Kewill Systems plc **Interim statement 30 September 2006**

Highlights:

- Group revenues increased by 39% to £19.1m (H1 2005/6: £13.7m)
- Underlying profits* increased by 82% to £1.9m (H1 2005/6: £1.0m)
- Operating profit after amortisation of intangibles was £0.2m (H1 2005/6: £0.9m)
- Order Management and Visibility operating margins increased to 25% (H1 2005/6: 23%)
- Enterprise Shipping Management revenues increased 7% year-on-year to £5.4m (H1 2005/6: £5m)
- Multi-year, multi-million dollar contract signed with Purolator Courier, Canada's biggest parcel carrier
- International Trade and Logistics increased revenues to £8.8m (H1 2005/6: £3.9m)
- Cash balances of £9.3m (31 March 2006 £13.0m) following acquisition payments
- Acquisition of CSF GmbH in June for €4.4 million taking Kewill into the German and Swiss markets for the first time

Overview

The Board is pleased to report that Kewill has significantly increased its revenues and underlying profits* in the first half of the year, in line with our expectations and statements made at our Preliminary Results announcement in June.

Despite a less favourable economic environment in the US, both of our businesses there have seen strong revenue growth and increased orders and prospects from large and small customers for our products and services. In Europe the acquisitions of Interchain and CSF have widened and deepened our coverage of the International Trade Management sector and all of the businesses have performed well in this growth market. The Order Management and Visibility business has grown revenues with the addition of strong new business from the insurance sector. In addition, through improved product mix and continued cost control, this business has produced high margins and excellent profits.

The integration of our businesses under the new banner "One Kewill" continues as we develop our Service Oriented Architecture (SOA) under the leadership of our recently appointed Chief Technology Officer, Iain Bishop. These developments, which include product and technical integration, branding and organisational alignment, will continue to open cross-selling opportunities between our businesses and geographies and enable us to deliver more offerings to our 13,500 customers and, through this, increased shareholder value. We reconfirm our intent to return to the payment of a dividend at the end of this financial year.

Operations and financial performance

The Enterprise Shipping Management business increased sales by 10% before currency differences. In sterling terms, revenues rose 7% to £5.4m (H1 2005/6: £5.0m). The Flagship product saw strong demand from medium and large enterprises with many new wins including Stryker Orthopaedics and SPX Process Equipment and the multi-year, multi-million dollar contract with Purolator Courier, Canada's largest parcel carrier, which was announced on 2 October 2006. Sales of the Clippership product to small and medium sized customers have stabilised after last year's fall. Underlying profits* increased to £0.6m (H1 2005/6: £0.4m) on the back of a successful marketing campaign, which included strengthening the sales team and channel support.

The Order Management and Visibility business increased sales by 4% to £4.9m (H1 2005/6: £4.7m) with strong new business coming from the insurance sector to replace lost retail revenue as a result of business closure at Allders and Littlewoods Stores. Underlying profits* in this division have risen to £1.2m (H1 2005/6: £1.1m), an operating margin of 25%. New business wins were achieved across mutiple sectors and included Brake Brothers and Wells and Young's in food services, ARB Insurance and eGroup/Group Direct in insurance and J Rosenthal & Sons in retail. We also closed several significant add-on orders from our existing customer base.

The International Trade and Logistics division increased revenues to £8.8m (H1 2005/6: £3.9m) following the addition of our European business through the acquisition in November 2005 of Interchain in the BeNeLux region and in June 2006 of CSF adding Germany and Switzerland to our coverage. Sales of trade compliance products were strong in the first half with over 25 new customers, 4 using our international shipping offering, Flagship Export, significant other wins with Gilbarco, Heath Tecna and Dresser Rand and in the UK we sold our first ECS (Export Compliance Screening) offering to Hexcel. The European business saw strong new business growth including significant orders from NSK, the Japanese owned global manufacturer for a combined transport, warehouse and customs solution, using our integrated solution Chainware. In addition existing customer Gondrand, the Belgium-owned pan-European transportation company contracted for a major upgrade that will see them extend the use of the Kewill Chainware software in existing locations in Switzerland, Benelux, France, Hungary and the UK and extend the use of the system into Eastern Europe and Asia. CSF contributed to both revenues and profits in line with our expectations at the time of the acquisition in June. The total division made underlying profits* of £1.0m (H1 2005/6: £0.4m).

Group operating profits before amortisation of intangibles rose 82% to £1.9m (H1 2005/6: £1.0m). Central costs increased on last year to £0.8m (H1 2005/6: £0.7m) as we began our integration projects and as indicated at the time of our Preliminary Results in June. We anticipate spending an incremental £500,000 this year as we start to deliver on our SOA strategy and integrate the products and businesses we have assembled from our acquisitions. Operating profits were £0.2m (H1 2005/6: £0.9m) and fell due to the increased amortisation of intangibles following the recent acquisitions. Interest income of £0.2m (H1 2005/6: £0.4m) is down due to the decreased cash balances following acquisition payments, the Group's cash balances were £9.3m at 30 September 2006 (31 March 2006: £13.0m).

Acquisition of CSF

On 16 June 2006, the Group completed the purchase of the entire issued share capital of CSF Computersoftware für Fachenwendungen GmbH ('CSF') for an initial cash consideration of €4.4m. Contingent consideration will be payable during the 30 months following completion, up to a maximum of €4.25m on achievement of defined future revenue and profit targets. These targets look achievable as the German customs authorities begin to mandate electronic filing of export documents, an area in which CSF is market leader.

Outlook

Our Order Management & Visibility business is currently growing in line with the retail market and should beat the market as we start to see the benefits of diversifying into other sectors, notably the newly-entered insurance sector. Enterprise Shipping Management has returned to growth as the lower end market has been stabilised through partner and telesales focus and as Flagship sees continued acceptance as a leading solution for large domestic and international shippers. The endorsement of our products through the recently announced Purolator contract and the multi-year, multi-million dollar value of this agreement should ensure that we see strong growth over the next few years in this business.

Finally, we expect the growth in global trade and its continued regulation to drive the need for shippers and logistics service providers to continue to need to outsource and update their supply chain solutions, an area where Kewill is firmly placed as market leader in the US and Europe and with the opportunity to expand our capability into Asia. We remain confident in the outlook for the full year.

*Underlying profits refers to Operating profits before amortisation of intangibles.

Consolidated interim income statement *for the six months to 30 September 2006*

	Six months to 30 Sept 2006 (unaudited) £000	Six months to 30 Sept 2005 (unaudited) £000	Year to 31 March 2006 (audited) £000
Revenue	**19,100**	**13,699**	**31,648**
Cost of sales	(1,817)	(1,538)	(3,043)
Gross profit	17,283	12,161	28,605
Total net operating expenses	(17,129)	(11,242)	(27,675)
Operating profit	154	919	930
Analysed as:			
Operating profit before amortisation of intangibles	1,852	1,016	3,009
Amortisation of intangibles	(1,698)	(97)	(2,079)
Operating profit	154	919	930
Interest receivable	202	420	671
Profit before taxation	**356**	**1,339**	**1,601**
Taxation	377	(122)	1,172
Profit for the financial period from continuing operations	**733**	**1,217**	**2,773**
Discontinued operations			
Net loss from discontinued operations	-	(2)	(92)
Profit for the financial period	**733**	**1,215**	**2,681**
Basic earnings per share from continuing operations	**0.9p**	**1.6p**	**3.5p**
Diluted earnings per share from continuing operations	**0.9p**	**1.5p**	**3.4p**

Consolidated interim balance sheet *as at 30 September 2006*

	30 Sept 2006 (unaudited) £000	30 Sept 2005 (unaudited) £000	31 March 2006 (audited) £000
Assets			
Non current assets			
Goodwill	19,248	10,421	15,657
Intangible assets	11,069	1,839	9,240
Property, plant and equipment	1,357	940	1,105
Deferred tax asset	1,334	-	1,301
	33,008	13,200	27,303
Current assets			
Inventories	133	139	199
Trade and other receivables	8,834	5,912	9,734
Cash and cash equivalents	9,275	18,907	12,958
	18,242	24,958	22,891
Liabilities			
Current liabilities	17,530	12,086	17,997
Net current assets	712	12,872	4,894
Non-current liabilities	5,919	-	4,853
Net assets	**27,801**	**26,072**	**27,344**
Shareholders' equity			
Capital and reserves			
Called up share capital	789	788	789
Share premium account	38,299	38,252	38,293
Merger reserve	976	976	976
Cumulative translation reserve	(161)	194	222
Profit & loss account	(12,102)	(14,138)	(12,936)
Total shareholders' equity	**27,801**	**26,072**	**27,344**

Basis of preparation

This interim statement 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 2006. This interim statement has not been prepared in accordance with IAS 34 Interim Statements as this is not required. The interim statement was approved by the board on the 13th November 2006 and has not been audited or reviewed by the company's auditors PricewaterhouseCoopers LLP. Figures for the year ended 31 March 2006 are non-statutory, have been extracted from the financial statements filed with the Registrar of Companies, and which contain an unqualified audit report and no statements under sections 237(2) or 237(3) of the Companies Act 1985. Amortisation of intangibles has been calculated on provisional asset values.

Consolidated interim statement of changes in shareholders equity *for the six months to 30 September 2006*

	30 Sept 2006 (unaudited) £000	30 Sept 2005 (unaudited) £000	31 March 2006 (audited) £000
Profit for the financial period	733	1,215	2,681
Exchange adjustments offset in reserves	(383)	385	413
Proceeds of ordinary shares issued for cash	6	14	51
Shares issued in lieu of services provided	-	-	5
Share based payments	101	93	152
Net increase in shareholders' equity	**457**	**1,707**	**3,302**
Opening shareholders' equity	27,344	24,365	24,042
Closing shareholders' equity	**27,801**	**26,072**	**27,344**

Consolidated interim cash flow statement *for the six months to 30 September 2006*

	Six months to 30 Sept 2006 (unaudited) £000	Six months to 30 Sept 2005 (unaudited) £000	Year to 31 March 2006 (audited) £000
Cash flows from operating activities			
Cash generated from operations	790	677	2,148
Taxation	(209)	(29)	(261)
Net cash generated from operating activities	581	648	1,887
Cash flows from investing activities			
Acquisition and disposal of subsidiaries (net of cash acquired)	(3,773)	(2,068)	(9,348)
Purchase of property, plant and equipment	(299)	(553)	(817)
Proceeds from the sale of property, plant and equipment	-	1	-
Interest received	202	420	671
Net cash used in investing activities	(3,870)	(2,200)	(9,494)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	6	14	51
Acquisition debt repaid	(227)	-	-
Net cash (used in) / generated by financing activities	(221)	14	51
Net decrease in cash and cash equivalents	**(3,510)**	**(1,538)**	**(7,556)**
Cash and cash equivalents at the start of period	12,958	20,244	20,244
Effect of exchange rates	(173)	201	270
Cash and cash equivalents at the end of period	**9,275**	**18,907**	**12,958**

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

	Six months to 30 Sept 2006 (unaudited) £000	Six months to 30 Sept 2005 (unaudited) £000	Year to 31 March 2006 (audited) £000
Profit for the financial period	733	1,215	2,681
Taxation	(377)	122	(1,172)
Depreciation charges	315	239	438
Amortisation of intangible assets	1,698	97	2,079
Loss on sale of tangible fixed assets	1	-	6
Loss on discontinued operations	-	2	92
Interest receivable	(202)	(420)	(671)
Share based payments	101	93	152
Decrease/(increase) in inventories	64	(52)	65
Decrease/(increase) in trade and other receivables	755	387	(1,822)
(Increase)/decrease in trade and other payables and provisions	(2,298)	(1,006)	300
Cash generated from operations	**790**	**677**	**2,148**

Copies of this interim report will be sent to shareholders and copies will be available for inspection at the Company's registered office at Oaklands House, 34 Washway Road, Sale, Cheshire, M33 6FS.