

KEWILL SYSTEMS PLC

Preliminary results for the year ended 31 March 2008

Kewill Systems plc ("Kewill" or "the Company" or "the Group"), the provider of supply chain control software and solutions, announces its unaudited preliminary results for the year ended 31 March 2008 prepared under IFRS.

FINANCIAL HIGHLIGHTS

- Revenue increased 22% to £50.9m (2006/7: £41.6m)
- Underlying profits* up 49% to £7.0m (2006/7: £4.7m)
- Operating profit of £2.3m (2006/7: £1.0m)
- Underlying margin* increased to 13.7% (2006/7: 11.3%)
- Adjusted EPS** up 40% to 9.5p (2006/7: 6.8p)
- EPS up 74% to 3.3p (2006/7: 1.9p)
- Cash generation from operations of £9.9m (2006/7: £5.3m)
- Full year dividend payment of 0.75p per share, up 50% (2006/7: 0.5p)

OPERATIONAL HIGHLIGHTS

- Europe:
 - Increased revenues by 32% to £29.9m (2006/7: £22.6m)
 - Underlying profits* have increased to £6.9m (2006/7: £4.4m)
 - Operating profit of £2.6m (2006/7: £2.0m)
 - Strong growth in Trade & Logistics business in UK, BeNeLux and Germany
 - UK new business from the insurance sector replacing declining retail revenues
 - Addition of strong service logistics offerings and revenue from Innovate-IT
 - New clients during the year included Allianz, Corus, Findel Education, Flextronics, Fuller, Smith and Turner, KGM Insurance, Metro, Nobel, Panalpina World Transport, Sabre, Shimano and TradeWise
 - New projects with established clients such as Glasgow City Council, Gondrand, HP, JD Williams, Jan de Rijk and Palm
- Americas:
 - Revenues increased 6% in constant currency terms, flat in Sterling at £18.8m (2006/7: £18.8m)
 - Underlying profits* of £2.4m (2006/7: £2.8m) impacted by the weak dollar and investment in new products
 - Operating profit of £2.4m (2006/7: £1.6m)
 - Market release of Kewill Forwarding and Kewill Customs
 - New client wins during the year included Ingersoll Rand, Altrec, Elmer's, NetShops, Hellman Logistics, Unipac, RIM, Trinet and JJ Boyle
 - Strong sales of import and export compliance offerings
 - Appointment of new channel partners for shipping with Clear Orbit, Advanced Solutions, Priority Systems and Northern Micro which delivered new business in this year including Canadian Mint and Circuit City
- Asia:
 - Revenues increased to £2.2m (2006/7: £0.3m)
 - Underlying loss* of £0.2m (2006/7: loss of £0.5m) as Asian revenues improved to offset investment in offshore development
 - Operating losses of £0.4m (2006/7: loss of £0.5m)
 - Strong revenues from government mandated customs update in Singapore to 800 customers
 - New client wins during the year included DHL Exel in Thailand, Trinet in Singapore, Alliance Global Logistics and Senator International in Thailand
 - Addition of a new business partner to cover Middle East

*Underlying profits/loss and margin relates to operating profits/loss and margin before amortisation of intangibles of £4.6m (2006/7: £3.7m)

** Adjusted EPS relates to EPS before amortisation of intangibles (£4.6m (2006/7: £3.7m)) and notional interest on contingent consideration (£0.5m (2006/7: £0.2m))

Paul Nichols, Chief Executive Officer, commented:

“Our excellent results have continued and I am very pleased that we have met market expectations for another year. We have made substantial progress this year in integrating the acquisitions made previously and are seeing more cross-selling and margin improvements from our One Kewill initiative. In particular we are seeing early results from the global launch of our new freight forwarding product with sales in the US and very pleasing pipeline build there and in Europe. All of our business areas are now performing strongly and as such we have taken the opportunity to accelerate One Kewill with the creation of single business entities in the Americas, Europe and Asia. This will further accelerate the cross-selling of products and the margin improvements from amalgamating back office functions. When combined with our continued strong performance and healthy sales pipelines, I have confidence that we will continue to grow both revenue and profits during this year and beyond.”

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Annual Review

OVERVIEW

The Board is pleased to announce that Kewill has increased revenues and underlying profits* over last year from both organic growth and the full year contribution of acquisitions made in the previous year. Our business continues to benefit from high levels of global trade and the fact that our software products and services enable shippers to reduce the significant costs of transporting their products around the world, while staying compliant with the increasing demands of customs and other regulatory authorities. Despite macro economic concerns in world credit markets, we have seen growth in revenues and sales pipelines across our business and have not seen any material impact on our pipelines from the US economic climate.

This growth has been in all regions, with 32% revenue growth in Europe, 6% in the Americas (in constant currency) and a full year contribution in Asia of £2.2m. As highlighted last year our business model continues to improve the balance between licence and recurring revenue through wider deployment of a Software as a Service (SaaS) model and in so doing we have increased the visibility over our future revenues. During 2007/8 hosted subscriptions and transactional revenue accounted for 27% of Kewill's business (2006/7: 19%) and including maintenance, the recurring revenues now account for 51% of Kewill's business (2006/7: 50%).

The One Kewill plan and its benefits of increased cross-selling and margin improvement, along with our very strong order book and pipeline, make me feel very confident in continued growth in our business during the forthcoming year and into the future.

Operating and Financial Performance

Group revenues have grown this year to £50.9m (2006/7: £41.6m) and underlying profits* for the year were £7.0m (2006/7: £4.7m). Our underlying margins* have improved from 11.3% to 13.7% as we have seen the full year contributions and early benefits from the consolidation of previous acquisitions as part of our One Kewill initiative. Operating profit was £2.3m (2006/7: £1.0m). Our cash generation from operations has once again been very strong at £9.9m (2006/7: £5.3m), a conversion rate from profit to cash of 142%. This has resulted in a cash balance at 31 March 2008 of £10.0m (2006/7: £5.3m) and means that the Board is able to announce an improved dividend payment of 0.75p per share, an increase of 50% on last year's dividend. Part of this cash performance will be used to pay contingent consideration from the excellent performance of our previous acquisitions.

European revenues increased to £29.9m (2006/7: £22.6m) with organic growth in BeNeLux and Germany of more than 10%. Our strong results in this region were also fuelled by the first full year contributions of the new Service Logistics offerings from Innovate-IT and the German customs business of Kewill-CSF. Our retail revenues in the UK declined over last year as this sector continued to hold back on major IT investments. This was partially made up for by strong new business in Insurance, as we signed new customers for our Kewill Insurance Xchange (KIX) service including Allianz, MMA and RAC Autowindcreens. Underlying profits* in Europe increased to £6.9m (2006/7: £4.4m), with an operating margin of 23% up from 19% last year. This included some earlier than planned cost savings from the One Kewill initiative. The strong Euro had a positive impact on our European results with revenues £0.6m higher and profit £0.1m higher than last year because of the improved exchange rate. Operating profits were £2.6m (2006/7: £2.0m).

The Americas business increased sales by 6%, in constant currency, as a result of improved sales in both Enterprise Shipping Management and International Trade and Logistics. In reported currency, revenues were flat at £18.8m (2006/7: £18.8m) as the weak currency cost us £1.0m or 6% of revenues on translation to sterling. We also saw the successful completion and go-live of the large Purolator project in Canada which will see Kewill's Flagship solution being rolled out to 4,000 of Purolator's customers. Underlying profits* were down 10% in constant currency and 15% in Sterling at £2.4m (2006/7: £2.8m) as we invested in new products that were launched in the second half of the year. These included Kewill Forwarding and Kewill Customs where we won first contracts with JJ Boyle, TriNet and other significant US clients and have developed a strong pipeline of business as we enter the new financial year. Operating profits were £2.4m (2006/7: £1.6m).

We saw our first full year revenue from our Asian acquisition, IPACS, with a contribution of £2.2m, this was fuelled by strong sales of its customs applications following a mandated upgrade driven by the Singapore government and a major sale of a training system for a large government-funded trade union organisation.

*Underlying profits/loss and margin relates to operating profits/loss and margin before amortisation of intangibles of £4.6m (2006/7: £3.7m)

Our end of year accounts show an underlying loss* in Asia of £0.2m (2006/7: loss of £0.5m) as increased sales in the region partly offset the increased investment in group wide product development in our Singapore and Shanghai off-shore centres. Operating losses were £0.4m (2006/7: loss of £0.5m).

Central costs, including share-based payments, have risen in the year to £2.2m (2006/7: £2.0m) as we have invested in global product management and the cost of issuing shares under our LTIP scheme to key employees. During the year we moved forward with our One Kewill plan and have re-organised our businesses into three regions: Americas, Europe and Asia and are reporting for the first time on this new basis.

The Group's cash balances remain strong at the year end at £10.0m (31 March 2007: £5.3m), although this was boosted by an erroneous £0.5m tax refund in the Netherlands which has been repaid since the year end. Cash generation from operations was very strong during the year at £9.9m (2006/7: £5.3m). Our tax payments in both the UK and the US continue to be reduced by tax losses carried forward from prior years.

Continuing from our resumption of dividend payments last year, the Board proposes a final dividend of 0.5p per share, making a total dividend for the year of 0.75p per share which represents a 50% increase on last year's dividend. The dividend will be paid on 29 August 2008 to shareholders on the register as of 20 June 2008.

Growth Opportunities

ARC Advisory Group are forecasting that the compound annual growth rate (CAGR) of expenditure on software and services for Transportation Management will be 7.3% from 2006 until 2011 and within that the Global Trade Management market is forecast to grow at 12.7% CAGR. Their market review covers most of the domain into which Kewill sells, with Global Trade Management being one of our strongest focus areas.

We are carefully tracking the US markets as a result of market worries on the potential for slowing of growth and have not yet seen any material impact on our pipelines. We also now have stronger global coverage and are increasing our efforts in emerging markets such as China, with estimates currently predicting exports to grow in the region of 19% and imports in the region of 18%, providing plenty of opportunity for continued strong growth in this region.

Global Trade & Logistics

In the area of customs, Kewill is continuing to develop its solutions to consolidate its position as a global leader in this market. In North America we have launched the re-developed Kewill Customs solution for US customers, delivering enhanced workflow and entry acceleration capabilities, with new business wins including Hellman Worldwide Logistics, Unipac and RIM. Also in the US a large global technology leader chose Kewill to implement our entire compliance suite of products. As part of this project Kewill will be adding 15 new countries to its current list of supported countries.

Through the integration of the Kewill Customs products with Kewill Forwarding, Kewill Transport and Kewill Warehousing solutions the business is generating strong interest from existing and prospective customers looking for best-of-breed applications to support or replace their existing IT infrastructure. This has a growing urgency as constantly changing legislation and border controls are creating a more complex environment for businesses to navigate in their global shipping. One example of this is the forthcoming implementation by the European Union (EU) of extended electronic messaging across all member states. As of 1 July 2009 it will be mandatory for traders to provide EU customs authorities with information in advance on goods brought into or out of the European Community. As the leading supplier in this market we are well positioned to see continued strong growth in Trade & Logistics in Europe this year.

Service Logistics

With the acquisition of Innovate-IT in March 2007, Kewill has added an important offering to our portfolio in Service and Reverse Logistics. This business continues to grow and we are being particularly successful in high tech industries such as electronics and computers. Original Equipment Manufacturers (OEMs) compete based on the delivery of after-sales service to help ensure repeat business. Kewill Service Logistics (Innovate-IT) provides solutions that support the delivery of an enhanced post sales experience and enables us to open up significant new business opportunities.

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Enterprise Shipping

ARC Advisory Group, in the Transportation Management Systems (TMS) Worldwide Outlook report published in 2007, stated that Parcel Shipping now accounts for 18.5% of a total TMS market that exceeded \$1bn at the end of 2006 and is forecast to reach \$1.5bn by 2011, a 7.3% CAGR. As transport costs continue to rise, due to increasing fuel costs, Enterprise Shipping Management (ESM) solutions are becoming more important with businesses needing enterprise-wide global solutions to ensure they can track, evaluate and control shipping options across their geographically diverse business users. Kewill's continued investment in global carrier coverage and expansion in its international carrier capabilities has positioned us to grow opportunities across the parcel shipping market throughout the next and subsequent financial years. We signed development and marketing agreements with 3 regional carriers, Eastern Connections, Lone Star and OnTrac (formerly California Overnight). We also strengthened our channel for sales of our shipping solutions through SAP's distributors with a master reseller agreement with Blue Ocean and developed our relationship with HighJump, resulting in additional customers and software sales.

Retail

In the UK retail sector we have previously reported on the challenges we have had with high street closures and consolidation of suppliers, leading to declining revenues, and we expect this market to be challenging in the short term. However, the continued growth of ecommerce and internet shopping is providing new sales opportunities and as a result we hope to see some new wins early in the new financial year. Kewill will capitalise on the experience and solutions developed through working with some of the UK's largest players in this sector including Sainsbury's, Bhs, JD Williams (a division of the N Brown Group) and Findel Education.

Insurance

Kewill's other big growth market in the UK is within the insurance industry where our initiatives commenced during 2006/7 and sales success has ramped up during 2007/8 creating a strong brand in the market. New clients that have signed up during the year to use Kewill's InsuranceXchange include Allianz, MMA, RAC Autowindscreens, Sabre, Southern Rock, Tradewise and Transactor Global Solutions. Within the Lloyds of London market, we have announced a partnership with Ri3K to support that market's drive towards a modern electronic infrastructure. The need to more cost effectively share information and the ongoing tightening of legislation are increasing the opportunities for Kewill in this sector and we should see continued growth over the next and subsequent financial years.

Investment in New Products and Services

We have continued to invest significantly in our products and are incorporating new functionality and using new technologies such as Service Oriented Architecture (SOA) and Component Based Software Engineering (CBSE) to ensure the continued delivery of the flexible products that our customers demand in today's dynamic markets. Examples of the new product releases that we have made during the year include Kewill Forwarding, which has now been successfully launched in Asia, Europe and the Americas and is generating significant interest in all regions. The global availability of a single application and the scalability of the solution are enhancing its appeal to major customers, while the ease of use and capability for Kewill to host the application in a Software as a Service (SaaS) model is enhancing its appeal to the smaller freight forwarders and customs brokers.

During the year we also delivered two new versions of Kewill Flagship and a new release of Kewill Clippership, the most widely recognised solution in the parcel shipping market. The enhancements included functionality to accelerate integration with the most popular ERP systems now available including Microsoft, Oracle and SAP.

Kewill CustomsXchange is part of our commitment to maintain a market leadership position within the Global Trade & Logistics sector. Kewill is pioneering an integrated global customs solution to provide a single connection for individual enterprises, LSPs (Logistics Service Providers) and service providers to dynamically route customs information to local customs systems in multiple countries. An example of a shared customs exchange can be seen through our development and delivery of the Air Cargo Pool (ACP), a central communication platform to connect forwarders with airlines and customs at all German airports. The ACP went into production in January 2008 and is significantly increasing the efficiency and effectiveness of freight forwarders, handling agents, carriers and customs by removing the existing issues

surrounding electronic export of air cargo. Some of the businesses already connected include DHL Global Forwarding, Hellman Worldwide, Lufthansa Cargo and Panalpina.

Kewill Service Logistics continued its product enhancement program through a Service Oriented Architecture (SOA) based approach, adding a Service Bus as the basis for continued component based delivery of their Service Logistics solution. This model delivers enhanced functional capabilities including carrier integration, an integrated chat and FAQ facility in the Call Centre module and a new Pick Up Drop Off (PUDO) module.

Enhancing Management & Processes

Kewill's long history is a key differentiator of our business from our competition, as we have developed deep domain expertise in the specialist areas in which we operate such as customs compliance and service logistics. During the year we have increased our investment in products and people to continue to build the value that we offer our customers. Our headcount at the end of 2007/8 was 620 (2006/7: 600 employees) and resources have been added in key geographies where we either have large projects that demand more resources or into our development centres, where we use a blend of onshore/offshore skills to combine client-focused expertise with effective cost management.

Our One Kewill plan sees us taking best of breed skills and processes from the acquisitions we have made, as well as external recruitment, to create balanced management teams in the newly merged regions of the Americas, Europe and Asia. This has ensured that we blend deep domain skills with strong management experience. In addition the benefits from consolidated back office operations in all geographies are allowing us to invest further in sales and delivery resources to continue our growth and support our global customers. We have also invested in support and sales tools to improve our efficiency and our ability to support global customers with a consistent service in all countries and all time zones.

Future Prospects & Outlook

As planned, we expect this financial year to see further growth in both revenues and profits as our One Kewill plan gains momentum. We expect to see continued strong growth in Europe, as we close major contracts in our pipeline and as we see the full effect of the mandated customs automation in Germany and the harmonisation of customs systems across Europe.

The Board is mindful of macro economic conditions, in particular in the US, however we have not yet seen any material impact on our pipelines, which remain very healthy, and support our expectations of growth in all regions over the next financial year. Our high recurring revenues from Software as a Service and maintenance (51% of total in 2007/8) and from repeat revenues from existing clients (28% of total in 2007/8) plus the strong pipelines in all regions give the Board confidence in the outlook for the current year and beyond.

Paul Nichols
Chief Executive Officer
Kewill Systems plc
13 June 2008

Consolidated income statement for the year ended 31 March 2008

	2008 £000 (Un-audited)	2007 £000 (Audited)
Revenue	50,854	41,583
Operating expenses	<u>(48,513)</u>	<u>(40,568)</u>
Operating profit	2,341	1,015
Analysed as:		
Operating profit before amortisation of intangibles	6,963	4,681
Amortisation of intangibles	<u>(4,622)</u>	<u>(3,666)</u>
Operating profit	2,341	1,015
Net interest receivable on cash and short term deposits	90	362
Interest payable - notional interest on contingent consideration	<u>(476)</u>	<u>(242)</u>
Profit before taxation	1,955	1,135
Taxation	<u>685</u>	<u>328</u>
Profit for the year	2,640	1,463
Basic earnings per share	3.3p	1.9p
Diluted earnings per share	3.2p	1.8p

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

Consolidated statement of changes in shareholders' equity

for the year to 31 March 2008

	Share capital account	Share premium account	Merger reserve	Special reserve	Translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	789	38,293	976	-	222	(12,936)	27,344
Currency translation differences	-	-	-	-	(708)	-	(708)
Net income recognised directly in equity	-	-	-	-	(708)	-	(708)
Profit for the year	-	-	-	-	-	1,463	1,463
Total recognised income for the year	-	-	-	-	(708)	1,463	755
Share-based payments	-	-	-	-	-	128	128
Issue of shares - share options	1	18	-	-	-	-	19
Issue of shares - acquisitions	18	(5)	1,349	-	-	-	1,362
At 31 March 2007 (Audited)	808	38,306	2,325	-	(486)	(11,345)	29,608
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
Dividends	-	-	-	-	-	(609)	(609)
Balance sheet reconstruction	-	(11,000)	-	11,000	-	-	-
At 31 March 2008 (Un-audited)	813	27,510	2,325	11,000	3,171	(9,110)	35,709

Balance sheet reconstruction

During the year Kewill Systems 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 is in a special reserve at 31 March 2008 and will be used to eliminate the deficit on the profit and loss account by July 2008, enabling the proposed dividend to be paid.

Consolidated balance sheet as at 31 March 2008

	2008 £000 (Un-audited)	2007 £000 (Audited)
Assets		
Non-current assets		
Goodwill	27,720	24,587
Other Intangible assets	17,448	19,770
Property, plant and equipment	1,788	1,481
Deferred tax assets	1,635	1,140
	<u>48,591</u>	<u>46,978</u>
Current assets		
Inventories	125	141
Trade and other receivables	10,291	10,440
Cash and cash equivalents	9,980	5,256
	<u>20,396</u>	<u>15,837</u>
Liabilities		
Current liabilities		
Trade and other payables	16,838	15,556
Current tax liabilities	1,766	812
Contingent consideration	10,400	3,322
Provisions	28	55
	<u>29,032</u>	<u>19,745</u>
Net current liabilities	<u>(8,636)</u>	<u>(3,908)</u>
Non-current liabilities		
Deferred tax liabilities	4,246	5,935
Contingent consideration	-	7,527
	<u>4,246</u>	<u>13,462</u>
Net assets	<u>35,709</u>	<u>29,608</u>
Shareholders' equity		
Called up share capital	813	808
Share premium account	27,510	38,306
Merger reserve	2,325	2,325
Special reserve	11,000	-
Cumulative translation reserve	3,171	(486)
Retained earnings	(9,110)	(11,345)
Total shareholders' equity	<u>35,709</u>	<u>29,608</u>

Consolidated cash flow statement for the year ended 31 March 2008

	2008 £000 (Un-audited)	2007 £000 (Audited)
Cash flows from operating activities		
Cash generated from operations	9,862	5,313
Income tax paid	(769)	(394)
Net cash generated from operating activities	<u>9,093</u>	<u>4,919</u>
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash acquired)	(3,388)	(11,985)
Purchase of property, plant and equipment	(1,224)	(533)
Interest received	90	362
Net cash used in investing activities	<u>(4,522)</u>	<u>(12,156)</u>
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	199	19
Dividends paid	(601)	-
Acquisition debt repaid	-	(227)
Net cash used in financing activities	<u>(402)</u>	<u>(208)</u>
Net increase/(decrease) in cash and cash equivalents	4,169	(7,445)
Cash and cash equivalents at the start of year	5,256	12,958
Effect of exchange rates	555	(257)
Cash and cash equivalents at the end of year	<u>9,980</u>	<u>5,256</u>

Basis of presentation

The figures for the year ended 31 March 2008 are un-audited and are not full financial statements. The figures for the years ended 31 March 2008 and 2007 do not constitute statutory accounts within the meaning of section 240 (5) of the Companies Act 1985. The figures for the year ended 31 March 2007 have been extracted from the financial statements filed with the Registrar of Companies and contain an unqualified audit report and no statements under sections 237(2) or 237(3) of the Companies Act 1985. This statement was approved by the Board of Directors on 13 June 2008.