KEWILL

Kewill Systems plc **Annual Report and Accounts 2005**

Contents

FINANCIAL HIGHLIGHTS

- Revenue up 20% to £26.7m (2004: £22.1m)
- Operating profit, pre-amortisation of goodwill, more than doubled to £2.3m (2004: £1.0m)
- Operating profit up 58% to £1.2m (2004: £0.8m)
- Profit before tax up 60% to £2.4m (2004: £1.5m)
- EPS up 30% to 3.5p (2004: 2.7p)
- Cash generation from operating activities increased to £2.2m (2004: £1.3m)
- Net cash and short term deposits strengthened to £20.2m (2004: £19.1m)

the year's highlights

OPERATIONAL HIGHLIGHTS

- Successful integration of 2 acquisitions, TradePoint and ShipNow (including Paral Systems), across 3 continents
- Indian offshore development facility expanded from 25 to 65 staff
- First joint sales of shipping with international trade
- 21 large enterprise-level deals (2004: 14) for Shipping Management (average order value up 80%)
- 9% increase in suppliers for Order Management and Visibility division and operating profits doubled
- International Trade Management saw like for like revenues grow 12% in first year since acquisition

Registered Office Oaklands House, 34 Washway Road, Sale, Cheshire, M33 6FS

Status Kewill Systems plc is listed on the London Stock Exchange

Registered Number 1037515

Overview

Once again I am pleased to report the continued progress of Kewill and the strengthening of both our operational performance and the associated profitability of our Group. This has taken place alongside the integration of two acquisitions across three continents as part of our strategy to enhance our global supply chain execution suite. Despite slow markets in Europe and the impact of the weak dollar on the revenues of our US businesses we have more than doubled operating profit before amortisation of intangibles since last year.

This has been achieved through improved second half revenues in our shipping management solutions, as our newly acquired products became established, the addition of new customers through roll-outs of trading communities in the UK, the continued strong growth of TradePoint in international trade management and further cost control assisted by the growing use of our offshore development facility in India.

We continue to focus on cost and cash management and have, for the third year in a row, improved our cash generation from operating activities. We have improved our year-end net funds position, after acquisition costs, and this will enable us to make further investments in extending our geographic reach and adding new components to our supply chain execution portfolio, with a view to enhancing shareholder value through increased sales and profitability.

Kewill is 100% focused on supply chain execution and is involved in enabling customers to improve the efficiencies in their supply chains, whether it be through connecting a supplier base for electronic orders, shipping parcels or moving goods across international borders. Kewill's order management solutions facilitate electronic communication with all suppliers irrespective of physical location, our parcel shipping solutions now include many international carriers and our international trade offerings help ensure a client's compliance with the increasingly complex rules relating to customs and border controls. We continue to see very active interest in these markets as world trade increases with all sizes of companies starting to adopt the increased trading potential of internet-based commerce and the cost savings to be realised through sourcing goods from overseas. We see these market drivers increasing into the future and opening up new opportunities across industries and countries for the sale of our products.

Financial Results - Operating Performance

Despite a weak dollar, overall group sales have risen 20% to 26.7 million (2004: 22.1 million). Profits are up substantially year on year, with operating profit for the year before amortisation of intangibles of 2.3 million, up from 1.0 million last year. We have benefited from a full year's revenue and profits from the TradePoint acquisition and this business has grown its like for like revenues by 12% on the previous year to 7.6 million (2004: 1.7million for 3 months of ownership) with operating profits of 0.9 million before amortisation of intangibles of 0.7 million (2004: 0.2 million before amortisation of intangibles of 0.2 million for 3 months of ownership). The Order Management business has more than doubled its profits on last year to 1.1 million (2004: 0.5 million) as a result of an increased customer base. Shipping Management achieved revenues of 10.8 million (2004: 11.9 million) despite currency losses of 0.9 million and a one-off product transition in the first quarter. Cost savings achieved through the Indian development centre helped support the division's operating profit of 1.5 million before amortisation of intangibles of 0.3 million (2004: 1.6 million before and after amortisation of intangibles). Central overheads have been further reduced to 1.2 million (2004: 1.3 million). Operating profit was 1.2 million (2004: 0.8 million). Profit after tax was 2.8 million (2004: 2.1 million). Earnings per share were 3.5p (2004: 2.7p).

Financial Results - Balance Sheet and Cashflow

The acquisition of the assets of Shipnow and the Indian development centre (Paral Systems) have increased goodwill by 3 million. The annual amortisation charge for goodwill is 1.0 million. Next year we are required to restate our figures in accordance with International Financial Reporting Standards (IFRS), which require that goodwill is not amortised but is, instead, subjected to annual impairment reviews. This change, along with the expensing of share options and deferred tax changes, will be the main impacts that investors can expect to see in Kewill's accounts as a result of IFRS. Group net assets now amount to 23.3 million (2004: 20 million).

Net cash inflows from operating activities increased to 2.2 million (2004: 1.3 million). We generated 0.7 million in interest received on our cash balance after payments for acquisitions of 1.8 million. This, combined with strong working capital management, has resulted in a balance of cash and short term deposits of 20.2 million at 31 March 2005 (2004: 19.1 million). No corporation taxes have been paid due to the availability of tax losses carried forward from prior years on both sides of the Atlantic.

Success of our Acquisitions

We are particularly pleased with the first year success of our acquisitions. TradePoint, acquired during January 2004, is now operationally integrated into Kewill and has delivered in line with our expectations at the time of the acquisition. Revenues from this business have grown 12% over the previous period as we have added over 25 customers for our export and import solutions. We have also seen the first examples of joint sales between the Kewill and TradePoint teams using our integrated international shipment offerings in both the US and UK.

The acquisition of the new enterprise level shipping solution in April 2004 resulted in a temporary slowing of sales in the first half as we converted our sales pipelines over to the new Javalin product. However, as predicted in our interim report, the increased sales volumes late in the first half and throughout the second half have led to a 11% growth (in constant currency) in H2 over H1. We continue to focus our direct sales people on winning large enterprise deals and have closed 21 of these in the year compared to 14 in 2004. The average order value of these contracts has also risen from $122,000 to $220,000 as a result of the new products and technology and the improved value proposition.

The associated acquisition of Paral of India (now Kewill Solutions India) has enabled us to continue to control costs whilst growing the volume of business and continuing to develop new products. During the year we have invested in new premises, technology and staffing in our Indian offshore facility and have grown the headcount from 25 at the time of acquisition to 65 at year-end.

Order Management and Visibility

Our Order Management and Visibility division, maintained revenues at 8.3 million during 2005 (2004: 8.5 million) despite tough economic conditions within the UK retail sector and delivered a 1.1 million operating profit, including operational profitability every month of the year, compared to 0.5 million in the previous year.

Increasing the base of suppliers to retailers was a primary focus in 2005 and we saw a 9% increase in suppliers with an additional 659 suppliers being EDI enabled, growing the client base to 8,356. During 2005 more than 3.84 billion of purchase order value was managed via 18 million order transactions from 3,200 on-line suppliers through Kewill's hosted managed services. This growth in suppliers ensures a strengthening of our annual subscription, maintenance and transactional recurring revenues.

2004 saw UK retailers concentrate their prime focus on in-store systems and implementations of the new chip and pin payment technology to meet end of year deadlines for retailers to have upgraded, or face issues with credit card fraud. According to Martec Research this switch in 2004 saw a drop in IT spend (1.3% of retail sales from 1.4% previous year) as retailers viewed store systems as their number one priority, with supply chain solutions as the second most important area of focus. With the deadline passing for the chip and pin implementations Kewill predicts a return to supply chain execution expenditure in 2005.

With no new large Kewill Trade sales in the year our focus has been on mid-tier enablement using our MessageBroker solution. We have had successes at BHS, Butchers Petcare, Findel, Mulberry and had our first sale in local government with an implementation for the Glasgow City Council. We also saw significant investments being made to existing Kewill Trade installations at Mothercare and Littlewoods Home Shopping. This demonstrates the continued investment and business benefit being derived from our existing client base.

Our professional services revenue content continued to grow with over 1.7 million of services delivered in 2005, up 26% from the previous year (2004: 1.4 million) and we delivered new AS2 encrypted internet connectivity to over 50 clients in the year.

During the course of the year we strengthened our management team with the addition of a senior development manager and a new VP of marketing and product management to focus on the growth of our business in other vertical markets and geographic regions and to enhance our partnership strategy.

With more than 8,350 clients within the retail sector, the focus for financial year 2006 (FY06) is to expand on the functionality we deliver within order management with enhanced visibility and event management capabilities and to work with partners to sell additional products and services to our existing client base. These solutions will continue to focus on areas with a tangible Return on Investment (ROI) and include Global Data Synchronisation (GDS), an offering that has a strong alignment to our existing product portfolio.

Shipping Management

Although the Kewill shipping management business experienced slow sales in the first quarter as we trained sales people and converted pipelines across to the newly acquired Javalin product, in the second and third quarters we saw our strong pipelines turn into orders, which translated to 11% constant currency growth in revenue. Included within this growth we saw a 55% year on year increase in software licence sales as customers returned to spending increased amounts on supply chain solutions. In particular we have seen improved demand from new multi-channel retailers, such as Drugstore.com and ShopNBC (global internet sales have risen to $150 billion, up 56% on 2004, according to Visa International). Our sales continued to improve in Q4 2005 with the result that we enter the new financial year with the largest order book for many years. This will ensure we continue to grow during the first half of this year and with a healthy pipeline we expect to see strong sales continue and growth in the second half of this financial year as well.

Historically Kewill's shipping management solutions have mainly sold to US-based customers for domestic parcel shipments. However, in line with the growth in the global nature of many of our enterprise level clients, we have seen an increasing number of sales that involve installation of systems in distribution centres in Europe and Asia. We currently have systems installed, or in deployment, in over 20 countries across multiple continents. This ability to sell solutions internationally was one of the main drivers for the acquisition of the Javalin technology and during this year we will use this as the platform to build carrier compliance for the leading parcel and LTL carriers in most major European and some Asian countries.

We are also pleased to announce that, as discussed in the interim statement, we have won our first two contracts with global clients who will be using the Javalin shipping solution integrated with the international compliance offerings of TradePoint, one of the goals we set when we made the acquisitions. In the case of MKS Instruments, they will be using our products integrated with their Oracle 11i ERP solution to control shipments globally. The Body Shop have also placed orders for the integrated product and will be rolling these out as part of their global SAP implementation in the UK, USA and Singapore. We plan a concerted sales effort during this year to promote the integrated offerings through our direct and indirect sales channels in the US and Europe.

We have also invested during the year in adding to the expertise and experience of our management team through the acquisition and the recruitment of a new VP of Product Management and Director of Marketing, along with several senior project managers in our professional services and development organisations.

As Kewill enters FY06, we will continue to build on our successes through a multi-pronged, partner-focused strategy. Our strength in the Small to Medium Enterprise Business (SME) sector, with our industry-leading ClipperShip product, will be fortified through new partnerships with leading ERP and WMS solution providers. These partnerships will expand our existing indirect sales channel and will bring our mutual customers greater business value by providing turn-key supply-chain solutions that tightly integrate shipping management optimisation from Kewill with ERP solutions designed for the SME market.

As a complement to our SME solutions, we will leverage our direct sales force and key ERP partnerships to further penetrate the enterprise sector with our fully featured Javalin product line. Large companies require visibility and optimisation across their multi-divisional, multi-national operations and this means that our parcel and LTL shipment optimisation solutions will become a powerful asset to enterprise level shipping operations on a worldwide basis. Through our strategic ERP partnerships, parcel and LTL shipping optimisation becomes an embedded and powerful asset to enterprise-level shipping operations worldwide. We anticipate strong growth in Javalin penetration of the enterprise sector this year.

We will also launch our desktop shipping and receiving solutions designed in concert with leading financial institutions. These solutions bring shipping optimisation to the campus environment, where parcel routing within the four walls of the enterprise is as core to a company's supply-chain as the flow of goods from the dock to the customer.

Kewill maintains the broadest portfolio of domestic and international parcel and LTL carrier service offerings. We actively participate in formal certified partner programs with FedEx, UPS and DHL and will continue to build our portfolio of service offerings in 2006 through strategic partnerships with global and local carriers and with key international customers.

International Trade Management

The international trade division, formed through the acquisition of TradePoint, continues to grow as a result of increased demand from existing customers and new clients. For many years TradePoint has been the leading supplier to the customs house brokers and freight forwarders who handle international trade on behalf of importers and exporters, indeed 25% of all imports into the US are processed through Kewill systems. During financial year 2005 there has been a growth in the demand for our traditional products to customs brokers as a result of the general strength of global trade and the increased pressure by governments for more regulatory changes. Corporations of all sizes are increasing their outsourcing to the Far East, with particular emphasis in China, which is resulting in significant increases in shipment volumes.

Compliance is an important part of the work we do for our clients and we have dedicated teams on many accounts who work on client sites to ensure that they are able to deal with the myriad of changing customs regulations. During the year the Company has consolidated its position as the premier domain expert in the area of international trade rules and regulations. The Company now has nine certified US customs brokers on staff, compared to the average customs broker firm that usually has two certified customs brokers on staff. Some 84% (fees, maintenance and subscription) of trade management revenues come from maintenance contracts or project work undertaken on behalf of existing customers.

We continued to enhance our core solutions during the year and converted the Alliance product to enable it to run on a Unix platform and an Oracle database. During FY06 we will continue to invest in our technology platform by building new modular versions of our established products using open standards. We also released our new Import Compliance product that capitalises on our import competency while providing a complimentary product to our export compliance product set.

Increased government insistence on compliance, both for exports of goods leaving the US as well as imports into the US, has resulted in a vibrant market for our compliance and documentation products. TradePoint's growing body of international trade content allows exporters and importers to ensure that they are complying with terrorist watch lists, submitting the correct licensing, understanding where embargoes are in effect and controlling their inventory costs through tight control of duties, fees and taxes associated with shipping internationally. In the US we have added 3 new sales staff and have seen the benefits with the first new sales of the compliance products to large shippers, this has included the addition during the year of National Instruments and MKS Instruments.

In Europe we have over 450 clients on support and we have added extra sales effort in the UK and the Netherlands towards the end of the year. We are optimistic that the increased demands arising from the growing complexity of trade regulations and the addition of our extra sales focus will result in continued growth during this coming year.

Strategy

The Kewill Group continues to concentrate its activities on the supply of software and related services to the supply chain execution market. We automate many of the buying, selling and transportation processes of our customers, who buy our products because of the visible and rapid return on investment. We will continue to lead in the market of small to medium size businesses, which use new modular offerings, and by strengthening our channel and partner capabilities to address this broad geographic market. We will also focus our enhanced direct sales efforts at winning new enterprise level customers who are looking for integrated supply chain solutions for their growing global supply chain requirements. We will continue to seek further opportunities to make additions to our businesses that will strengthen our portfolio across geographies and application areas.

Current Trading and Prospects

While economic conditions remain difficult to predict, we have seen improving sales in the US and strong order pipelines in all our businesses. We also see a large opportunity to offer more components of the Kewill supply chain execution suite to our 12,500 existing users. We expect this to lead to continued growth in 2006 and beyond.

Paul Nichols
Chief Executive Officer
30 June 2005

Five year record

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Turnover	68,737	48,144	25,016	22,147	26,680
Gross profit	61,237	42,126	21,192	19,136	23,893
Operating profit/(loss)	(1,164)	(55,808)	(10,730)	776	1,225
Profit/(loss) before taxation	3,279	(57,638)	(5,987)	1,529	2,443
Amortisation and impairment of intangibles	(6,312)	(50,703)	(5,015)	(179)	(1,034)
Earnings/(loss) per share	0.5p	(75.2)p	(7.9)p	2.7p	3.5p
Earnings/(loss) per share before amortisation and impairment of intangibles	8.8p	(9.1)p	(1.4)p	3.0p	4.8p

Directors' report

Andy Roberts (53)

(Non-Executive Chairman)

Andy Roberts was appointed as a non-executive director to the company in April 1997 and was appointed non-executive chairman in April 1998. He held several senior management positions within ICL between 1982 and 1993 and then served as chief executive of Data Sciences plc between 1993 and 1997. Following the successful turnaround at Data Sciences the company was acquired by IBM in March 1996. In 1997 he served as president of Intellect and remains active in support of the Association. He is a non-executive director of several software related companies and non-executive chairman of Vega Group plc. (See also notes to AGM resolutions)

Paul Nichols (48)

(Chief Executive Officer)

Paul Nichols is Kewill's Chief Executive Officer. Paul received an Economics honours degree from Brunel University in 1978. In his early years in the IT industry, Paul held sales and business management positions in ICL and Digital Equipment Corporation. In 1994 he joined Data Sciences Ltd (DSL) as executive general manager for the Commercial and Financial Services business. In 1997 DSL was acquired by IBM and Paul became a director of IBM Global Services in EMEA with responsibility for the Banking and Financial Services industry. In 1999 Paul was appointed as president and CEO of Logica Inc., the North American subsidiary of Logica plc. Paul joined Kewill as CEO in August 2002. (See also notes to AGM resolutions)

Guy Millward (39)

(Finance Director)

Guy Millward ACA was appointed finance director in November 2002. He began his career with Ernst & Young before moving, in 1993, to GE Information Services (now GXS), a division of the US conglomerate General Electric. At GE Information Services he held a number of roles including UK Finance Director. He joined Kewill in January 2000 and held the position of group financial controller before being appointed to the Board.

Charles Alexander (48)

(Senior Non-Executive Director)

Charles was appointed a non-executive director in April 2001. Charles is currently Managing Director and Head of Asia Corporate Finance Group at Lehman Brothers Asia Limited, based in Hong Kong. He was previously Co-head of Lehman Brothers European M&A based in London. Since joining Lehman Brothers in August 1998 he has advised several of the Firm's leading clients on major transactions in the communications industry. Prior to joining Lehman Brothers, Charles worked with JP Morgan from 1987 to 1998. Prior to moving into investment banking, Charles worked for McKinsey & Company in London and Tokyo from 1982 to 1987 and for the Boston Consulting Group in Boston from 1980 to 1982.

Thomas Angear (68)

(Non-Executive Director)

Thomas Angear has served as a non-executive director of the company since March 1989. He has a degree in Industrial Economics from Nottingham University and an MBA from Cornell University (USA) where he was a Harkness Fellow. He founded his own international mergers and acquisition consultancy and was chairman of Omicron Management Software Ltd prior to its purchase by Kewill. (See also notes to AGM resolutions)

Financial Statements

The directors of Kewill Systems plc (the "Directors") submit their report and the audited financial statements of the group for the year ended 31 March 2005 (the "Reporting Period").

Review of the Business and Future Development

The principal activities of the Kewill group (the "Group") during the Reporting Period were and will continue to be the provision of computer software and associated services. A review of the Group's business activities is contained on pages 2 to 5.

Financial Results and Dividends

In line with previously announced policy, the Board of Kewill Systems plc (the "Board") will not be recommending to shareholders the payment of dividends this year. A profit of £2,764,000 (2004: £2,112,000) will be transferred to reserves.

Research and Development

The level of development spend was £2.5 million in 2005 (2004: £2.1 million). All research and development expenditure is written off to the profit and loss account as it is incurred.

Corporate Social Responsibility

Kewill Systems plc (the "Group") recognises the increasing importance of Corporate Social Responsibility (CSR)/ environmental policies to a significant number of its stakeholders and recognises the importance of, and business benefits that can be derived from, good CSR and environmental practice. Key aspects of the Group's CSR policy are as follows:

Employee Involvement

The directors recognise the importance of involving all employees in the performance and development of the Group. Accordingly, it is the policy of management to develop and encourage employee involvement throughout the Group by regular communication both from the Board and between employees within and between divisions of the Group. In particular the chief executive and finance director make periodic presentations in staff locations and regularly visit the various divisional offices.

Disabled Persons

Group companies give full consideration to suitable applications for employment from disabled persons. Disabled employees, including those who become disabled while in the Group's employment, are eligible to participate in all appropriate career development and training opportunities available to staff.

Charitable and Political Donations

Charitable donations made during the year equalled £12,264 (2004: £3,617). The donations were made either to world disaster funds or to charities in which employees are involved. No contributions were made for political purposes.

Payments to Suppliers

The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The Group does not have a universal standard or code which deals specifically with the payment of suppliers. Trade creditors of the company at 31 March 2005 expressed in relation to the total amount invoiced by suppliers for goods and services during the year were equivalent to 30 (2004: 33) creditor days.

Environmental Issues

The nature of the Group's operational activities are of comparatively minimal environmental impact, and where necessary the Group meets its statutory requirements and aims to apply good environmental practice by encouraging re-cycling of waste and minimising the use of paper by the use of electronic mail in communications, and accordingly the company has not, to date, adopted a formal environmental policy. However, the Group has implemented a number of environmental initiatives in that all offices either have recycling (waste management) policies in place or are introducing such policies. The Group relies upon tight cost control to minimise, where possible, energy use. The Board believes that the very nature of its products, in automating supply chain execution, is of positive environmental impact. This is an intuitive assessment based upon the Board's knowledge of the business process rationalisation resulting from the introduction by clients of Kewill products (i.e. replacement of labour intensive paper-based system with electronic trading and shipping solutions), and it believes that any quantative assessment would be difficult and prohibitively costly to conduct.

Electronic shareholder communications

The Board is seeking to reduce the cost and materials expended in communications with shareholders of the Company (the "Shareholders") and to this end wishes to encourage all Shareholders to register for electronic despatch of company communications. To date, only 1.5% of the Shareholders have registered for electronic despatch of Company communications which is disappointing in light of the potential cost and environmental advantages for all stakeholders.

Re-election of Directors

It is the Board's policy that any non-independent director should offer himself for re-election on an annual basis.

Andy Roberts retires by rotation and offers himself for re-election. He will have served for 9 years by the time of the 2006 AGM, and this is a threshold that the Board and the nominations committee will review in depth to assess his independent status and the balance of the board. The review will be carried out during the current financial year.

Tom Angear retires and offers himself for re-election as a non-independent director (having served in excess of 9 years on the Board).

No director has a service contract or appointment terms in excess of one year.

Further biographical details for both Andy Roberts and Tom Angear are given in the notes to the AGM resolutions on page 33.

Directors' report *continued*

Directors' Interests

The beneficial interests of the Directors in the share capital of the company at 1 April 2004, at 31 March 2005 and at 30 June 2005, as recorded in the register maintained by the Company in accordance with the provision of the Companies Act 1985 (as amended) were as follows:

	Ordinary Shares of 1p each 30 June 2005	Ordinary Shares of 1p each 31 March 2005	Ordinary Shares of 1p each 1 April 2004
A.H.J.Roberts (non-executive chairman)	171,230	171,230	171,230
T.R.Angear (non-executive)	415,000	415,000	415,000
C.Alexander (non-executive)	40,307	40,307	32,307
P.A.Nichols	250,000	250,000	250,000

Under the senior executive share option schemes certain executive directors have, at not less than the then prevailing market price, been granted options which must be held for a minimum period of three years before exercise. Details of the Directors' share options together with performance criteria and option scheme rules are set out in the remuneration report on page 9.

Purchase of Own Shares

The company maintains the right to purchase a certain number of it's own shares. For details please see the notice of the annual general meeting on page 33.

Substantial Shareholders	Number of Ordinary Shares held at 6 June 2005	% of total Ordinary Shares
Framlington Investment Management	7,960,000	10.1%
Barclays Stockbrokers	4,734,600	6.0%
J P Morgan Fleming Investment Management	4,599,075	5.8%
Schroder Investment Management	4,356,463	5.5%
Canada Life	4,351,569	5.5%

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next annual general meeting.

Impact of International Financial Reporting Standard (IFRS)

The main impacts of IFRS in the Group accounts are expected to be the discontinuation of goodwill amortisation, the expensing of share options and some deferred tax charges. Goodwill will instead be subjected to annual impairment reviews.

By Order of the Board of Directors

Richard Allan
Company Secretary
30 June 2005

Advisors

Stockbrokers Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR

Auditors PricewaterhouseCoopers LLP, Chartered Accountants, 1 Embankment Place, London WC2N 6RH

Principal Bankers Barclays Bank plc, 54 Lombard Street, London, EC3V 9EX

Registrars and Transfer Office Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH

Remuneration report

The remuneration report consists of unaudited information with the exception of the sections entitled 'Director's Detailed Emoluments and Remuneration Packages' and 'Interests in Share Options'. The various sections in the report are marked audited and unaudited as appropriate.

Remuneration policy (unaudited)

The Group's remuneration policy is to attract, retain and incentivise the best executive staff recognising that they are critical to the ongoing success of the business. Consistent with this policy, remuneration packages for the executive Directors are intended to be competitive and comprise a mix of performance related and base remuneration, aimed at incentivising executive Directors whilst not detracting from the aims of corporate governance and prevailing best practice with regards to executive remuneration. The Board takes advice where appropriate on its remuneration policy. Advice was received during the year from Richard Allan, Company Secretary.

The Company has adopted a formal policy that remuneration terms for executive Directors shall be reviewed on an annual basis and shall, except where deviation is required for demonstrable market conditions and/or commercial reason, seek to comply with prevailing best practice as set out in the ABI Guidelines on Executive Remuneration (December 2002) and the principals of the Code. It requires that executive directors shall not be entitled to: (a) notice periods in excess of 12 months; (b) bonuses of a predominately transactional related nature; or, (c) additional protection over and above notice periods in relation to any change of control.

The short-term performance-related element of both the executive Director and senior management remuneration packages is in the form of an annual cash bonus scheme. The scheme incorporates demanding performance criteria and is reviewed annually in relation to forecast profit and cash generation performance and taking account of market expectations. Payment of any bonus under the scheme is discretionary and subject to individual performance and remuneration committee approval.

The longer-term performance-related element of both the executive Directors and senior management remuneration packages has in the past been in the form of annual share option grants. This has however been impacted by the introduction of IFRS 2 and no share options have been granted in the Reporting Period. The Company intends to review its policy in respect of long-term incentives for employees. The Company does not operate any other long-term incentive schemes nor any defined benefit pension schemes.

Share options schemes (unaudited)

The Company has two share options schemes in place: (a) the No 1 scheme which is Inland Revenue approved; and (b) the No 2 scheme (non-Inland Revenue approved) which is used to issue options to non-UK taxed employees and for UK employees who have exceeded the £30,000 limit on grants from the No 1 scheme.

In accordance with the March 2001 ABI Guidelines the share option scheme rules have been previously amended to impose a cap on the number of share options that can be issued to any individual in a calendar year equal to 100% of the individual's annual remuneration.

The judgement as to whether performance criteria have been met is purely quantitative and it is a condition of the share option schemes that achievement or otherwise of the option scheme performance requirements is reported on by the Company's auditors. Under the original share option scheme rules, options issued to the executive directors (as shown below) were only to be exercised provided the percentage increase in the group's annualised earnings per share (EPS) over the relevant three year period was at least 2% above the average annual percentage increase, if any, in the UK retail price index (RPI) over the three years prior to the exercise of the option.

In light of changing best practice with regards to performance criteria for share options schemes, the Company consulted with its principal shareholders and reviewed the rules of the option schemes. Following this review the board resolved that any options granted out of the No 2 (non-Inland Revenue approved) scheme (being all of those granted to directors since January 2003) should be subject to a more exacting performance criteria of 3% over RPI and that the relevant base year for testing should be fixed with re-testing limited to extensions to 4th and 5th years after grant (i.e. no rolling re-testing). The Board considers that the complexity of share option performance criteria and cost of testing should be proportionate to a company of Kewill's size and accordingly total shareholder return (TSR) was felt not to be an appropriate measure as: (a) between 60-65% of FTSE 100/250 companies use the less complex EPS relative to RPI as opposed to only 18-22% using TSR; (b) there would be a greater on-going cost of testing TSR; and (c) the difficulty in selecting an appropriate number of UK listed comparator companies to generate meaningful and sustainable comparisons. Grants from the No 1 (Inland Revenue approved) scheme were not amended in line with grants from the No 2 scheme as: (a) it would primarily have impacted non-director managers, reducing the incentive effect of smaller amounts of share options granted; and (b) the No 1 scheme is subject to the limit on the number of options that can be granted out of the scheme (£30,000).

The Company's policy has in the past been, where possible, to grant options to directors and senior managers on an annual basis. The total number of options granted was calculated by reference to available headroom apportioned on a 10-year basis adjusted to take account of assumed increases in headroom over the 10 year period and of lapsing of share options. The remuneration committee may, however, make ad hoc grants where appropriate. The timing of option grants is subject to restrictions set out in scheme rules, including a restriction that the option exercise price should not be less than the average of either the market price on the day before grant or the average market price on the three working days preceding the day of grant.

The Company has not made any share option grants in the Reporting Period. The Company will consult with its principal shareholders prior to any further material changes in the share option schemes and/or introduction of alternative long-term incentive plans.

Executive Director Service Agreements (unaudited)

Current executive Director service agreements are not for a specified term, but may be terminated by either party on 12 months notice. There are no specific provisions in relation to payment of any additional termination payments over and above the stated notice period. Bonus terms are reviewed annually and incorporate demanding operating profit and cash generation performance criteria. To protect the Company, the bonus scheme is stated to be discretionary and subject to remuneration committee approval prior to payment where performance criteria are met.

The details of the service contracts for those who served as executive Directors during the year are:

Current executive directors as at 30 June 2005:

Name	Contract Date	Notice period	Termination payment over and above notice period
Paul Nichols, CEO	26 July 2002	12 months	Nil
Guy Millward, Finance Director	16 November 2002	12 months	Nil

Non Executive Directors Engagement Terms (unaudited)

The engagement terms of the three non-executive Directors ("NEDs") were reviewed and amended in April 2003 to bring them into line with prevailing best practice and the form recommended in the Higgs Report. Notice periods were set at 12 months for the Chairman and 6 months for other NEDs in order to: (a) enable orderly succession management; (b) maintain continuity and board effectiveness during any search process; and, (c) to enable a comprehensive hand-over and induction process. The NED fee structure was reviewed in April 2004 and now reflects prevailing best practice in that NED fees are made up of: (a) a base fee for board membership; (b) additional fees for committee membership; and, (c) additional fees for chairing committees.

NED engagement terms are for a specified term of not more than three years, and provide for earlier termination:(a) on notice; (b) following failure to be re-elected; and (c) upon other standard eventualities. The details of the engagement terms of the NEDs are:

Name	Terms date	Un-expired term	Notice Period	Termination payment over and above notice period
Andy Roberts (Chairman)	14 April 2003	AGM date 2005	12 months	Nil
Charles Alexander	25 April 2003	AGM date 2007	6 months	Nil
Tom Angear	23 April 2003	AGM date 2005	6 months	Nil

Remuneration Committee (unaudited)

The members of the remuneration committee during the year were: Andy Roberts, Charles Alexander (chairman of committee wef 28 April 2004), and Tom Angear (resigned from committee wef 28 April 2004, chairman of committee until that date).

Directors detailed emoluments and remuneration packages (audited)

	Salary & fees	Bonus	Other benefits*	Total before pension contributions 2005	Total before pension contributions 2004	Pension contributions 2005	Pension contributions 2004	Gains made on exercise of share options 2005	Gains made on exercise of share options 2004
Current executive directors									
Paul Nichols	175	88	72	335	234	12	12	-	-
Guy Millward	116	29	8	153	154	9	8	-	-
Non executive directors									
Andy Roberts	60	-	-	60	50	-	-	N/A	N/A
Tom Angear	28	-	-	28	25	-	-	N/A	N/A
Charles Alexander	25	-	5	30	25	-	-	N/A	N/A
Totals	**404**	**117**	**85**	**606**	**488**	**21**	**20**	**-**	**-**

* Pension contributions are only payable on base salary and are all paid to personal pension plans. Other benefits include car allowance, private medical insurance and relocation costs.

Paul Nichols

Under the terms of the current performance related bonus plan the bonus payable to Paul Nichols is calculated at an on-target rate of 100% of his basic package. The current performance related bonus plan provides for payment of the bonus on achievement of exacting Group profit and cash generation targets (subject also to personal performance) as set by the Board for the current financial year. The bonus amount is calculated on a straight line basis against profit and cash generation targets and provides for over achievement.

Following recent acquisitions it became apparent to the Board that there were compelling arguments for the relocation of the CEO to oversee integration strategy and expansion of the US operations. Accordingly the Board and the remuneration committee approved the following relocation arrangements for the CEO during the Reporting Period: (a) a fixed 48 month relocation period on the same remuneration terms as in the CEO's existing service agreement (and subject to the same notice period); (b) continuation of UK health and life assurance benefits to those already granted to the CEO; (c) the Company reimbursing the CEO for various relocation expenses; and (d) limited school fees for dependents. In the event of termination of the CEO's service agreement he will be entitled to reimbursement of expenses for repatriation to the UK.

Guy Millward

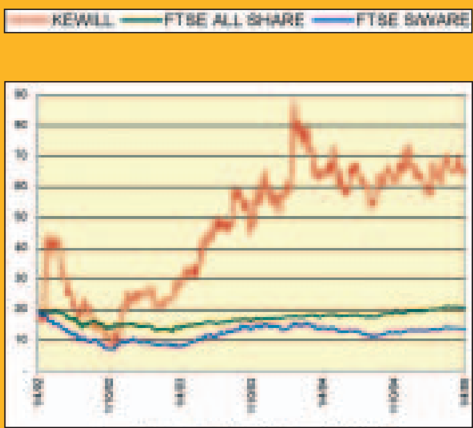
Under the terms of the current performance related bonus plan the bonus payable to Guy Millward is calculated at an on-target rate of 50% of his basic package. The current performance related bonus plan provides for payment of the bonus on achievement of exacting group profit and cash generation targets (subject also to personal performance) as set by the Board for the current financial year. The bonus amount is calculated on a straight line basis against profit and cash generation targets and provides for over achievement.

Andy Roberts

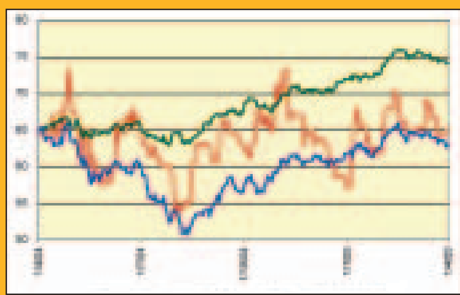
Payments in respect of services provided by Andy Roberts are made to ARM Management Limited.

Performance Graphs (unaudited)

5 year line graph showing total shareholder return data for Kewill share performance relative to FTSE All Share and FTSE Software & CPU Services.



3 year line graph showing total shareholder return data for Kewill share performance relative to FTSE All Share and FTSE Software & CPU Services.



1 year line graph showing total shareholder return data for Kewill share performance relative to FTSE All Share and FTSE Software & CPU Services.

The FTSE Software & CPU Services Index was chosen as the best market comparator of Kewill's share movement.

Interests in Share Options (audited)

Details of the Directors' share options in Kewill Systems plc at 31 March 2005 were as follows:

Note	Notes	1-Apr-04 Number	31-Mar-05 Number	Exercise price (p)	Exercise period from	to
P. Nichols	(a)	1,264,000	1,264,000	18.75	19 Aug 2005	18 Aug 2012
		665,480	665,480	28.1	08 Jan 2006	07 Jan 2013
		100,000	100,000	79.4	28 Jan 2007	27 Jan 2014
		2,029,480	2,029,480			
G. Millward	(a)	35,000	35,000	76	27 Jun 2004	26 Jun 2011
		250,000	250,000	28.1	02 Dec 2005	01 Dec 2012
		100,000	100,000	79.4	28 Jan 2007	27 Jan 2014
		385,000	385,000			

(a) granted under the senior executive share option schemes

The performance criteria for the exercise of the above options is disclosed above. The above options were granted at no cost. The outstanding share options at 6 June 2005 were as at 31 March 2005. The market price of the shares at 31 March 2005 was 65p and the range during the financial year was 52.75p - 73.25p.

No Director has exercised or been granted any share options during the Reporting Period.

By order of the Board of Directors

Charles Alexander

Chairman of the Remuneration Committee

30 June 2005

Corporate governance

Compliance statement

The Company is required to report on compliance with the Code on Corporate Governance issued in July 2003 (the "Code") in respect of the Reporting Period. The Company has complied throughout the Reporting Period with the provisions set out in section 1 of the Code with the exception of: (a) information relating to the board committees was posted on the Company's website in June 2004; (b) the Board approved and introduced a formal review process for the Board, subcommittees and individual directors at its annual review in March 2005; (c) the March 2005 board review of the committees included an assessment of the extent of 'recent and relevant financial knowledge' of audit committee members (on the basis of currently available best practice guidelines); (d) the formal written division of responsibility between the chairman (non-executive) and the CEO (executive) was approved by the Board on 8 June 2004; and (e) Tom Angear (deemed a non-independent NED) was chairman of the nomination and remuneration committees from 1st April 2004 until 28th April 2004.

Review of Board Composition & Independence of Directors

The nomination committee has specific responsibility to periodically review the structure, size and composition of the Board, executive succession planning, the continuation in office of any Director, and to make appropriate recommendations. As set out below the committee last met on 20 May 2005 to review directors' performance. There is, at present, no formal continuing education policy for Directors, but the Board rotates its meetings to the Group's operating locations and receives presentations from non-board executives and managers about key areas of the Group's current and prospective operations. In the Reporting Period this has included briefings for NEDs in the company's Marlborough, USA (shipping division), Nashua, USA (international trade division) and Sale, UK (order management division) locations.

The nomination committee and the Board have formally considered the composition and balance of the board and its committees, and in particular has re-considered the position of Tom Angear. Both Andy Roberts and Charles Alexander are deemed by the Board to be independent in character, judgement and circumstance. The Board has noted that both Andy Roberts (171,230 shares) and Charles Alexander (40,307 shares) are shareholders in the company, but believes that, in light of their personal circumstances, this level of shareholding interest does not compromise their independence. It is the view of the board that Tom Angear has been extremely valuable in continuing to provide M&A expertise during the year and in generally providing a robust and challenging contribution to the Board. Accordingly, and in light of the small company exemptions incorporated into the Code, the Board has resolved to recommend Tom Angear for re-election. The Board has previously resolved that, in accordance with best practice, Tom Angear's continuing appointment should be subject to formal annual review and annual shareholder approval (see also above note on re-election of Directors).

The Board has reviewed the extent of the 'recent financial knowledge' of audit committee members. The Board resolved that the committee members satisfied this requirement for 'recent financial knowledge' on the basis that:

- there was a depth of relavent experience of corporate financial affairs in the committee;
- the Company's operations did not involve specialised financial activities and that accordingly the requirement for such knowledge should take this into account;
- both members of the committee are familiar with; GAAP, performance indicators and ratios, and are familiar with, and deal with, financial instruments;
- whilst neither member of the committee has a professional qualification from an accounting body, the chairman of the committee, in particular, has a high degree of financial expertise and that this level of knowledge is commencerate to the size and financial complexity of the company.

Board of Directors

The Group is controlled by the Board, which is comprised of five directors, three of whom are NEDs. The post of chief executive is separate from that of the chairman. The senior independent Director is Charles Alexander. All Directors are subject to election by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years. Biographical details of the Directors of the Company are given on page 6.

All Directors have access to the advice and services of the company secretary and the Board has established a formal procedure whereby any Director may, in the furtherance of his duties, seek independent professional advice at the Company's expense.

The Board met on 14 occasions in the last financial year, with 10 scheduled calendar monthly meetings. For all Board meetings an agenda is established which, for scheduled meetings, includes CEO and FD reports on business performance, a schedule of any matters requiring approval and other significant strategic issues. Written reports are provided to directors prior to Board meetings. Director attendance record at Board meetings during the Reporting Period is shown below:

	Andy Roberts	Charles Alexander	Tom Angear	Paul Nichols	Guy Millward
Meetings attended (in person or by dial-in)	12	13	13	14	14
Meetings absent	2	1	1	Nil	Nil

The Board has a formal schedule of matters reserved to it. These include determining overall group commercial strategy, review of the performance of the Group, responsibility for monitoring exposure to key business risks, setting and approving annual budgets, determining acquisition and investment policy, and approval of major capital expenditure and development projects. All day to day operational matters are delegated to the CEO and executive management team subject always to the matters reserved to the Board.

Board Committees

The Board has delegated specific authority to three main committees. The terms of reference of each of the Board committees have been amended so as to comply with the Code. The Board has sought to follow best practice in reviewing the chairmanship of each committee and the other roles that the NEDs fulfil (company chairman and senior NED) but has chosen to balance these considerations against the need to maintain effective cost control at a Group level.

Nomination Committee

The nomination committee is comprised of the three NEDs and is chaired by Andy Roberts. The committee met on 2 occasions in the Reporting Period, last met on 20 May 2005 to review board and committee performance, structure, and has, in addition to the matters outlined above, specific responsibility for;

- evaluation and appraisal of performance of members of the Board;
- specific review responsibilities of NEDs on reaching the end of each three year term of service and at the nine year service point; and,
- search, recruitment and induction of any new appointees to the Board.

The appointment of the chairman of the Board is a matter for all the Directors of the Board.

Director attendance at the committee meetings during the Reporting Period is shown below:

	Andy Roberts[1] (Chairman)	Charles Alexander	Tom Angear[2]
Meetings attended (in person or by dial-in)	2	2	2
Meetings absent	Nil	Nil	Nil

1. Andy Roberts appointed to chairmanship of the committee on 28th April 2004
2. Tom Angear resigned from the chair of the committee on 28th April 2004

Remuneration Committee

The remuneration committee is comprised of the two independent NEDs, is chaired by Charles Alexander, and is responsible for determining the remuneration and emoluments of the executive Directors. The committee met on 3 occasions in the Reporting Period and has specific responsibility for:

- framework remuneration policy and reviewing the detailed packages and contractual arrangements for the executive directors, company secretary and senior executives;
- determining performance targets for, and approval of, Company-performance related pay schemes; and
- reviewing and overseeing any major changes in employee benefit structures (including share option plans).

The remuneration of the non-executive directors is a matter for the executive directors.

Director attendance at the committee meetings during the Reporting Period is shown below:

	Tom Angear[1]	Charles Alexander[2] (Chairman)	Andy Roberts
Meetings attended (in person or by dial-in)	Nil	3	3
Meetings absent	Nil	Nil	Nil

1. Tom Angear resigned from the committee on 28th April 2004
2. Charles Alexander appointed to chairmanship of the committee on 28th April 2004

Audit Committee

The audit committee is comprised of the two independent NEDs and is chaired by Charles Alexander. The CEO and finance director attend by invitation. It meets at least three times per year and is attended, upon request, by the external auditors. The committee met on 4 occasions in the Reporting Period and has specific responsibility for:

- assessing the independence of, selecting, and considering the appointment of, the external auditors;
- recommending the audit fee and pre-approving any non-audit fees provided by the external auditor (see below);
- reviewing the nature and scope of the audit, external auditor's management letter and considering management's response to any major audit recommendations;
- reviewing the Company's procedures for handling 'whistleblowers';
- reviewing reports on effectiveness of systems for internal financial control, financial reporting and risk management; and
- reviewing the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board.

The finance director is authorised to approve non-audit fees for services provided by the external auditors up to a maximum amount of £10,000.

Director attendance at the committee meetings during the Reporting Period is shown below:

	Charles Alexander (Chairman)	Andy Roberts	Tom Angear[1]
Meetings attended (in person or by dial-in)	4	4	Nil
Meetings absent	Nil	Nil	Nil

1.Tom angear resigned from the committee on 28 April 2004

Shareholder communications

The company maintains regular contact with its principal institutional shareholders. It seeks to further strengthen shareholder communications and accordingly has adopted a shareholder communications policy:

- all shareholders are invited to attend the annual general meeting, at which the Board presents a review of the results and comments on current business activity and where private investors are encouraged to take advantage of the opportunity to ask questions;
- the primary point of contact for shareholders with day-to-day operational enquiries is the CEO (Paul Nichols);
- the primary point of contact for shareholders for corporate governance and related matters is the chairman (Andy Roberts);
- Charles Alexander is the senior independent NED and is the default point of contact in the event that a shareholder does not wish, for whatever reason, to approach the chairman;
- in addition to the attendance of executive Directors at investor interim and preliminary meetings, where requested, the chairman and/or another NED will where possible attend;
- the Company responds to requests from institutional shareholders for executive and NED meetings and where possible makes arrangements for the chairman/NEDs to attend where specifically requested;
- the Company will periodically contact its primary institutional shareholders to review prevailing corporate governance practice at the Company; and
- the Company maintains an 'investor' section on it's website (www.kewill.com/investors.htm), with an email facility for investors (investors@kewill.com) which is monitored on a daily basis, and encourages shareholders to register for electronic updates of all regulatory news service announcements and routine press releases by the Company.

Internal Controls and risk management

The Directors have responsibility for the Group's system of internal control and reviewing its effectiveness, whilst management is responsible for implementing Board policies on risk and control. In accordance with its on-going policy, and as required by the Turnbull Report, the Board has reviewed the strategic, operational, compliance and financial controls of the business. A formal Group risk assessment was undertaken and the Board considered this in undertaking the review. In addition the audit committee and the Board consider any issues raised by the external auditors.

The risk review process is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. Whilst the Group's systems for internal control cannot eliminate risk of failure to achieve business objectives or produce absolute assurance against material mis-statement or loss, it enables the management to pro-actively manage such risks once identified.

The Board and audit committee meet as detailed above and review strategic, operational and financial matters on an on-going basis and are responsible for ensuring that the group maintains a system of internal financial control. This system is designed to provide them with reasonable assurance regarding the accounting records, the reliability of financial information used within the business and for publication and to ensure that assets are safeguarded. In addition to formal reporting structures, the NEDs have access to briefings by middle ranking management to enable them to judge the effectiveness of such reporting procedures.

The key elements of internal control within the group include:

- on-going risk assessment and compliance reviews;
- establishing clear management responsibilities for each division;
- establishing clear authorisation levels for the Board and management at all levels, particularly in relation to commercial processes;
- preparation and approval by the Board of medium term strategic plans;
- preparation of detailed budgets which require Board approval;
- reporting financial results on a monthly basis with comparisons to budget;
- monthly provision of key trading statistics and cashflow information;
- management targets and latest forecasts;
- integration and review of acquisitions and disposals;
- regular review of security and integrity of software and websites; and
- approval of significant contracts and monitoring of litigation.

After due and careful consideration of the adequacy of the risk control measures currently enforced within the Group and mindful of the size and circumstances of the Group, the Board has resolved that no material benefit would be derived from instituting an internal audit function at the present time and that accordingly the current risk control structures should be maintained and no internal audit implemented.

Going Concern

After making inquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the year and of the profit or loss for that year.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 (as amended). They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. UK legislation governing preparation and dissemination of financial statements may therefore differ from that in other jurisdictions. The maintenance and integrity of the Group's website (at www.kewill.com) is also part of the Director's responsibilities.

By Order of the Board of Directors

Richard Allan

Company Secretary

30 June 2005

Consolidated profit and loss account **for the year ended 31 March 2005**

	Note	2005 £000	2004 £000
Turnover	10a	**26,680**	**22,147**
Cost of sales		2,787	3,011
Gross profit		**23,893**	**19,136**
Net operating expenses before amortisation of intangibles		21,634	18,181
Amortisation of intangibles		1,034	179
Total net operating expenses		22,668	18,360
Operating profit before amortisation of intangibles		2,259	955
Operating profit	10a	**1,225**	**776**
Net profit on sale of properties in continuing operations		179	-
Net profit/(loss) on disposal of discontinued operations		297	(5)
Profit on ordinary activities before interest		**1,701**	**771**
Net interest receivable	11	742	758
Profit on ordinary activities before taxation	10 a,b	**2,443**	**1,529**
Tax on profit on ordinary activities	12a	321	583
Profit for the year	9	**2,764**	**2,112**
Earnings per share	13	3.5p	2.7p
Diluted earnings per share	13	3.4p	2.7p
Adjusted earnings per share before amortisation of intangibles	13	4.8p	3.0p
Adjusted diluted earnings per share before amortisation of intangibles	13	4.7p	2.9p

The post acquisition results of Paral Systems and related assets have not been shown separately in the results because it has been fully integrated into the existing Shipping Management business and it is not possible to separate turnover, profit or net assets.

The format of the profit and loss account has been amended for clarity of reading and ease of printing.

Statement of total group recognised gains and losses **for the year ended 31 March 2005**

	2005 £000	2004 £000
Profit for the financial year	2,764	2,112
Exchange adjustments offset in reserves	(178)	33
Total group recognised gains for the financial year	**2,586**	**2,145**

Consolidated and Company balance sheets **as at 31 March 2005**

		Group		Company	
	Note	2005 £000	2004 £000	2005 £000	2004 £000
Fixed assets					
Intangible assets	2	8,993	6,968	-	-
Tangible assets	3	523	923	289	640
Investments	4	-	-	22,101	17,556
		9,516	7,891	22,390	18,196
Current assets					
Inventory	5	87	176	75	147
Debtors	6	5,734	4,631	3,253	7,187
Bank balances and cash	7b	20,244	19,145	19,664	17,659
		26,065	23,952	22,992	24,993
Creditors : amounts falling due within one year	7a	10,715	11,067	4,912	4,873
Net current assets		**15,350**	**12,885**	**18,080**	**20,120**
Total assets less current liabilities		**24,866**	**20,776**	**40,470**	**38,316**
Provisions for liabilities and charges	17	1,522	755	1,246	414
Net assets		**23,344**	**20,021**	**39,224**	**37,902**
Capital and reserves					
Called up share capital	8	787	775	787	775
Share premium account	9	38,239	38,212	38,239	38,212
Merger reserve	9	976	278	976	278
Profit and loss account	9	(16,658)	(19,244)	(778)	(1,363)
Equity shareholders' funds		**23,344**	**20,021**	**39,224**	**37,902**

The financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the reconciliation of movements in Group shareholders' funds, the consolidated cash flow statement, the statement of total Group recognised gains and losses and related notes were approved by the board of Directors on 30 June 2005 and were signed on its behalf by:

Directors **G. L. Millward**

P. A. Nichols

Reconciliation of movements in group shareholders' funds **for the year ended 31 March 2005**

	2005 £000	2004 £000
Profit on ordinary activities after taxation	2,764	2,112
Exchange adjustments offset in reserves	(178)	33
Proceeds of ordinary shares issued for cash (note 8,9)	28	30
Shares issued in lieu of services provided (note 8)	5	5
Nominal value of ordinary shares issued for acquisitions (note 8)	11	5
Premium on ordinary shares issued for acquisitions (note 9)	697	278
Share issue expenses (Acquisition)	(4)	(4)
Net increase in shareholders' funds	**3,323**	**2,459**
Opening equity shareholders' funds	20,021	17,562
Closing equity shareholders' funds	**23,344**	**20,021**

Consolidated cash flow statement **for the year ended 31 March 2005**

	2005 £000	2004 £000
Net cash inflow from operating activities (note A)	2,184	1,271
Returns on investments and servicing of finance (note B)	742	840
Taxation	13	(40)
Capital expenditure and financial investment (Note B)	177	(178)
Acquisitions and disposals (Note B)	(2,021)	(4,837)
Cash inflow/(outflow) before use of liquid resources and financing	**1,095**	**(2,944)**
Management of liquid resources (Note B)	2,321	3,324
Financing (Note C)	24	26
Net increase in cash	**3,440**	**406**

Reconciliation of net cash flow to movement in net funds (Note D)	2005 £000	2004 £000
Increase in cash in the year	**3,440**	**406**
Cash inflow from movement in liquid resources	(2,321)	(3,324)
Change in net funds resulting from cash flows	**1,119**	**(2,918)**
Exchange movements	(20)	(105)
Movement in net funds in the year	**1,099**	**(3,023)**
Net funds at 1 April 2004	19,145	22,168
Net funds at 31 March 2005	**20,244**	**19,145**

Notes to the consolidated cash flow statement

A. Reconciliation of operating profit to net cash inflow from operating expenses

	2005 £000	2004 £000
Operating profit	1,225	776
Depreciation charges	454	662
Amortisation of goodwill and intangibles	1,034	179
Loss on sale of tangible fixed assets	-	7
Decrease in inventory	89	100
(Increase)/decrease in debtors	(1,151)	501
Increase/(decrease) in creditors	533	(954)
Net cash inflow from operating activities	**2,184**	**1,271**

B. Analysis of cash flows for headings netted in the cash flow statement

	2005 £000	2004 £000
Returns on investments and servicing of finance		
Interest received	742	840
Net cash inflow	**742**	**840**
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(400)	(178)
Proceeds from sale of tangible fixed assets	577	-
Net cash inflow/(outflow)	**177**	**(178)**

Notes to the consolidated cash flow statement cont.

Acquisitions

	2005 £000	2004 £000
Purchase of subsidiary undertakings (note 18)	(1,026)	(5,576)
Acquisition expenses	(135)	(189)
Net cash acquired with subsidiary undertakings	14	(364)
Settlement of deferred consideration in respect of acquisitions made in previous years	(702)	-
	(1,849)	(6,129)

Disposals

	2005 £000	2004 £000
Sale of discontinued operations:		
Deferred consideration in respect of sale of discontinued business	-	1,079
	-	1,079
Other disposals	(172)	213
Net cash outflow	**(2,021)**	**(4,837)**

Management of liquid resources

	2005 £000	2004 £000
Cash withdrawn from short-term deposits	2,321	3,324
Net cash inflow	**2,321**	**3,324**

C. Financing

	2005 £000	2004 £000
Issue of ordinary share capital	28	30
Share issue costs - Acquisition	(4)	(4)
Net cash inflow	**24**	**26**

D. Analysis of net funds

	Cash £000	Short term deposits £000	Net funds £000
At 1 April 2004	623	18,522	19,145
Cashflow	3,440	(2,321)	1,119
Exchange movements	(2)	(18)	(20)
At 31 March 2005	**4,061**	**16,183**	**20,244**

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Set out below is a summary of the more important accounting policies, which have been applied consistently compared to the prior year. The format of the profit and loss account has been amended for clarity of reading and ease of printing.

a) Accounting convention

The financial statements have been prepared under the historical cost convention.

b) Consolidation policy

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. The financial statements of each company in the Group have been prepared to 31 March 2005. The results of subsidiary undertakings have been included from the date of acquisition or up to the date of disposal being the date control passes. All intra-group profits and trading are eliminated on consolidation. The parent Company has not presented its own profit and loss account, as permitted by section 230 of the Companies Act 1985. The post acquisition results of Paral Systems and related assets have not been shown separately in the results because it has been fully integrated into the existing Shipping Management business.

c) Intangible assets

Goodwill is stated at cost less accumulated amortisation and where appropriate impairment in value. Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising prior to 1 April 1997 has been written off to reserves. Goodwill arising since that date has been capitalised and is being written off on a straight line basis over its expected useful economic life in accordance with FRS10. The expected useful economic life for the acquisition during the year is 10 years, which is the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Amortisation is calculated to write off the cost of the intangible assets on a straight line basis over their expected useful economic lives, for each individual asset, in accordance with FRS10. The expected useful economic life for intangibles has been considered by the Directors to be 10 years.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full accounting period following acquisition; and

- annually thereafter if events or changes in circumstances indicate that the carrying value may not be recoverable.

d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or fair value when acquired, less depreciation and, when appropriate, provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets less estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used from date of purchase are:

Freehold and leasehold buildings	2%
Leasehold improvements	10-20% (or the lease term if shorter)
Office equipment	33%
Fixtures and fittings	20%
Motor vehicles	25%

Freehold land is not depreciated.

e) Investments

Investments are included in the balance sheet at cost less amounts written off, representing impairment in value. Impairment charges are recorded if events or changes in circumstances indicate that the carrying value may not be recoverable and are charged to the profit and loss account.

f) Inventory and work in progress

Inventory and work in progress is stated at the lower of cost and net realisable value after making allowance for slow-moving and obsolete inventory. Cost of finished goods is based on purchase price on a first in first out basis. Work in progress is the deferred cost of employee time based on time sheeted hours. This is recognised on contracts that are expected to be profitable and for which there is reasonable certainty as to the final outcome of the contract.

g) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into sterling at the monthly average exchange rate. The assets and liabilities are translated at rates of exchange ruling at the end of the financial year. Differences on exchange arising from the retranslation of the net investment in overseas subsidiary undertakings are taken to reserves and are reported in the statement of total recognised gains and losses. Other foreign exchange gains and losses are taken to the profit and loss account in the year in which they arise.

h) Turnover

Turnover is calculated net of value added tax and represents the total amount receivable by the group in respect of the sale of software licenses, customised software, hardware and fees derived from installation, consultancy, training, hosting, network usage and support. Revenue is generally recognised when a contract exists, delivery has occurred and the fee is fixed or determinable.

Income from the sale of software licenses, customised software, hardware and installation is recognised upon shipment to a customer when the significant risks and rewards of ownership have been transferred to the buyer or on a percentage complete basis provided there is significant certainty of customer acceptance. Income from training and consultancy is recognised on performance of the service and support is generally invoiced in advance, termed 'deferred income', and taken to income in equal monthly instalments over the relevant periods. Income from hosting and network usage is recognised in the month of usage or at the end of the contract period and income from Mailbox rentals is recognised in equal monthly instalments over the rental period or on a usage basis where more appropriate.

i) Deferred taxation

Deferred tax is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

j) Development expenditure

Expenditure related to the development of the group's products is written off to the profit and loss account as it is incurred.

k) Pension costs

The Group operates a number of defined contribution pension schemes. The charge against the profit and loss account is the amount of contributions payable to the pension schemes in respect of the accounting period.

l) Operating leases

The amounts payable under operating leases are charged to the profit and loss account in the year in which they are incurred. Rent free periods or any inducement to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

m) Financial instruments

The Group's financial assets and liabilities are recorded at historic cost or fair value, apart from assets and liabilities of overseas subsidiary undertakings which are translated into sterling at rates ruling at the balance sheet date. Income and expenditure arising on financial instruments is recognised on an accruals basis and taken to the profit and loss account in the financial period in which it arises.

n) Related party transactions

FRS 8 Related Party Transactions' requires disclosure of the details of material transactions between the Company and related parties. The Company has taken advantage of the exemptions within FRS 8 not to disclose transactions between Group companies.

o) Provisions

Provisions in respect of liabilities are made in accordance with FRS 12 and are discounted where the effect is material.

2. Intangible fixed assets

Movements during the year are summarised as follows:

	Group Goodwill £000
Group	
Cost	
At 1 April 2004	7,147
Additions (note 18)	3,214
Foreign exchange differences	(173)
At 31 March 2005	**10,188**
Amortisation	
At 1 April 2004	179
Amortisation	1,034
Foreign exchange differences	(18)
At 31 March 2005	**1,195**
Net book value	
At 1 April 2004	6,968
At 31 March 2005	**8,993**

3. Tangible fixed assets

Movements during the year are summarised as follows:

	Freehold Property £000	Leasehold Improvements £000	Fixtures Fittings and Equipment £000	Total £000
Group				
Cost				
At 1 April 2004	435	194	3,533	4,162
Acquisition	-	-	63	63
Additions	-	16	384	400
Disposals	(435)	-	(246)	(681)
Foreign exchange differences	-	(5)	(73)	(78)
At 31 March 2005	**-**	**205**	**3,661**	**3,866**
Depreciation				
At 1 April 2004	45	192	3,002	3,239
Charge for the year	8	1	445	454
Disposals	(53)	-	(230)	(283)
Foreign exchange differences	-	(5)	(62)	(67)
At 31 March 2005	**-**	**188**	**3,155**	**3,343**
Net book value				
At 1 April 2004	390	2	531	923
At 31 March 2005	**-**	**17**	**506**	**523**
Company				
Cost				
At 1 April 2004	435	-	1,450	1,885
Additions	-	-	183	183
Disposals	(435)	-	(86)	(521)
At 31 March 2005	**-**	**-**	**1,547**	**1,547**
Depreciation				
At 1 April 2004	45	-	1,200	1,245
Charge for the year	8	-	129	137
Disposals	(53)	-	(71)	(124)
At 31 March 2005	**-**	**-**	**1,258**	**1,258**
Net book value				
At 1 April 2004	390	-	250	640
At 31 March 2005	**-**	**-**	**289**	**289**

Notes to the financial statements for the year ended 31 March 2005

4. Investments

	Company £000
Investments in shares in subsidiary undertakings	
At 1 April 2004	17,556
Additions during the year	4,864
Impairments	(319)
At 31 March 2005	**22,101**

The principal subsidiary undertakings of the group as at 31 March 2005 were as follows:

TRADING AND NON-TRADING	Country of incorporation/ registration	% of equity and voting rights held at 31 March 2005
Kewill Systems, Inc	USA	100
Kewill Solutions North America, Inc a)	USA	100
TradePoint Systems LLC a)	USA	100
TradePoint Systems Ltd	England & Wales	100
TradePoint Systems BV a)	Netherlands	100
Kewill GMBH	Germany	100
Kewill Solutions Espana SL	Spain	100
Scott-Anglia Holdings Limited b)	England and Wales	100
Meadowhouse Bar-Laser Limited b) c)	England and Wales	100
Kewill Solutions India Pvt. Ltd	India	100

The above companies operated principally in their countries of incorporation/registration and have March year ends.
The principal nature of business of trading subsidiary undertakings is the development and/or distribution of computer software and associated services.

a) shares owned by subsidiary undertaking;
b) non-trading subsidiary undertakings where trading continues in Kewill Systems plc;
c) 25% of shares are owned by Kewill Systems plc and 75% by the immediate parent company;

5. Inventory

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Work-in-progress	-	117	-	88
Finished goods	87	59	75	59
	87	**176**	**75**	**147**

There was no significant difference between the replacement cost of finished goods and work-in-progress and the value indicated in the financial statements.

6. Debtors

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Trade debtors	4,920	3,841	2,139	1,916
Amounts owed by subsidiary undertakings	-	-	839	5,025
Other debtors	381	393	61	99
Prepayments and accrued income	433	397	214	147
	5,734	**4,631**	**3,253**	**7,187**

There are no material balances due after more than one year of the balance sheet date.

7a. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade creditors	1,007	822	634	384
UK Corporation tax	135	4	95	-
Other taxes and social security costs	669	914	395	267
Deferred consideration for acquisitions	-	716	-	716
Other creditors	184	446	145	27
Accruals	2,320	2,649	942	1,091
Deferred income	6,400	5,516	2,701	2,388
	10,715	**11,067**	**4,912**	**4,873**

7b. Financial instruments and risk management

Treasury management

The Group centrally manages cash, investing of surplus funds and managing and reducing financial risks. The objective is to provide efficient cash and tax management and cost effective core funding to operating businesses and this is undertaken by centrally pooling of surplus funds and via the use of intra-group loans.

The Group's financial instruments comprise cash and liquid resources, along with various items, such as trade debtors and trade creditors and provisions. The Group policy does not permit entering into speculative trading of financial instruments and this policy has continued to be applied throughout the year.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and interest rate risk. The Group monitors these risks primarily through cashflow forecasting and sensitivity analysis.

The Board reviews and agrees policies for managing each of the risks identified below and the policies to manage these risks have remained the same throughout the year and since the year end.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures other than the financial assets and liabilities risk disclosures.

Liquidity risk

The Group has historically financed its operations through a mixture of retained profits, new equity and bank borrowings. The Group has continued with its policy of ensuring that there are sufficient funds available to meet the expected funding requirements of the group operations and investment opportunities. The Group continues to monitor its liquidity position through cashflow forecasting.

Foreign currency risk and hedging

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets and results into sterling for accounting purposes. Following the repayment of long term borrowings in 2001/02, the overseas investments are no longer hedged. The Board regularly considers the issue of such balance sheet exposure. In addition translation exposures on fund transfers between Group countries are managed by reviewing movements on exchange rates.

Interest rate risk

Net interest receivable reflects the underlying returns on investments. Interest rate risk is managed by cashflow forecasting and through discussions with the Group's bankers.

Interest income is generated from cash and short term deposits held by the Group. The majority of funds during the year were held in short term fixed interest deposits. These consisted of both certificates of deposits and fixed rate bank deposits which mature within one year.

Notes to the financial statements **for the year ended 31 March 2005**

Financial assets

The interest rate profile of the Group's financial assets at 31 March 2005 was:

		Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Average fixed interest %
Cash		Sterling	985	985	-	
		US Dollar	2,756	2,756	-	
		Euros	315	315	-	
		Indian Rupee	5	5	-	
	Short term deposits	Sterling	15,968	-	15,968	4.47%
		US Dollar	215	-	215	1.00%
Total at 31 March 2005			**20,244**	**4,061**	**16,183**	
Cash		Sterling	5	5	-	
		US Dollar	307	307	-	
		Euros	311	311	-	
Short term deposits		Sterling	17,781	-	17,781	3.64%
		US Dollar	741	-	741	1.00%
Total at 31 March 2004			**19,145**	**623**	**18,522**	

The average investment period for the fixed rate short term deposits was less than one month for the Euro and Dollar short term deposits and three to six months for the sterling deposits (2004: 3 to 6 months).

Floating rate cash earns interest based on relevant national interest rates.
The fair value of the financial assets approximates to their book values.

There are debtors in the company accounts where the functional currency is sterling, owed by subsidiary undertakings totalling £839,000 (2004: £5,025,000), £604,000 (2004: £4,477,000) of which are denominated in US dollars, £224,000 (2004: £548,000) in Euros and £11,000 (2004: £0) in Indian Rupees.

Financial liabilities

The provisions for liabilities and charges are financial liabilities on which no interest is paid, of which £521,000 matures within 1 year (2004: £684,000), £511,000 matures in between 1 and 2 years (2004: £71,000), and £490,000 matures in between 2 and 3 years.

The fair value of the financial liabilities approximate to their book value.

Borrowing facilities

At 31 March 2005 the Group had no undrawn borrowing facilities.
All the Group's creditors falling due within one year are excluded from financial liabilities.

Unhedged financial assets and liabilities

There are no liabilities not denominated in the functional currency of the Company or its subsidiaries.

The following assets were held at 31 March 2005 which were not held in the functional currency of the Company or its subsidiaries:

	Functional currency	Currency	Total £000	Floating rate financial assets £000
	Sterling	US Dollar	2,658	2,658
	Sterling	Euros	245	245
Total at 31 March 2005			**2,903**	**2,903**
	Sterling	US Dollar	7	7
	Sterling	Euros	5	5
Total at 31 March 2004			**12**	**12**

8. Called up share capital

	2005 Number	2005 £000	2004 Number	2004 £000
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Issued, allotted, called up and fully paid:				
Ordinary shares of 1p each	78,709,272	787	77,502,799	775

During the year 1,206,473 ordinary shares of 1p each were issued at an aggregate nominal value of £12,065 and at a premium of £729,584. Of these 100,500 were issued in relation to share option schemes resulting in consideration of £28,204 and 8,000 in relation to payment in lieu of services with a value of £5,000 and 1,097,973 in relation to the acquisition of Paral Systems Software Pvt. Ltd with a value of £708,445.

Ordinary shares over which options have been granted under the senior executive share option schemes at 31 March 2005 total 4,230,896. These options may be exercised at prices between 18.75p and 79.4p on various dates between June 2004 and January 2014.

Senior executive share option scheme

Options to subscribe under various schemes for ordinary shares of 1p, including those noted in Directors' interests in the remuneration report on page 8 are shown in the table below:

	Date options granted	Exercise price per share (pence)	Exercisable from	Exercisable to	2005 Numbers	2004 Numbers
Senior Staff	27 Jun 2001	76.00	26 Jun 2004	26 Jun 2011	274,416	454,000
	8 Jul 2002	20.75	7 Jul 2005	7 Jul 2012	61,000	82,500
	19 Aug 2002	18.75	18 Aug 2005	18 Aug 2012	1,264,000	1,264,000
	2 Dec 2002	28.10	1 Dec 2005	1 Dec 2012	721,000	867,000
	8 Jan 2003	28.10	7 Jan 2006	7 Jan 2013	665,480	665,480
	28 Jan 2004	79.40	27 Jan 2007	27 Jan 2014	1,245,000	1,405,000
Total					**4,230,896**	**4,737,980**

During the year no options were granted, 100,500 were exercised and 406,584 lapsed.

9. Reserves

Group	Share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
At 1 April 2004	775	38,212	278	(19,244)	20,021
Issue of ordinary share capital	12	31	698	-	741
Share issue expenses (Acquisition)	-	(4)	-	-	(4)
Retained profit for the year	-	-	-	2,764	2,764
Exchange loss	-	-	-	(178)	(178)
At 31 March 2005	**787**	**38,239**	**976**	**(16,658)**	**23,344**
Company	£000	£000	£000	£000	£000
At 1 April 2004	775	38,212	278	(1,363)	37,902
Issue of ordinary share capital	12	31	698	-	741
Share issue expenses (Acquisition)	-	(4)	-	-	(4)
Retained profit for the year	-	-	-	585	585
At 31 March 2005	**787**	**38,239**	**976**	**(778)**	**39,224**

The profit of the parent company attributable to ordinary shareholders for the financial year is £585,000 (2004: £362,000).
The cumulative amount of goodwill written off to reserves in earlier financial years is £3,356,000 (2004: £3,356,000).

Notes to the financial statements for the year ended 31 March 2005

10a. Segmental analysis

Turnover and profit/(loss) are attributable to the one activity of the group, the provision of computer software and associated services.

Geographical and Divisional analysis	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
	Europe		USA		Total Group	
Turnover						
Order Management and Visibility	8,280	8,498	-	-	8,280	8,498
Shipping Management	-	-	10,833	11,923	10,833	11,923
International Trade Management	1,092	372	6,475	1,354	7,567	1,726
Total turnover	**9,372**	**8,870**	**17,308**	**13,277**	**26,680**	**22,147**
Operating profit before amortisation of intangibles						
Order Management and Visibility	1,090	473	-	-	1,090	473
Shipping Management	-	-	1,464	1,633	1,464	1,633
International Trade Management	13	106	877	75	890	181
	1,103	579	2,341	1,708	3,444	2,287
Group administration costs	-	-	-	-	(1,185)	(1,332)
Total operating profit before amortisation of intangibles	**1,103**	**579**	**2,341**	**1,708**	**2,259**	**955**
Amortisation of intangibles	**(77)**	**(22)**	**(957)**	**(157)**	**(1,034)**	**(179)**
Operating profit						
Order Management and Visibility	1,090	473	-	-	1,090	473
Shipping Management	-	-	1,164	1,633	1,164	1,633
International Trade Management	(64)	84	220	(82)	156	2
	1,026	557	1,384	1,551	2,410	2,108
Group administration costs	-	-	-	-	(1,185)	(1,332)
Total operating profit	**1,026**	**557**	**1,384**	**1,551**	**1,225**	**776**
Profit before tax						
Order Management and Visibility	1,090	473	-	-	1,090	473
Shipping Management	-	-	1,164	1,633	1,164	1,633
International Trade Management	(64)	84	220	(82)	156	2
Group administration costs	-	-	-	-	(1,185)	(1,332)
Profit on sale of properties in continuing operations	179	-	-	-	179	-
Profit/(loss) on disposal of discontinued operations	283	(5)	14	-	297	(5)
Net interest receivable	-	-	-	-	742	758
Profit before tax	**1,488**	**552**	**1,398**	**1,551**	**2,443**	**1,529**
Net assets						
Order Management and Visibility	(1,310)	(1,639)	-	-	(1,310)	(1,639)
Shipping Management	-	-	(6,174)	(7,423)	(6,174)	(7,423)
International Trade Management	(45)	(33)	394	(288)	349	(321)
Group	36,509	35,242	(6,030)	(5,838)	30,479	29,404
Total net assets	**35,154**	**33,570**	**(11,810)**	**(13,549)**	**23,344**	**20,021**

Excluded from operating costs and operating profits are inter segmental development expenditure of £172,000 (2004: £23,000) between the USA and the UK respectively. Other than this turnover analysis by geographical destination is not significantly different from geographical origin.

Operating expenses relate to administration expenses with an immaterial amount relating to distribution costs.

10b. Profit on ordinary activities before taxation

		2005 £000	2004 £000
Group profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration - group		175	168
Auditors' remuneration - parent company		115	103
Non audit fees paid to the UK auditors	- Tax services (advisory)	6	8
	- Other services	31	37
Non audit fees paid to overseas auditors	- Tax services	34	74
	- Other services	-	81
Depreciation of tangible fixed assets		454	662
Loss on disposal of fixed assets		-	7
Amortisation of intangibles		1,034	179
Operating lease rentals	- land and buildings	752	650
	- other assets	32	8
Research & development		2,459	2,127

11. Net interest receivable

	2005 £000	2004 £000
Interest receivable on cash and short term deposits	742	758
Net interest receivable	**742**	**758**

12a. Tax on profit on ordinary activities

	2005 £000	2004 £000
UK corporation tax at 30% (2004: 30%)	116	-
Adjustment to tax charge in respect of prior years	19	-
Release of UK tax relating to an over-provision from prior years	-	(584)
Total UK Tax	135	(584)
Overseas state taxes	82	1
Release of overseas tax relating to an over-provision from prior years	(538)	-
Total overseas tax	(456)	1
Total tax: UK and overseas	**(321)**	**(583)**

12b. Reconciliation of current tax

The actual tax charge for the current and prior year differs from the weighted average rate for the reasons set out in the following reconciliation:

	2005 £000	2004 £000
Profit on ordinary activities before tax	2,443	1,529
Tax on profit on ordinary activities at weighted average rate	798	515
Factors affecting charge for the period:		
Impairment and amortisation charges	(495)	(638)
Disallowable expenditure/permanent differences/state taxes	132	(1)
Capital allowances for period in excess of depreciation	(201)	(149)
Adjustment to tax charge in respect of prior years	(519)	(584)
Short-term timing differences	(66)	(245)
Unrecognised deferred tax asset in respect of trading losses	44	540
Effect of marginal relief	(4)	-
Effect of tax holiday	(10)	-
Utilisation of brought forward trading losses	-	(21)
Total actual amount of current tax	**(321)**	**(583)**

UK figures use a tax rate of 30% and the US figures use a rate of 34%, the weighted average rate for the tax for the group for the year is 32.7% (2004: 33.7%).

12c. Unrecognised deferred tax asset

The group has an unprovided deferred tax asset of £18,468,000 (2004: £21,676,000) as follows:

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Accelerated depreciation and amortisation of tangible and intangible fixed assets	13,013	14,931	508	527
Short term timing differences	1,330	1,506	-	-
Unrecognised deferred tax asset in respect of trading losses	4,068	4,623	912	1,170
Unrecognised deferred tax asset in respect of capital losses	57	616	57	616
	18,468	**21,676**	**1,477**	**2,313**

The tax charge in future periods will be affected by the utilisation of brought forward trading losses.

13. Earnings per share

Earnings per share has been calculated on the profit on ordinary activities after tax divided by the weighted average number of shares in issue during the period based on the following:

	Results before amortisation and impairment Year to 31 March 2005 £000	Amortisation of intangibles Year to 31 March 2005 £000	Consolidated profit and loss Year to 31 March 2005 £000	Results before amortisation and impairment Year to 31 March 2004 £000	Amortisation of intangibles Year to 31 March 2004 £000	Consolidated profit and loss Year to 31 March 2004 £000
Profit on ordinary activities after tax	3,798	(1,034)	2,764	2,291	(179)	2,112
Average number of shares in issue	78,552,224	78,552,224	78,552,224	77,038,947	77,038,947	77,038,947
Effect of dilutive options	1,779,249	1,779,249	1,779,249	1,608,580	1,608,580	1,608,580
Average number of shares in issue plus dilutive options	80,331,473	80,331,473	80,331,473	78,647,527	78,647,527	78,647,527
	Adjusted EPS		EPS	Adjusted EPS		EPS
Basic earnings per share	4.8p	(1.3p)	3.5p	3.0p	(0.3p)	2.7p
Diluted earnings per share	4.7p	(1.3p)	3.4p	2.9p	(0.2p)	2.7p

Earnings per share before amortisation of intangible assets has been disclosed as the directors consider this provides a more relevant performance indicator.

14. Employees

The average monthly number of Group employees, including executive Directors, during the year was as follows:

	2005 Number	2004 Number
Technical and sales	332	239
Administrative	51	33
Total employees	**383**	**272**

Staff costs during the year, including executive directors excluding contractors, amounted to:

	2005 £000	2004 £000
Wages and salaries	13,904	11,464
Social security costs	2,015	1,826
Other pension costs	271	251
National insurance on share options	(109)	124
Total staff costs	**16,081**	**13,665**

15. Pension Scheme Costs

The Group operates a number of defined contribution schemes in the United Kingdom and the USA. The total contributions payable in respect of these schemes amounted to £271,000 (2004:£251,000). There were neither outstanding nor prepaid contributions at 31 March 2005 in respect of the above schemes.

16. Financial Commitments

At 31 March 2005 the Group was committed to making the following payments during the next year in respect of operating leases expiring:

	Land and Buildings		Other Assets	
	2005 £000	2004 £000	2005 £000	2004 £000
Within one year	114	6	8	1
In the second to fifth years inclusive	583	674	17	24
After five years	22	22	-	-
	719	**702**	**25**	**25**

17. Provisions for liabilities and charges

	Group				Company			
	Aquisitions £'000	Restructuring £'000	Legal £'000	Total	Aquisitions £'000	Restructuring £'000	Legal £'000	Total £'000
At 1 April 2004	-	353	402	755	-	134	280	414
Contingent consideration accrued on acquisitions	1,424	-	-	1,424	1,210	-	-	1,210
Utilised during the year	-	(255)	(402)	(657)	-	(98)	(280)	(378)
At 31 March 2005	**1,424**	**98**	**-**	**1,522**	**1,210**	**36**	**-**	**1,246**

The Group has a £98,000 provision in respect of restructuring costs of which £70,000 is related to 2 onerous property leases and £28,000 in respect of additional redundancy cost claims. The Directors believe all outstanding claims will be settled within the next 12 months. The Group's vacant leasehold properties comprise a building in the US and a building in the UK. Full provision for the Group's lease commitments has been made in respect of the US property for the unexpired period of the lease. In addition the Directors have provided £8,000 in respect of lease costs for the UK property.

18. Acquisitions

On 8 April 2004 the Group acquired the whole of the share capital of Paral Systems Software Pvt Limited together with some assets from Shipnow Global Holdings Limited. The business has been fully integrated into the Shipping Management division and no separate measurements exist for the purchased business.

An analysis of the net assets acquired is as follows;

Acquisition - fair values	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Tangible fixed assets	63	-	63
Debtors	15	-	15
Cash	14	-	14
Creditors	(13)	-	(13)
Net assets acquired	79	-	79
Goodwill			3,000
Consideration			**3,079**

Satisfied by;	
Cash	1,026
Related costs of acquisition	135
Contingent consideration	1,210
Shares issued	708
Total	**3,079**

No fair value adjustments were required to be made to the assets acquired.

In its last financial year to 31 March 2004, Paral Systems made a profit after tax and interest of £22,000. Paral Systems was subsequently acquired during the first working days of its next accounting period, as such there was no material trading recorded before inclusion as subsidiary within the Group.

The contingent is payable upon the achievement of certain minimum targets. This represents the minimum amount that is reasonably expected to be payable. Further performance related payments up to a maximum of $9,000,000 may become payable between the date of aquisition and 7 April 2007. An estimate of the contingent consideration is shown in the fair value table above and in Provisions for liabilities and charges, see note 17. This estimate of the contingent consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

As well as the Paral and Shipnow acquisition, during the year an additional £214,000 contingent consideration was accrued and included within the TradePoint goodwill balance.

Report of the independent auditors

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the reconciliation of movements in Group shareholders' funds, the consolidated cash flow statement, the statement of total Group recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the annual review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' remuneration report. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

1 July 2005

Notice of annual general meeting

Notice is hereby given that the 2005 Annual General Meeting (the "Meeting") of Kewill Systems plc will be held on Thursday 15 September 2005 at 10.30 am at Kewill Systems plc, Centurion House, London Road, Staines, Middlesex TW18 4AX at which the following resolutions will be proposed:

Ordinary Business

1. To receive and adopt the audited financial statements of the Company for the year ended 31 March 2005 together with the reports of the Directors and the Auditors thereon.
2. To approve the Directors' remuneration report for the year ended 31 March 2005.
3. To re-elect Andy Roberts as a Director of the Company for a further term of one year.
4. To re-elect Tom Angear as a Director of the Company for a further term of one year.
5. That PricewaterhouseCoopers LLP be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the Directors be authorised to fix the auditors' remuneration.

Special Business

As special business, to consider and, if thought fit, to pass the following resolutions - resolution 6 being proposed as an ordinary resolution and resolutions 7 to 8 (inclusive) as special resolutions.

6. General power of allotment. That, in substitution of all previous authorities conferred upon the Directors to allot relevant securities (as defined in s80(2) of the Companies Act 1985 ("the Act")), the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of s80 of the Act to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £259,741 (representing 33% of the nominal value of the share capital of the Company in issue as at the date of this notice), such authority to expire (unless previously renewed, revoked, varied or extended) at the conclusion of the annual general meeting of the Company next following the meeting at which this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to such an offer or agreement as if the power conferred hereby had not expired.

7. Authority to repurchase shares. That the Company be and is hereby generally and unconditionally authorised in accordance with s166 of the Act to make market purchases (within the meaning of s163 of the Act) of shares in the capital of the Company ("Shares") provided that: (a) the maximum aggregate number of Shares hereby authorised to be purchased is 3,935,464; (b) the maximum price which may be paid for a Share is an amount equal to 105 per cent. of the average of the middle market quotations for a Share (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding the day on which the Share is purchased, exclusive of expenses; (c) the minimum price which may be paid for a Share is its nominal value, exclusive of expenses; (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company, unless such authority is renewed, revoked, varied or extended prior to such time; and, (e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Shares in pursuance of any such contract.

8. Authority to allot shares. That, subject to and conditional upon the passing of resolution number 6 above, the Directors be and are hereby empowered in accordance with s95 of the Act to allot equity securities (as defined in s94(2) of the Act) pursuant to the authority conferred by resolution number 6 above, and/or where such allotment constitutes an allotment of equity securities by virtue of s94(3A) of the Act, as if s89(1) of the Act did not apply to any such allotment provided that this power should be limited to: (a) the allotment of equity securities in connection with an offer of such securities by way of rights in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders (excluding any shares held by the Company as treasury shares (within the meaning of s162A(3) of the Act) are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions as the Directors may deem necessary or expedient to deal, inter alia, with shares representing fractional entitlements or legal or practical problems arising under the laws of, or the requirements of a recognised regulatory body or a stock exchange in, any territory; and, (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities which are, or are to be, wholly paid up in cash up to an aggregate nominal amount of £39,355, being 5% of the nominal value of the issued share capital of the Company as shown in the audited financial statements for the year ended 31 March 2005; and (unless previously renewed, revoked, varied or extended) shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Richard Allan

30 June 2005

NOTES

1. A member of the Company who is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. To be effective, instruments of proxy must be received by the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH not less than 48 hours before the time appointed for holding the Meeting.

2. A Form of Proxy for use by ordinary shareholders is enclosed.

3. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and Public holidays excluded) will also be available for inspection at the place of the Annual General Meeting from 15 minutes before the Meeting until the conclusion of the Meeting: copies of the service contracts of the executive Directors of the Company; the memorandum & articles of association of the Company; and the register of interests of the Directors (and their families) in the share capital of the Company.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 10.30 am on 13 September 2005 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 10.30 am on 13 September 2005 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. Resolution 2 – Shareholders are invited to vote on the Directors remuneration report which is set out in pages 9 to 12 of the annual report. Such a vote is advisory only.

6. Resolutions 3 & 4 – Short-form biographical details for all the Directors are contained at page 6 of the Annual Report and Accounts. Shareholders may also wish to consider the following:

Andy Roberts. Andy has served on the Board since April 1997 and as chairman since April 1998. He has guided a number of companies through periods of restructuring and achieved successful outcomes for shareholders over the last few years. He also holds the position of non-executive chairman of FTSE listed Vega Group plc and is a non-executive director of several private software and consultancy companies. There has been no material changes in Andy's level of committment to such companies in the last financial year. The SNED (Charles Alexander) confirms that following internal performance evaluation, the Board considers that Andy Robert's performance continues to be effective and that he continues to demonstrate commitment to the role, including commitment of time for Board and committee meetings and any other duties. It is proposed that Andy will be elected for a further term of one year as, with effect from April 2006, he will have served 9 years as a Director of the Company and it is anticipated that thereafter he will be subject to re-election for terms of one year only in line with the Company's policy for non-independent NEDs.

Thomas Angear. Tom has served on the Board since the acquisition by Kewill of the company of which he was chairman, Omicron Management Software Ltd. The Board believes that whilst Tom can no longer be formally deemed to be an independent director (as defined in the Code) he has been extremely valuable in providing M&A expertise during the preceding year and in generally providing a robust and challenging contribution to the board. Tom has extensive experience of handling complex multi-jurisdictional M&A transactions, having founded his own international mergers and acquisitions consultancy, M&A International. Prior to his sale of the consultancy business, it had completed in excess of 100 private and public transactions with particular focus on the UK and continental Europe. Tom has a degree in Industrial Economics from Nottingham University and gained an MBA from Cornell University where he was a Harkness Fellow. The chairman confirms that following internal performance evaluation, the Board considers that Tom Angear's performance continues to be effective and that he continues to demonstrate commitment to the role, including commitment of time for Board and committee meetings and any other duties.

7. Resolution 6 - Apart from the issue of securities on exercise of certain share options, the Directors have no present intention to exercise this authority following the passing of this resolution.

8. Resolution 7 - The Directors believe that it is advantageous for the Company to continue to have the flexibility to purchase its own shares and this resolution seeks authority from the shareholders to do so. The Directors would only exercise this authority after considering the effect on earnings per share and the benefits for shareholders generally. Subject to the Directors deciding to hold any such shares in treasury in accordance with the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, and shares purchased in this way would be cancelled and the number of shares in issue would be reduced accordingly.

9. Resolution 8 - Would renew the authority given to the Directors at the annual general meeting on 15th September 2005 and would be limited to 3,935,464 shares, representing 5% of the issued share capital at the date of this notice. It would also extend it to allow the Company to sell on a non pre-emptive basis any shares the Company holds in treasury for cash. As at the date of this notice, there were options outstanding over 4,154,896 shares, representing 5.3% of the Company's issued share capital. If the authority given by this resolution were to be fully used, these would represent 5.0% of the Company's issued share capital. There are no warrants outstanding.

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