accelerated cost reductions from the 'One Kewill' plan in the second half of the year, strong revenue pipelines and our high level of recurring and repeat revenues should enable us to remain in line with profit expectations for the full year.

Group revenues grew to £24.5m (H1 2007/8: £24.4m) with particularly strong growth in Germany, but sales in other geographies were down on last year as large projects were not repeated. Without the anticipated licence sales in the first half, investments in new products had a more visible effect on underlying profits*, which declined to £2.8m (H1 2007/8: £3.2m). Operating profit was £0.5m (H1 2007/8: £0.9m).

At 30 September 2008 the Group had net debt of £0.5m (H1 2007/8: £3.9m net cash). This reflects the payment of deferred consideration for acquisitions of £8.5m as acquisitions performed well, and tax payments of £1.7m. With our continued strong cash generation from operations we would anticipate returning to a net cash position before the end of the year. We are pleased to announce a continuation of our progressive dividend policy with the payment of an interim dividend of 0.3p per share (2007/8: 0.25p per share) on 16 January 2009 to shareholders on the register on 5 December 2008.

Kewill's main growth driver is the rapid increase in Trade Regulations with new legislation in the US (10+2) and Europe (NCTS, AIS, AES) expected to necessitate new system sales and software upgrades over the next few years. We have a large market share as a result of the strong Return on Investment (RoI) that our solutions deliver. This enables our customers to stay competitive in tough markets through reduced headcount, reductions in duties and avoidance of fines, reduced supply chain delays leading to lower inventory and carrying costs. In addition many of our largest customers are Logistics Service Providers who use our solutions to add new services for their customers and are growing their own businesses through M&A and consolidating businesses across the globe. In so doing they find that this results in incompatible and inflexible systems that need replacing with modern technology such as that provided by Kewill's products.

European revenues increased 9% to £15.5m (H1 2007/8: £14.2m) with strong growth in Germany driven by the government-mandated requirement to file all export declarations electronically by July 2009. We expect to see high levels of continued growth from this compliance driven initiative in the second half. Revenues declined in the UK and Benelux on slower orders, although a large deal was signed with Norfolkline at the end of the period which will deliver solid revenues in the second half. We also have a good pipeline of other contracts in final stages of negotiation that we anticipate will close early in H2 and as such generate increased revenues in the second half and into the next financial year. Underlying profits* in Europe remained at £3.3m (H1 2007/8: £3.2m), maintaining an underlying operating margin* of over 20%.

US revenues declined 9% to £8.3m (H1 2007/8: £9.1m) as a result of the successful completion and go-live of the large Purolator contract and hence the non-repetition of revenues from last year. Excluding the Purolator contract, revenues increased in the US by 2%, which were nonetheless lower than forecast as a result of customers delaying orders in the uncertain economic environment. Despite the fall in revenue, underlying profits* at £0.9m (H1 2007/8: £0.9m) were maintained as we realised savings from the One Kewill initiative. These savings will be accelerated in H2 as we combine our main US offices into one site on 1 December 2008.

Asian revenues declined to £0.8m (H1 2007/8: £1.1m) as orders slowed and proved to be insufficient to replace the large customer upgrade revenues from the previous year following a government-mandated customs system change in Singapore. Underlying losses* were £0.3m (H1 2007/8: loss of £0.1m) as a result of the revenue shortfall and our continued investment in the Shanghai development centre as we increasingly move new product development offshore, thereby enabling us to reduce costs.

*Underlying profit/loss and margin represent operating profit/loss and margin before amortisation of intangibles of £2.3m (H1 2007/8: £2.3m), as shown in the Income Statement below. 3

The main uncertainty in the second half of the year for Kewill, as for all other companies, including our partners, competitors and customers, in this macro-economic environment, is the risk of slippage in anticipated new business contracts. As a contingency for this eventuality we took immediate cost saving actions as we entered the second half in order to offset this risk where possible. The wider risks to a business such as ours are discussed in more detail in the 2007/8 annual report published in June.

Consolidated interim income statement for the six months to 30 September 2008

| | Six months to 30 Sept 2008 (unaudited) £000 | Six months to 30 Sept 2007 (unaudited) £000 | Year to 31 March 2008 (audited) £000 |
|--|--|--|--|
| Revenue | 24,548 | 24,388 | 50,854 |
| Operating expenses | (24,038) | (23,450) | (48,513) |
| Operating profit | 510 | 938 | 2,341 |
| Analysed as: | | | |
| Operating profit before amortisation of intangibles | 2,821 | 3,249 | 6,963 |
| Amortisation of intangibles | (2,311) | (2,311) | (4,622) |
| Operating profit | 510 | 938 | 2,341 |
| Net interest (payable)/receivable on cash and borrowing | (59) | 37 | 90 |
| Interest payable – notional interest on contingent consideration | (79) | (249) | (476) |
| Profit before taxation | 372 | 726 | 1,955 |
| Taxation | (47) | 118 | 685 |
| Profit for the period | 325 | 844 | 2,640 |
| Basic earnings per share | 0.4p | 1.0p | 3.3p |
| Diluted earnings per share | 0.4p | 1.0p | 3.2p |

This format represents a change from the previous interim statement to reflect the fact that the business analyses its costs using the nature of expenditure format.

Consolidated interim statement of changes in shareholders' equity for the six months to 30 September 2008

| | Share capital account £000 | Share premium account £000 | Merger reserve £000 | Special Reserve | Translation Reserve £000 | Retained Earnings £000 | Total £000 |
|--|-------------------------------|-------------------------------|------------------------|-----------------|-----------------------------|---------------------------|---------------|
| At 1 April 2008 | 813 | 27,510 | 2,325 | 11,000 | 3,171 | (9,110) | 35,709 |
| Currency translation differences | - | - | - | - | 650 | - | 650 |
| Net income recognised directly in equity | - | - | - | - | 650 | - | 650 |
| Profit for the six months | - | - | - | - | - | 325 | 325 |
| Total recognised income for the six months | - | - | - | - | 650 | 325 | 975 |
| Share-based payments | - | - | - | - | - | 192 | 192 |
| Shares issued in lieu of services provided | - | 5 | - | - | - | - | 5 |
| Issue of shares - share options | - | 12 | - | - | - | - | 12 |
| Dividends paid | - | - | - | - | - | (406) | (406) |
| Balance sheet reconstruction (note 5) | - | - | - | (11,000) | - | 11,000 | - |
| At 30 September 2008 | 813 | 27,527 | 2,325 | - | 3,821 | 2,001 | 36,487 |
| At 1 April 2007 | 808 | 38,306 | 2,325 | - | (486) | (11,345) | 29,608 |
| Currency translation differences | - | - | - | - | (151) | - | (151) |
| Net income recognised directly in equity | - | - | - | - | (151) | - | (151) |
| Profit for the six months | - | - | - | - | - | 844 | 844 |
| Total recognised income for the six months | - | - | - | - | (151) | 844 | 693 |
| Share-based payments | - | - | - | - | - | 59 | 59 |
| Shares issued in lieu of services provided | - | 10 | - | - | - | - | 10 |
| Issue of shares – share options | 4 | 114 | - | - | - | - | 118 |
| Dividends paid | - | - | - | - | - | (406) | (406) |
| Balance sheet reconstruction | - | - | - | - | - | - | - |
| At 30 September 2007 | 812 | 38,430 | 2,325 | - | (637) | (10,848) | 30,082 |
| At 1 April 2007 | 808 | 38,306 | 2,325 | - | (486) | (11,345) | 29,608 |
| Currency translation differences | - | - | - | - | 3,657 | - | 3,657 |
| Net income recognised directly in equity | - | - | - | - | 3,657 | - | 3,657 |
| Profit for the year | - | - | - | - | - | 2,640 | 2,640 |
| Total recognised income for the year | - | - | - | - | 3,657 | 2,640 | 6,297 |
| Share-based payments | - | - | - | - | - | 204 | 204 |
| Shares issued in lieu of services provided | - | 10 | - | - | - | - | 10 |
| Issue of shares - share options | 5 | 194 | - | - | - | - | 199 |
| Dividend paid | - | - | - | - | - | (609) | (609) |
| Balance sheet reconstruction | - | (11,000) | - | 11,000 | - | - | - |
| At 31 March 2008 | 813 | 27,510 | 2,325 | 11,000 | 3,171 | (9,110) | 35,709 |

Consolidated interim balance sheet as at 30 September 2008

| | 30 Sept 2008 (unaudited) £000 | 30 Sept 2007 (unaudited) £000 | 31 March 2008 (audited) £000 |
|-----------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | 28,372 | 24,458 | 27,720 |
| Other intangible assets | 15,137 | 17,459 | 17,448 |
| Property, plant and equipment | 1,687 | 1,393 | 1,788 |
| Deferred tax assets | 1,635 | 1,221 | 1,635 |
| | 46,831 | 44,531 | 48,591 |
| Current assets | | | |
| Inventories | 255 | 178 | 125 |
| Trade and other receivables | 9,130 | 9,756 | 10,291 |
| Cash and cash equivalents | 2,095 | 3,920 | 9,980 |
| | 11,480 | 13,854 | 20,396 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13,007 | 13,196 | 16,838 |
| Current tax liabilities | 625 | 656 | 1,766 |
| Borrowings | 2,557 | - | - |
| Contingent consideration | 2,027 | 4,489 | 10,400 |
| Provisions | 10 | 83 | 28 |
| | 18,226 | 18,424 | 29,032 |
| Net current liabilities | (6,746) | (4,570) | (8,636) |
| Non-current liabilities | | | |
| Deferred tax liabilities | 3,598 | 5,242 | 4,246 |
| Contingent consideration | - | 4,637 | - |
| | 3,598 | 9,879 | 4,246 |
| Net assets | 36,487 | 30,082 | 35,709 |
| Shareholders' equity | | | |
| Called up share capital | 813 | 812 | 813 |
| Share premium account | 27,527 | 38,430 | 27,510 |
| Merger reserve | 2,325 | 2,325 | 2,325 |
| Special reserve | - | - | 11,000 |
| Cumulative translation reserve | 3,821 | (637) | 3,171 |
| Retained Earnings | 2,001 | (10,848) | (9,110) |
| Total shareholders' equity | 36,487 | 30,082 | 35,709 |

Consolidated interim cash flow statement for the six months to 30 September 2008

| | Six months to 30 Sept 2008 (unaudited) £000 | Six months to 30 Sept 2007 (unaudited) £000 | Year to 31 March 2008 (audited) £000 |
|---|---|---|--|
| Cash flows from operating activities | | | |
| Cash generated from operations (note 1) | 348 | 1,905 | 9,862 |
| Income tax paid | (1,727) | (706) | (769) |
| Net cash (used in)/generated from operating activities | <u>(1,379)</u> | <u>1,199</u> | <u>9,093</u> |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries (net of cash Acquired – note 7) | (8,451) | (2,191) | (3,388) |
| Purchase of property, plant and equipment | (355) | (460) | (1,224) |
| Interest (paid)/received | (48) | 37 | 90 |
| Net cash used in investing activities | <u>(8,854)</u> | <u>(2,614)</u> | <u>(4,522)</u> |
| Cash flows from financing activities | | | |
| Net proceeds from issue of ordinary shares | 7 | 118 | 199 |
| Dividends paid | (399) | - | (601) |
| Net cash (used in)/generated by financing activities | <u>(392)</u> | <u>118</u> | <u>(402)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(10,625)</u> | <u>(1,297)</u> | <u>4,169</u> |
| Cash and cash equivalents at the start of period | 9,980 | 5,256 | 5,256 |
| Effect of exchange rates | 183 | (39) | 555 |
| Cash and cash equivalents at the end of period | <u>(462)</u> | <u>3,920</u> | <u>9,980</u> |

Notes

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

| | Six months to 30 Sept 2008 (unaudited) £000 | Six months to 30 Sept 2007 (unaudited) £000 | Year to 31 March 2008 (audited) £000 |
|--|---|---|--|
| Profit for the period | 325 | 844 | 2,640 |
| Taxation | 47 | (118) | (685) |
| Depreciation charges | 496 | 399 | 865 |
| Amortisation of intangible assets | 2,311 | 2,311 | 4,622 |
| Loss on sale of tangible fixed assets | 3 | - | 164 |
| Interest payable/(receivable) | 59 | (37) | (90) |
| Notional interest payable | 79 | 249 | 476 |
| Share-based payments | 192 | 59 | 204 |
| (Increase)/decrease in inventories | (130) | (36) | 16 |
| Decrease in trade and other receivables | 1,161 | 603 | 147 |
| (Decrease)/increase in trade and other payables and provisions | (4,195) | (2,369) | 1,503 |
| Cash generated from operations | 348 | 1,905 | 9,862 |

2. Segmental reporting

| | Six months to 30 Sept 2008 (unaudited) £000 | Six months to 30 Sept 2007 (unaudited) £000 | Year to 31 March 2008 (audited) £000 |
|---|--|--|---|
| Revenue | | | |
| Europe | 15,479 | 14,219 | 29,880 |
| USA | 8,278 | 9,067 | 18,809 |
| Asia | 791 | 1,102 | 2,165 |
| Total Revenue | 24,548 | 24,388 | 50,854 |
| Operating profit/(loss) before amortisation of intangibles | | | |
| Europe | 3,268 | 3,248 | 6,943 |
| USA | 917 | 899 | 2,393 |
| Asia | (307) | (65) | (159) |
| Group Operating expenses before share-based payments | (865) | (774) | (2,010) |
| Share-based payments | (192) | (59) | (204) |
| Total operating profit before amortisation of intangibles | 2,821 | 3,249 | 6,963 |
| Amortisation of intangibles | | | |
| Europe | (2,196) | (2,196) | (4,392) |
| USA | - | - | - |
| Asia | (115) | (115) | (230) |
| Total amortisation of intangibles | (2,311) | (2,311) | (4,622) |
| Operating profit/(loss) | | | |
| Europe | 1,072 | 1,052 | 2,551 |
| USA | 917 | 899 | 2,393 |
| Asia | (422) | (180) | (389) |
| Group Operating expenses before share-based payments | (865) | (774) | (2,010) |
| Share-based payments | (192) | (59) | (204) |
| Total operating profit | 510 | 938 | 2,341 |
| Net interest (payable)/receivable | (59) | 37 | 90 |
| Notional interest payable | (79) | (249) | (476) |
| Profit before tax | 372 | 726 | 1,955 |
| Taxation | (47) | 118 | 685 |
| Profit for the period | 325 | 844 | 2,640 |

3. Basis of preparation

This interim management report has been prepared under IFRS and on the basis of the accounting policies set out in the company's annual report and accounts for the year ended 31 March 2008. There are no new standards that impact the financial year ending 31 March 2009. This interim statement has been prepared in accordance with IAS 34 Interim Statements. The interim statement was approved by the board on the 3rd November 2008 and has not been audited or reviewed by the company's auditors PricewaterhouseCoopers LLP. Figures for the year ended 31 March 2008 are non-statutory and have been extracted from the financial statements filed with the Registrar of Companies, which contain an unqualified audit report and no statements under sections 237(2) or 237(3) of the Companies Act 1985.

4. Dividends

A final dividend that relates to the period to 31 March 2008 and that amounts to £406,000 was paid in August 2008 after approval by shareholders at the AGM on 22 July 2008.

5. Balance sheet reconstruction

During 2007/8 Kewill plc was granted High Court permission to release £11.0 million of its share premium account following shareholder approval at an EGM held on 29 February 2008. The release was required to eliminate a deficit on the profit and loss account which came about following the reorganisation of the Group's business and the write-off of various investments which were merged together as part of the Group's integration plans following the various acquisitions made in recent years. The £11.0 million was in a special reserve at 31 March 2008 and was used to eliminate the deficit on the profit and loss account in July 2008, enabling the proposed dividend to be paid.

6. Related party transactions

There were no related party transactions during the period to 30 September 2008 (30 September 2007, 31 March 2008: nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation. Key management compensation amounted to £1,062,000 for the six months ended 30 September 2008 (30 September 2007: £854,000).

7. Acquisition payments

The acquisition payments in the period to 30 September 2008 relate to contingent consideration paid to vendors of acquisitions in prior periods where performance criteria have been met.

8. Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Kewill plc are Charles Alexander, Richard Gawthorne, Guy Millward, Paul Nichols and Andy Roberts.

The Board of Directors of Kewill plc
04 November 2008