



Kewill Systems plc
Annual Report and Accounts 2008



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The Year's Highlights

FINANCIAL HIGHLIGHTS

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

OPERATIONAL HIGHLIGHTS

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

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

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

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Registered Number 01037515

Kewill Systems plc is listed on the London Stock Exchange

Annual Review

OVERVIEW

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

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

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

Operating and Financial Performance

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

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

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

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

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

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

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

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

Continuing from our resumption of dividend payments last year, the Board proposes a final dividend of 0.5p per share, making a total dividend for the year of 0.75p per share which represents a 50% increase on last year's dividend. The dividend will be paid on 29 August 2008 to shareholders on the register as of 27 June 2008.

Growth Opportunities

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

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

Global Trade & Logistics

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

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

Service Logistics

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

Enterprise Shipping

ARC Advisory Group, in the Transportation Management Systems (TMS) Worldwide Outlook report published in 2007, stated that Parcel Shipping now accounts for 18.5% of a total TMS market that exceeded \$1bn at the end of 2006 and is forecast to reach \$1.5bn by 2011, a 7.3% CAGR. As transport costs continue

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to rise, due to increasing fuel costs, Enterprise Shipping Management (ESM) solutions are becoming more important with businesses needing enterprise-wide global solutions to ensure they can track, evaluate and control shipping options across their geographically diverse business users. Kewill's continued investment in global carrier coverage and expansion in its international carrier capabilities has positioned us to grow opportunities across the parcel shipping market throughout the next and subsequent financial years. We signed development and marketing agreements with 3 regional carriers, Eastern Connections, Lone Star and OnTrac (formerly California Overnight). We also strengthened our channel for sales of our shipping solutions through SAP's distributors with a master reseller agreement with Blue Ocean and developed our relationship with HighJump, resulting in additional customers and software sales.

Retail

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

Insurance

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

Investment in New Products and Services

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

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

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

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

Enhancing Management & Processes

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

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

Future Prospects & Outlook

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

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

Paul Nichols
Chief Executive Officer
Kewill Systems plc
13 June 2008

Directors and Advisors

Charles Alexander (Senior Non-Executive Director)

Charles was appointed a non-executive director in April 2001. Charles is currently MD and Head of Origination and Client Coverage, NE Asia for Standard Chartered Bank, based in Hong Kong. Prior to this he was Managing Director and Head of Asia Corporate Finance Group at Lehman Brothers Asia Limited, and previously Co-head of Lehman Brothers European M&A based in London whereby he 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.

Richard Gawthorne (Non-Executive Director)

Richard was appointed to the board on 17 July 2006. He graduated with a BSc in Maths with Statistics from Bath University in 1972 and then qualified at Coopers & Lybrand before moving on to various roles in the industry. Between 1988 and 1993 Richard held finance director positions at Prudential Life and Pensions and at Prudential Corporate Pensions and then a chief executive role at Pegasus Assurance Group. Until recently he was chairman of the private company MatrixMicroscience Ltd and previously served as a non-executive director of the software company Smartstream Technologies Ltd and with 3i plc. (See also notes to AGM resolutions).

Guy Millward (Finance Director and Company Secretary)

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.

Paul Nichols (Chief Executive Officer)

Paul is Kewill's Chief Executive Officer. He 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.

Andy Roberts (Non-Executive Chairman)

Andy 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. (See also notes to AGM resolutions).

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Directors' Report

FINANCIAL STATEMENTS

The directors of Kewill Systems plc (the "Directors") submit their report and the audited financial statements of the Kewill Systems plc group (the "Group") for the year ended 31 March 2008 (the "Reporting Period").

Business Review

This review, together with the Annual Review, has been compiled as a Business Review in accordance with the requirements of the Companies Act 1985. The principal activities of the Group during the Reporting Period were and will continue to be the provision of computer software and associated services. Analysis of the development and performance of the Group during the financial year and its position at the end of the financial year, including relevant key performance indicators (principally revenue and profit before interest, tax and amortisation), is contained on pages 4 to 7. The principal risks and uncertainties associated with the Group's activities are discussed below. While measures are taken to mitigate these risks, an understanding of the key issues is required to better comprehend Kewill's business and performance.

Strategic Risks – the main strategic risks to Kewill's business are a macroeconomic downturn, increased competition and the consolidation of key customers.

Although an obvious comment, an economic slowdown may reduce the demand for Kewill's products and services and mean that growth in revenues and profits is reduced or reversed. Increased competition in the form of new entrants to Kewill's markets and new products and services from existing competitors could also reduce revenues and therefore profits. Consolidation among Kewill's customers could also reduce revenues as merged companies look for cost savings by reducing the number of systems they operate.

Operational Risks – the key operational risks involve the integration of acquisitions, the delivery of products and customer projects, key person loss and the litigious business environment in the USA.

Kewill has made several acquisitions in recent years and the integration of these acquisitions into the existing businesses is a key element of our strategy. Significant cost benefits can be gained from reducing the number of technologies currently supported and the creation of integrated global product sets will enhance revenue opportunities. If the integration of acquisitions is too slow or not achieved then revenues and profits could be reduced.

Kewill's revenue and profit projections depend heavily on the introduction of new products and the delivery of large projects to customers. If these are delayed then revenues and profits may be reduced. Delays can be often outside of Kewill's control and depend on customers' internal constraints or issues. Outsourcing and off-shoring of product development brings significant cost advantages, but also management challenges with remote staff and communications that can cause delays in product and project delivery. While seasonality does not change much from year to year in Kewill's businesses, it should be noted that Kewill's revenues and profits are weighted towards the second half of the financial year.

Each of Kewill's businesses relies on their staff to deliver the revenues and profits of the Group and to develop products each year. Loss of key staff in any of the divisions could lead to a reduction in both revenues and profits. This risk can be mitigated to an extent by key man insurance which the Group holds for executive directors.

The US business environment involves litigation on a scale not seen elsewhere in the world and Kewill experiences litigation in its US businesses as a regular occurrence. It results from specific features of the US legal and regulatory systems and can be characterised as a tax on doing business in the US. Regardless of its merits, litigation can tie up a large amount of key resources for long periods of time at the expense of revenue-generating activity and can be very costly in external legal fees and can therefore reduce revenues and profits. While the US software market has historically been a very profitable one for many software companies the effect of often-spurious litigation can be large and reduce the gains to be made.

Financial Risks – Kewill's internal control environment is detailed in the section of this annual report dealing with Corporate Governance. While the system of controls is designed to prevent financial loss, there can never be a 100% guarantee that this will not happen. The main external factors affecting financial measures are discussed above and to them can be added foreign exchange translation risk and changes in assumptions underlying the carrying value of certain group assets.

The Group has very few cross-border currency flows and so assets and liabilities in currencies other than sterling cannot be effectively hedged. Kewill completes a review of the carrying value of its assets annually, or more frequently where the circumstances require, assessing whether those carrying values can be supported by the future cash flows derived from such assets. This review examines the continued

appropriateness of the assumptions in respect of highly uncertain matters upon which the carrying values of certain of the Group's assets are based. This includes an assessment of discount rates and long term growth rates, future technological developments and timing and quantum of future expenditure (both capital and operational), as well as the factors which may affect revenues and profitability identified above. Due to the Group's substantial carrying value of goodwill and other intangible assets under IFRS, the revision of any of these assumptions to reflect current or anticipated changes in operations or the financial condition of the Group could lead to an impairment in the carrying value of certain assets in the Group. Whilst impairment does not impact reported cash flows, it does result in a non-cash charge in the income statement, and thus any future impairments would affect the reported profits and distributable reserves. In these increasingly difficult economic times, there is also increasing credit risk that customers will default on payments although the Group does not have a history of significant defaults.

Compliance Risks – the main area of risk for Kewill here is that external rules and regulations become overly onerous and costly to comply with for companies of Kewill's size. There is already a large administrative burden imposed on the company which is managed by a small group of staff and which reduces profits each year. Increases in this burden may require extra effort and thereby further decrease profits.

Financial Results and Dividends

A profit of £2,640,000 (FY06/07: £1,463,000) will be transferred to reserves. The board of Kewill Systems plc (the "Board") propose the payment of a final dividend of 0.5p per share making a total of 0.75p per share for the year (2006/07: 0.5p).

Research and Development

The level of development spend was £5.9 million in FY07/08 (FY06/07: £3.7 million). Some of this development is jointly funded by individual, or groups of users. All research and development expenditure is written off to the income statement as it does not meet the requirement for capitalisation under IFRS.

Financial Instruments

For information on the financial risk management strategy of the group and of the exposure of the group to currency risk, interest rate risk and liquidity risk please refer to note 17 of the financial statements.

Corporate Social Responsibility

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 whilst 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 were £25,327 (FY06/07: £10,816) and were made to charities our employees are involved in. 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 as at 31 March 2008 expressed in relation to the total amount invoiced by suppliers for goods and services during the year were equivalent to 52 (FY06/07: 38) creditor days.

- *Environmental Issues*

The nature of the Group's operational activities are of comparatively minimal environmental impact, and where necessary the business 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 Group has not adopted a formal environmental policy. However, the Group has implemented a number of environmental initiatives in that all offices either have, or are introducing, recycling (waste management) policies. The Group relies upon tight cost control to minimise, where possible, energy use and air travel and continues to believe that this is the most effective mechanism for reducing the environmental impact of the Group's operations. 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 the Group's products (i.e. replacement of labour intensive paper-based systems with electronic trading and shipping solutions), and it believes that any quantitative assessment would be difficult and prohibitively costly to conduct.

Re-election of Directors

It is the Board's policy that any non-executive director deemed non-independent under the 9-year rule should offer himself for re-election on an annual basis. Accordingly Andy Roberts retires and offers himself for re-election in accordance with the Board's policy that, as a non-independent director (having served in excess of 9 years on the board) he should offer himself for re-election annually. Richard Gawthorne retires by rotation and offers himself for re-election. He will have served for 2 years by the time of the 2008 AGM.

No director has a service contract or appointment terms in excess of one year. Further biographical details for Andy Roberts and Richard Gawthorne are given in the notes to the AGM resolutions on page 43.

Directors' Beneficial Interest in Shares

The beneficial interests of the Directors in the share capital of Kewill Systems plc (the "Company") as at 1 April 2007, 31 March 2008 and 13 June 2008, as recorded in the register of the Company in accordance with the provisions of the Companies Act 1985 (as amended) were as follows:

	Ordinary Shares of 1p each 13 June 2008	Ordinary Shares of 1p each 31 March 2008	Ordinary Shares of 1p each 01 April 2007
A.H.J.Roberts (non-executive chairman)	171,230	171,230	171,230
C.Alexander (non-executive)	58,420	58,420	51,000
P.A.Nichols	300,000	300,000	250,000
J.R.Gawthorne (non-executive)	30,000	30,000	30,000

Under the Performance Share Plan scheme certain executive directors have been granted awards which must be held for a minimum period of three years before exercise. 1,205,000 awards have been granted in the Reporting Period. Details of the Directors' awards together with performance criteria and scheme rules are set out in the remuneration report on pages 13 to 15.

Purchase of Own Shares

The Company maintains the right to purchase a certain number of its own shares. For details please see the notice of the AGM on page 43.

Substantial shareholders

	Number of Ordinary Shares held at 29 May 2008	% of total Ordinary Shares
AXA Framlington Investment Managers	9,715,800	11.96
Gartmore Investment Management	8,061,108	9.92
BlackRock Investment Management	6,617,080	8.14
JO Hambro Capital Management	4,404,411	5.42
Schroder Investment Management	3,447,890	4.24
Barclays Stockbrokers (ND)	3,190,434	3.93
River & Mercantile Asset Management	2,773,953	3.41
Canada Life	2,675,000	3.29

Share Capital

The Company has one class of share capital consisting of ordinary shares of 1p each. Every share has equal voting rights.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements in accordance with the applicable set of accounting standards to give a true and fair view of the assets, liabilities, financial position and profit or loss of the listed company and the undertakings included in the consolidation taken as a whole.

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 that the financial statements comply with IFRS as adopted by the European Union;
- 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, in which case there should be supporting assumptions or qualifications as necessary.

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

The management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The company is responsible for all information drawn up and made public in accordance with DTR paragraph 4.1.13.

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 and directors' remuneration report comply with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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 Directors' responsibilities.

Auditors

PricewaterhouseCoopers LLP are the auditors of Kewill Systems plc. For each of the persons who were directors at the time this report was prepared, the following applies:

- so far as the directors are aware, there is no relevant audit information (i.e. information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the board

Guy Millward

Company Secretary

13 June 2008

Remuneration Report

The remuneration report consists of non-auditable information with the exception of the sections entitled 'Directors' Detailed Emoluments and Remuneration Packages' and 'Interests in Share Options'. The various sections in the report are marked audited and un-audited as appropriate.

Remuneration Policy (un-audited)

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 Company's directors are intended to be competitive and comprise a mix of performance-related and base remuneration, aimed at incentivising 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.

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 principles of the Combined Code on Corporate Governance (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 budgeted operating 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.

Performance Share Plan (un-audited)

Following shareholder approval at the 2006 AGM, the longer-term performance-related element of the executive Directors and senior management remuneration packages is the Performance Share Plan.

The Company believes that the Performance Share Plan meets the prevailing best practice expectations of its shareholders in setting challenging performance targets, acting as a strong incentive and retention tool for key staff and will make better use of the Company's resources from an accounting and share usage perspective.

The company does not operate any other long-term incentive schemes, nor any defined benefit pension schemes.

Current share Options Schemes (un-audited) (replaced by the Performance Share Plan)

Following the approval of the Performance Share Plan, no grants have been made from the share options schemes.

Executive Director Service Agreements (un-audited)

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

Current executive Directors as at the date of publication:

Name	Contract date*	Notice period	Termination payment over and above notice period
Paul Nichols, CEO	27 March 2008	12 months	Nil
Guy Millward, Finance Director and Company Secretary	27 March 2008	12 months	Nil

* The contracts were updated on 27 March 2008 for changes to directors' duties brought in by the Companies Act 2006

Non-executive Directors' engagement terms (un-audited)

The standard Group engagement terms for non-executive directors ("NEDs") were reviewed and amended in March 2008 to bring them into line with prevailing best practice changes brought in by the Companies Act 2006 and the form recommended in the Higgs Report. Notice periods were set at 6 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 fee structure for the NEDs was reviewed and reorganised in April 2004 to reflect 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)	27 March 2008	AGM date 2008	6 months	Nil
Charles Alexander	27 March 2008	AGM date 2010	6 months	Nil
Richard Gawthorne	01 April 2008	AGM date 2009	6 months	Nil

Remuneration Committee (un-audited)

The members of the remuneration committee during the Reporting Period were Richard Gawthorne and Charles Alexander (chairman).

Directors' detailed emoluments and remuneration packages (audited)

	Salary & fees £000	Bonus £000	* Other benefits £000	Total before pension contributions		* Pension contributions		Gains made on exercise of share options	
				2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
				2008	2007	2008	2007	2008	2007
Current executive directors									
Paul Nichols	201	233	14	448	375	12	12	-	-
Guy Millward	146	85	8	239	208	10	9	140	-
Non executive directors									
Andy Roberts	60	-	-	60	60	-	-	N/A	N/A
Charles Alexander	30	-	-	30	30	-	-	N/A	N/A
Richard Gawthorne	30	-	-	30	21	-	-	N/A	N/A
Tom Angear (resigned 31/08/06)	-	-	-	-	11	-	-	N/A	N/A
Totals	467	318	22	807	705	22	21	140	-

*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 total bonus payable to Paul Nichols for achieving the challenging budgeted revenue profit and cash flow targets, as set by the Board for the current financial year, will be 100% of his basic package (subject also to personal performance and meeting prevailing market expectations). The Remuneration Committee believes that this level of conditional remuneration is appropriate given that Paul Nichols' fixed remuneration (principally salary) is below the benchmark lower quartile for small cap publicly quoted companies (source: Hewitt New Bridge Street 2007 FTSE Small Cap., Directors Remuneration Survey).

Paul Nichols is currently located in the US to oversee integration strategy and expansion of the US operations – as previously reported in the FY06/07 annual report. The Board and the Remuneration Committee approved certain relocation arrangements as set out in the FY05/06 annual report. 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 total bonus payable to Guy Millward for achieving the challenging budgeted revenue profit and cash flow targets, as set by the Board for the

current financial year, will be 50% of his basic package (subject also to personal performance and meeting prevailing market expectation). The Remuneration Committee believes that this level of conditional remuneration is appropriate given that Guy Millward's fixed remuneration (principally salary) is below the benchmark lower quartile for small cap publicly quoted companies (source: Hewitt New Bridge Street 2007 FTSE Small Cap., Directors Remuneration Survey).

Richard Gawthorne

Payments in respect of services provided by Richard Gawthorne were made, until 31 March 2008, to J.R.G Associates Limited.

Interests in Share Options and Performance Share Plan (audited)

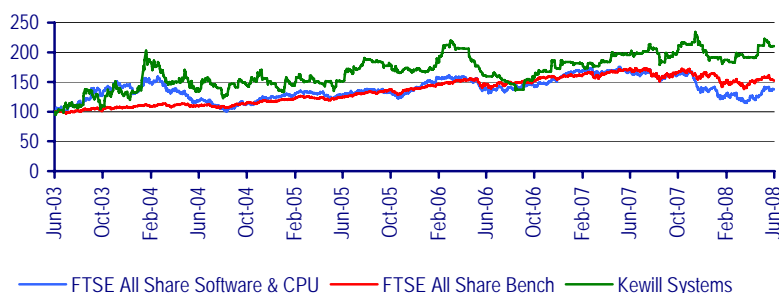
Details of the Directors' share options in Kewill Systems plc at 31 March 2008 were as follows:

Name	01-Apr-07 Number	31-Mar-08 Number	Exercise Price (p)	Exercise period from	to
P.Nichols	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
	<u>2,029,480</u>	<u>2,029,480</u>			
G.Millward	35,000	35,000	76	27 Jun 2004	26 Jun 2011
	250,000	-	28.1	02 Dec 2005	01 Dec 2012
	100,000	100,000	79.4	28 Jan 2007	27 Jan 2014
	<u>385,000</u>	<u>135,000</u>			

Details of the Directors' rights to shares under the Performance Share Plan at 31 March 2008 were as follows:

Name	01-Apr-07	31-Mar-08	Exercisable from
P.Nichols	0	93,750	19 July 2010
	0	93,750	13 Nov 2010
	0	<u>187,500</u>	
G.Millward	0	93,750	19 July 2010
	0	93,750	13 Nov 2010
	0	<u>187,500</u>	

Performance graph (un-audited)



5 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. The year end share price was 82.25p (2006/7: 79p) and the highest and lowest share prices during the year were 101p and 77p respectively.

By order of the Board of Directors

Charles Alexander
Chairman of the Remuneration Committee
13 June 2008

Corporate Governance

Compliance Statement

The Company is required to report on compliance with the 2006 Combined 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.

Board Composition and Independence of Directors

The Nominations Committee of the Board ("NomCo") 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. There is at present no formal, externally supplied, continuing education policy for Directors. However, the Board has a policy of rotating its meetings to the Group's operating locations to receive presentations from non-board level managers and executives about key areas of the Group's current and prospective operation. In the Reporting Period this has included briefings for NEDs in the Company's Nashua and Marlborough (USA), Singapore and Guildford (UK) locations.

The NomCo 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 Andy Roberts, Richard Gawthorne and Charles Alexander who are deemed by the Board to be independent in character, judgement and circumstance and have served less than the guideline 9 years as set out in the Code except that Andy Roberts had served in excess of 9 years as a director of the Company by the time of the 2006 AGM. It is the view of the Board that Andy Roberts 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, and continues to judge that he is of independent character, judgement and circumstance. Accordingly, and in light of the small company exemptions incorporated into the Code, the Board has resolved to recommend Andy Roberts for re-election. The Board has previously resolved that, in accordance with best practice, Andy Robert's continuing appointment should be subject to formal annual review and annual shareholder approval.

Board of Directors

The Group is controlled by the Board of Directors, which is currently 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 8.

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 Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

The board met on 19 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 approvals 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:

	Charles Alexander	Andy Roberts (Chairman)	Guy Millward	Paul Nichols	Richard Gawthorne
Scheduled meetings attended (in person or by dial-in, total scheduled and ad hoc meetings attended in brackets)	10 (15)	10 (19)	10 (19)	10(17)	10 (19)
Scheduled meetings absent	-	-	-	-	-

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 of the Board. The terms of reference of each of the Board committees have been amended so as to comply with the Code and are available on the Group's website. 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) and 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 Andy Roberts (Chairman), Charles Alexander and Richard Gawthorne. The Committee met on 2 occasions in the Reporting Period, last meeting on 27 March 2008 to review Board and Committee performance and 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. The issue of directors holding directorships in other companies is considered by the committee as it arises.

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

	Andy Roberts (Chairman)	Charles Alexander	Richard Gawthorne
Meetings attended (in person or by dial-in)	2	2	2
Meetings absent	-	-	-

Remuneration Committee

The Remuneration Committee is comprised of Charles Alexander (Chairman) and Richard Gawthorne, and is responsible for determining the remuneration and emoluments of the executive directors. The Committee met on 4 occasions in the Reporting Period and has specific responsibility for:

- reviewing the detailed packages and contractual arrangements for the executive directors and the framework remuneration policy for other 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 and performance share 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:

	Richard Gawthorne	Charles Alexander (Chairman)
Meetings attended (in person or by dial-in)	4	4
Meetings absent	-	-

Audit Committee

The Audit Committee is comprised of Richard Gawthorne (Chairman) and Charles Alexander. Andy Roberts, 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 3 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. Audit committee approval is required above this level.

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

	Richard Gawthorne (Chairman)	Charles Alexander
Meetings attended (in person or by dial-in)	3	3
Meetings absent	-	-

* All directors entitled to attend by invitation

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 by executive Directors at investor interim and preliminary announcement 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 make 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 Group maintains an 'investor' section on its website (www.kewill.com/investors.htm), with an email facility for investors (investor@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 Group.

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 cash-flow 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 Audit Committee 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 following review of cash flow forecasts and available funding. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' Responsibilities

The directors' responsibilities are outlined in the Directors' Report on page 12.

By order of the board

Guy Millward

Company Secretary

13 June 2008

Consolidated income statement for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Revenue	1	50,854	41,583
Operating expenses	2	<u>(48,513)</u>	<u>(40,568)</u>
Operating profit	1	2,341	1,015
Analysed as:			
Operating profit before amortisation of intangibles	1	6,963	4,681
Amortisation of intangibles	11	<u>(4,622)</u>	<u>(3,666)</u>
Operating profit	1	2,341	1,015
Net interest receivable on cash and short term deposits	3	90	362
Interest payable - notional interest on contingent consideration		<u>(476)</u>	<u>(242)</u>
Profit before taxation	4	1,955	1,135
Taxation	5	<u>685</u>	<u>328</u>
Profit for the year		2,640	1,463
<hr/>			
Basic earnings per share	7	3.3p	1.9p
Diluted earnings per share	7	3.2p	1.8p
<hr/>			

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

Consolidated and Company statements of changes in shareholders' equity for the year to 31 March 2008

	Share capital account	Share premium account	Merger reserve	Special reserve	Translation reserve	Retained Earnings	Total
Group	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	789	38,293	976	-	222	(12,936)	27,344
Currency translation differences	-	-	-	-	(708)	-	(708)
Net income recognised directly in equity	-	-	-	-	(708)	-	(708)
Profit for the year	-	-	-	-	-	1,463	1,463
Total recognised income for the year	-	-	-	-	(708)	1,463	755
Share-based payments	-	-	-	-	-	128	128
Issue of shares - share options	1	18	-	-	-	-	19
Issue of shares - acquisitions	18	(5)	1,349	-	-	-	1,362
At 31 March 2007	808	38,306	2,325	-	(486)	(11,345)	29,608
At 1 April 2007	808	38,306	2,325	-	(486)	(11,345)	29,608
Currency translation differences	-	-	-	-	3,657	-	3,657
Net income recognised directly in equity	-	-	-	-	3,657	-	3,657
Profit for the year	-	-	-	-	-	2,640	2,640
Total recognised income for the year	-	-	-	-	3,657	2,640	6,297
Share-based payments	-	-	-	-	-	204	204
Shares issued in lieu of services provided	-	10	-	-	-	-	10
Issue of shares - share options	5	194	-	-	-	-	199
Dividends	-	-	-	-	-	(609)	(609)
Balance sheet reconstruction (note 24)	-	(11,000)	-	11,000	-	-	-
At 31 March 2008	813	27,510	2,325	11,000	3,171	(9,110)	35,709
Company	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	789	38,293	976	-	-	1,125	41,183
Profit for the year	-	-	-	-	-	920	920
Total recognised income for the year	-	-	-	-	-	920	920
Share-based payments	-	-	-	-	-	57	57
Shares issued in lieu of services provided	1	18	-	-	-	-	19
Issue of shares - share options	18	(5)	1,349	-	-	-	1,362
At 31 March 2007	808	38,306	2,325	-	-	2,102	43,541
At 1 April 2007	808	38,306	2,325	-	-	2,102	43,541
Loss for the year	-	-	-	-	-	(8,807)	(8,807)
Total recognised income for the year	-	-	-	-	-	(8,807)	(8,807)
Share-based payments	-	-	-	-	-	120	120
Shares issued in lieu of services provided	-	10	-	-	-	-	10
Issue of shares - share options	5	194	-	-	-	-	199
Dividends	-	-	-	-	-	(609)	(609)
Balance sheet reconstruction (note 24)	-	(11,000)	-	11,000	-	-	-
At 31 March 2008	813	27,510	2,325	11,000	-	(7,194)	34,454

Consolidated and Company balance sheets as at 31 March 2008

	Note	Group		Company	
		2008 £000	2007 £000	2008 £000	2007 £000
Assets					
Non-current assets					
Goodwill	10	27,720	24,587	-	-
Other Intangible assets	11	17,448	19,770	-	-
Property, plant and equipment	12	1,788	1,481	584	363
Investment in subsidiary companies	13	-	-	46,987	55,422
Deferred tax assets	16	1,635	1,140	135	438
		<u>48,591</u>	<u>46,978</u>	<u>47,706</u>	<u>56,223</u>
Current assets					
Inventories	14	125	141	105	117
Trade and other receivables	15	10,291	10,440	2,084	1,800
Cash and cash equivalents	17	9,980	5,256	1,891	1,888
		<u>20,396</u>	<u>15,837</u>	<u>4,080</u>	<u>3,805</u>
Liabilities					
Current liabilities					
Trade and other payables	18	16,838	15,556	6,741	5,488
Current tax liabilities	19	1,766	812	163	95
Contingent consideration	21	10,400	3,322	10,400	3,322
Provisions	22	28	55	28	55
		<u>29,032</u>	<u>19,745</u>	<u>17,332</u>	<u>8,960</u>
Net current liabilities		<u>(8,636)</u>	<u>(3,908)</u>	<u>(13,252)</u>	<u>(5,155)</u>
Non-current liabilities					
Deferred tax liabilities	20	4,246	5,935	-	-
Contingent consideration	21	-	7,527	-	7,527
		<u>4,246</u>	<u>13,462</u>	<u>-</u>	<u>7,527</u>
Net assets		<u>35,709</u>	<u>29,608</u>	<u>34,454</u>	<u>43,541</u>
Shareholders' equity					
Called up share capital	23	813	808	813	808
Share premium account		27,510	38,306	27,510	38,306
Merger reserve		2,325	2,325	2,325	2,325
Special reserve	24	11,000	-	11,000	-
Cumulative translation reserve		3,171	(486)	-	-
Retained Earnings		(9,110)	(11,345)	(7,194)	2,102
Total shareholders' equity		<u>35,709</u>	<u>29,608</u>	<u>34,454</u>	<u>43,541</u>

The financial statements, which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of changes in shareholders' equity, the consolidated and company cash flow statements and the related notes, were approved by the board of Directors on 13 June 2008 and were signed on its behalf by:

Directors **G. L. Millward**

P. A. Nichols

Consolidated and Company cash flow statements for the year ended 31 March 2008

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash flows from operating activities				
Cash generated from operations	9,862	5,313	932	2,136
Income tax paid	(769)	(394)	(129)	(90)
Net cash generated from/(used in) operating activities	<u>9,093</u>	<u>4,919</u>	<u>803</u>	<u>2,046</u>
Cash flows from investing activities				
Acquisition of subsidiaries (net of cash acquired)	(3,388)	(11,985)	(3,388)	(12,736)
Purchase of property, plant and equipment	(1,224)	(533)	(476)	(209)
Amounts received from subsidiary undertakings	-	-	414	407
Interest received	90	362	26	302
Repayment of capital	-	-	-	939
Dividends received	-	-	3,019	512
Net cash used in investing activities	<u>(4,522)</u>	<u>(12,156)</u>	<u>(405)</u>	<u>(10,785)</u>
Cash flows from financing activities				
Net proceeds from issue of ordinary shares	199	19	199	19
Dividends paid	(601)	-	(601)	-
Acquisition debt repaid	-	(227)	-	-
Net cash (used in)/generated by financing activities	<u>(402)</u>	<u>(208)</u>	<u>(402)</u>	<u>19</u>
Net increase/(decrease) in cash and cash equivalents	<u>4,169</u>	<u>(7,445)</u>	<u>(4)</u>	<u>(8,720)</u>
Cash and cash equivalents at the start of year	5,256	12,958	1,888	10,723
Effect of exchange rates	555	(257)	7	(115)
Cash and cash equivalents at the end of year	<u>9,980</u>	<u>5,256</u>	<u>1,891</u>	<u>1,888</u>

Notes to the consolidated and company cash flow statements

Reconciliation of profit for the year to cash generated from operations

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Profit for the year	2,640	1,463	(8,807)	920
Taxation	(685)	(328)	443	115
Depreciation charges	865	715	254	236
Amortisation of intangible assets	4,622	3,666	-	-
Loss/(profit) on sale of tangible fixed assets	164	(4)	1	2
Investment impairment	-	-	10,536	-
Interest receivable	(90)	(362)	(26)	(302)
Dividends received	-	-	(3,019)	-
Notional interest payable	476	242	476	242
Share based payments	204	128	120	57
Decrease/(increase) in inventories	16	55	12	(57)
Decrease/(increase) in trade and other receivables	147	608	(284)	530
Increase/(decrease) in trade and other payables and provisions	1,503	(870)	1,226	393
Cash generated from operations	<u>9,862</u>	<u>5,313</u>	<u>932</u>	<u>2,136</u>

Notes to the financial statements for the year ended 31 March 2008

Accounting policies

The accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

During the year a number of accounting standards, amendments to standards and interpretations have been issued. Below is a summary of those that have been issued and whether they have been adopted either in the year ended 31 March 2008 or will be adopted in the future, alternatively establishing if the new rules are not relevant to the Group's Consolidated financial statements.

(i) The following standards, amendments and interpretations are effective in 2007 but not relevant to the Group's operations:

- IFRS 4, Insurance contracts.
- IFRIC 7, Apply the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies.
- IFRIC 8, Scope of IFRS 2 Share Based Payments, requires consideration to transactions involving issuing share based payments for consideration of less than the fair value of the instrument.
- IFRIC 9, Re-assessment of embedded derivatives.
- IFRIC 10, Interim Financial Reporting and Impairment. This prohibits any impairment loss recognised on goodwill, investments and equity, in the interim financial statements being reversed at the balance sheet date.

(ii) Interpretations to existing standards and new standards which are not yet effective but are mandatory to the Group's future accounting periods, which the Group has not early adopted:

- IAS 1 (Revised), Presentation of financial statements. Prohibits the presentation of income and expenses in the statement of changes in equity. The Group will adopt IAS 1 (Revised) from 1 April 2009.
- IAS 27 (Revised), Consolidated and separate financial statements - consequential amendment arising from amendments to IFRS 3.
- IFRS 2 (Amendment), Share-based payment - amendment to vesting conditions and cancellations.
- IFRS 3 (Revised), "Business Combinations - Comprehensive revision on applying the acquisition method" (effective from 1 July 2009), which will impact the way future acquisitions are reported. The Group will apply IFRS 3 (Revised) from 1 April 2010 with the main changes being that directly attributable costs such as advisers fees and stamp duty will be charged to the income statement, revisions to contingent cash consideration in the period following the acquisition will be recorded in the income statement and any difference between the fair value of the consideration in the buy out of minority interests and the value of their reported minority interest will be recorded against the equity rather than goodwill.
- IFRS 8, Operating Segments, extends the scope of segmental reporting, but it is not expected to have an impact on the Group's accounts. The Group will adopt IFRS 8 from 1 April 2009.

(iii) Interpretations to existing standards which are not yet effective and not relevant for the Group's operations.

The following interpretations to existing standards have been published and are mandatory for future accounting periods but are not relevant for the Group's operations:

- IAS 23 (Amendment), Borrowing costs.
- IAS 28, Investments in Associates - consequential amendment arising from amendments to IFRS 3.
- IAS 31, Investments in Joint Ventures - consequential amendment arising from amendments to IFRS 3.
- IFRIC 11, Group and Treasury Share Transactions. When a company is required to buy its own shares in order to settle a share based payment award; or grants rights to equity instruments to employees or its subsidiary; it should be accounted for under IFRS 2. If a subsidiary grants rights to equity of its parent to its employees these should be accounted for as a cash settled share based payment therefore potentially changing the way the award is accounted for between the parent and subsidiary.
- IFRIC 12, Service Concession Arrangements.
- IFRIC 13, Customer loyalty programmes.
- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction.

(iv) Interpretations to standards effective from 1 April 2007 and relevant to the Group's operations:

- IFRS 7, Financial Instruments Disclosures, and the complementary amendment to IAS1, refers to the disclosure requirements required in relation to financial instruments and details new disclosures required. The Group has adopted IFRS 7 in these financial statements.

b) Consolidation policy and Goodwill

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. The accounts of each company in the Group have been prepared to 31 March 2008. 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 income statement, as permitted by section 230 of the Companies Act 1985. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments used and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at acquisition date. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Contingent consideration payable in more than one year, forming part of the cost of acquisition, is discounted to a present value. The unwinding of this discount is shown as part of finance costs in the income statement. Goodwill is capitalised on the balance sheet and subject to an annual impairment test. The carrying value of goodwill is cost less accumulated impairment losses.

c) Intangible assets

Intangible assets are included at cost or fair value to the Group at the date of acquisition, assessed on an estimate of the present value of future cashflows projected to arise from the use of those intangible assets, less amounts written off representing impairment in value.

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, which currently range from 3 to 5 years.

d) Impairments

Impairment tests on the carrying value of assets subject to amortisation are undertaken if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

e) Property plant and equipment and depreciation

Property, plant and equipment 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:

Leasehold improvements	10-20% (or the lease term if shorter)
Office equipment, fixtures and fittings	33%

f) 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 income statement.

g) 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 times based on time sheeted hours.

h) Foreign currencies

Transactions in foreign currencies are translated into each company's functional currency at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into each company's functional currency at the rates of exchange ruling at the balance sheet date. Other foreign exchange gains and losses are taken to the income statement in the year in which they arise. The results of overseas subsidiary undertakings are translated into sterling, the Group's presentational currency, 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 the cumulative translation (CT) reserve.

i) Revenue

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

Income from the sale of software licences, 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 the outcome of the contract. 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.

j) Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax is recognised on a non-discounted basis.

k) Research and development expenditure

Research expenditure related to the development of the group's products is written off to the income statement as it is incurred. Development expenditure is recognised as an intangible asset from the date upon which all IAS 38 criteria have been satisfied. Expenditure after the IAS 38 criteria have been satisfied is minimal, therefore all research and development expenditure has been written off to the income statement as it has been incurred.

l) Pension costs

The Group operates a number of defined contribution pension schemes. The charge against the income statement is the amount of contributions payable to the pension schemes in respect of the accounting period.

m) Operating leases

The amounts payable under operating leases are charged to the income statement in the year in which they are incurred.

n) Financial instruments

The Group's financial assets and liabilities which include trade receivables and payables are recorded at historical 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 income statement in the financial period in which it arises. The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

o) Segmental reporting

Primary segmental reporting is by geographical region with no secondary segmental reporting. This segmentation is used by the Board to review the business along with revenues by product line. Expenses are only measured by geographic area. All figures exclude any allocations.

p) Cash and cash equivalents

Cash is defined as cash in hand and on demand deposits. Cash equivalents are defined as short term, highly liquid investments with original maturities of twelve months or less but which can be drawn in less than 3 months.

q) Share-based payments

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding adjustment to equity. The fair values are calculated using the Black Scholes option pricing model and the Monte Carlo valuation model.

r) Financial risk management

The Group's financial risk management is discussed in note 17.

s) Presentational items

The Group discloses certain items separately on the face of the income statement in order to assist users of the financial statements. These would include items that are material and of a one-off or non-cash nature, such as intangible amortisation.

t) Related - party transactions

The Group has taken advantage of the exemption under IAS 24 - 'Related-party disclosures' not to disclose transactions between group companies.

u) Critical Accounting Estimates and Judgements

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The Group prepares a valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Other key assumptions are the discount rate, where the Group uses its corporate weighted average cost of capital and the conversion to cash ratio of future profits. The valuation models all assume steady growth in perpetuity.

It is impractical to disclose the extent of the possible effects of uncertainty in respect of a key assumption at the balance sheet date. It is possible that outcomes within the forthcoming financial years different to the key assumptions could require a material adjustment to the carrying value of the Group's goodwill.

(ii) Impairment of investment

The Group has also carried out an impairment review on the value of investments held in the Company. Where the investment is held in a company which has an ongoing trade, the value is derived by a value in use calculation of the cash generating units. This is done on a similar basis to that used in the impairment of goodwill calculation as detailed above and is therefore subject to the same estimates by management. Where the investment is held in a company which is no longer trading the value is derived from the carrying value of the net assets on the balance sheet of the entity.

(iii) Valuation of intangibles

When valuing customer relationships on acquisition the Group uses various assumptions including the estimated discount rates, expected levels of customer retention and profit margins relevant to the market in which the company operates. If any of these assumptions were to change materially, the resulting valuation is likely to be different.

(iv) Valuation of contingent consideration

When valuing the contingent consideration still payable on acquisitions the Group considers various factors including the performance of the company since acquisition together with its expected performance to the end of the earnout period.

Notes to the financial statements for the year ended 31 March 2008

1. Segmental reporting

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Revenue		
Europe	29,880	22,569
USA	18,809	18,755
Asia	2,165	259
Total Revenue	50,854	41,583
Operating profit before amortisation of intangibles		
Europe	6,943	4,391
USA	2,393	2,801
Asia	(159)	(513)
Group Operating expenses before share-based payments	(2,010)	(1,870)
Share-based payments	(204)	(128)
Total operating profit before amortisation of intangibles	6,963	4,681
Amortisation of intangibles		
Europe	(4,392)	(2,436)
USA	-	(1,201)
Asia	(230)	(29)
Total amortisation of intangibles	(4,622)	(3,666)
Operating profit		
Europe	2,551	1,955
USA	2,393	1,600
Asia	(389)	(542)
Group Operating expenses before share-based payments	(2,010)	(1,870)
Share-based payments	(204)	(128)
Total operating profit	2,341	1,015
Net Interest receivable	90	362
Notional interest payable	(476)	(242)
Profit before tax	1,955	1,135
Taxation	685	328
Profit for the year	2,640	1,463
Profit for the year	2,640	1,463
Total assets		
Europe	53,943	50,380
USA	14,143	11,584
Asia	901	851
Total assets	68,987	62,815
Total liabilities		
Europe	(27,293)	(27,324)
USA	(5,161)	(5,153)
Asia	(824)	(730)
Total liabilities	(33,278)	(33,207)
Total net assets	35,709	29,608
Capital expenditure including acquisitions		
Europe	1,709	13,856
USA	394	84
Asia	109	1,247
Total capital expenditure	2,212	15,187
Depreciation		
Europe	579	443
USA	233	220
Asia	53	52
Total depreciation	865	715

Notes to the financial statements for the year ended 31 March 2008

2. Operating expenses

	2008 £000	2007 £000
The following items are included in operating expenses		
Employee benefits expense	26,013	24,345
Depreciation	865	715
Amortisation	4,622	3,666
Operating lease payments	1,683	1,487
Changes in inventories of finished goods and work in progress	697	917
Other operating expenses	14,633	9,438
Total operating expenses	48,513	40,568

3. Interest receivable

	2008 £000	2007 £000
Interest receivable on cash and short term deposits	90	362
Interest receivable	90	362

4. Profit before taxation

	2008 £000	2007 £000
Group profit before taxation is stated after charging:		
Staff costs (note 8)	26,013	24,345
Auditors' remuneration		
- fees payable to the auditor for the audit of parent company and consolidated accounts	253	207
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	11	47
- all other services	10	36
Depreciation of tangible fixed assets	865	715
(Profit)/loss on disposal of fixed assets	164	(4)
Amortisation of intangibles	4,622	3,666
Operating lease rentals - land and buildings	1,322	1,130
- other assets	361	357
Cost of inventories recognised as an expense within operating costs	697	917
Movement in inventory and trade receivables reserves	(23)	7
Repair and maintenance expenditure on property, plant and equipment	52	40
Net foreign exchange (profits)/losses	(3)	213
Research & development	5,916	3,680

5a. Taxation

	2008 £000	2007 £000
Current tax	1,653	609
Deferred tax	(2,338)	(937)
Total taxation	(685)	(328)

5b. Reconciliation of current tax

	2008 £'000	2007 £'000
Profit before tax	1,955	1,135
Tax on profit on ordinary activities at weighted average rate	549	369

Factors affecting charge for the period

Adjustment to tax charge in respect of prior year	(113)	-
Expenses not deductible for tax purposes	124	104
Adjustment to tax charge in respect of non-taxable income	(114)	(50)
Adjustment to tax charge in respect of foreign taxation	109	2
Deferred tax assets recognised	(1,500)	(736)
Capital allowances for period less than depreciation	627	35
Differences in tax rates	(303)	-
Other	(64)	(52)
Total taxation credit	(685)	(328)

The weighted average rate for the tax for the group for the year is 28.1% (FY06/07: 32.5%).

5c. Unrecognised deferred tax asset

The group has an unrecognised deferred tax asset of £13,937,000 (FY06/07: £15,553,000) as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Accelerated depreciation and amortisation of tangible and intangible fixed assets	7,812	9,582	88	543
Short term timing differences including share based payments	622	1,235	130	101
Unrecognised deferred tax asset in respect of trading losses	5,434	4,647	330	406
Unrecognised deferred tax asset in respect of capital losses	69	69	69	69
	13,937	15,533	617	1,119

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

Notes to the financial statements for the year ended 31 March 2008

6. Dividends

	2008 pence per share	2007 pence per share	2008 £000	2007 £000
Dividends paid:				
Final dividend (2007)	0.50	-	406	-
Interim dividend (2008)	0.25	-	203	-
	0.75	-	609	-
Proposed but not recognised as a liability:				
Final dividend	0.50	0.50	406	406

The proposed final dividend was approved by the Board on 13 June 2008 but was not included as a liability as at 31 March 2008 in accordance with IAS 10 'Events after the Balance sheet date'. If approved by the shareholders at the Annual General Meeting this final dividend will be payable on 29 August 2008 to shareholders on the register at the close of business on 27 June 2008.

7. 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 notional interest	Amortisation and notional interest	Consolidated income	Results before amortisation and notional interest	Amortisation and notional interest	Consolidated income
	Year to 31 March 2008	Year to 31 March 2008	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2007	Year to 31 March 2007
	£000	£000	£000	£000	£000	£000
Profit attributable to ordinary shareholders	7,738	(5,098)	2,640	5,371	(3,908)	1,463
Average number of shares in issue	81,116,320	81,116,320	81,116,320	79,014,166	79,014,166	79,014,166
Effect of dilutive options	1,932,464	1,932,464	1,932,464	1,672,807	1,672,807	1,672,807
Average number of shares in issue plus dilutive options	83,048,784	83,048,784	83,048,784	80,686,973	80,686,973	80,686,973
	Adjusted EPS		EPS	Adjusted EPS		EPS
Basic earnings per share	9.5p	(6.2p)	3.3p	6.8p	(4.9p)	1.9p
Diluted earnings per share	9.3p	(6.1p)	3.2p	6.7p	(4.8p)	1.8p

Adjusted earnings per share before amortisation of intangible assets and the notional interest on discounting of the contingent consideration has been disclosed as the directors consider this better reflects the underlying performance of the group.

8. Employees

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

	Group		Company	
	2008 Number	2007 Number	2008 Number	2007 Number
Technical and sales	540	467	86	76
Administrative	75	69	22	18
Total employees	615	536	108	94

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

	2008 £000	2007 £000	2008 £000	2007 £000
Wages and salaries	23,026	21,026	3,954	3,943
Social security costs	2,312	2,704	457	442
Other pension costs	471	487	81	75
Share based payments	204	128	120	57
Total staff costs	26,013	24,345	4,612	4,517

Key management compensation

	2008 £000	2007 £000	2008 £000	2007 £000
Salaries and short-term employee benefits	2,207	1,681	1,176	991
Post-employment benefits	45	42	40	38
Share based payments	133	44	86	32
Total key management compensation	2,385	1,767	1,302	1,061

The key management figures above include directors and the divisional management. For directors' emoluments disclosure please see the Remuneration Report.

Notes to the financial statements for the year ended 31 March 2008

9. Pension scheme costs

The Group operates a number of defined contribution schemes in the United Kingdom and overseas. The total contributions payable in respect of these schemes amounted to £471,000 (FY06/07:£487,000). There were neither outstanding nor prepaid contributions at 31 March 2008 (31 March 2007: nil) in respect of the above schemes.

10. Goodwill

Movements during the year are summarised as follows:

	2008 £000	2007 £000
Group		
Cost		
At 1 April	24,587	15,657
Acquisitions	93	10,330
Adjustments	935	(651)
Foreign exchange differences	2,105	(749)
At 31 March	<u>27,720</u>	<u>24,587</u>

The carrying amounts of goodwill by geography are as follows:

	2008 £000	2007 £000
Europe	17,104	14,049
USA	5,669	5,746
Asia	4,947	4,792
	<u>27,720</u>	<u>24,587</u>

Goodwill acquired in a business combination is allocated, on acquisition, to the geographic area that is expected to benefit from that business combination. The Group tests goodwill annually for impairment and all of the recoverable amounts were measured based on value in use.

The key assumptions for the value in use calculations are those regarding the gross margin, discount and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the software industry. The discount rate used was 8.5%.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the subsequent years based on a range of growth rates. These rates do not exceed the average long-term growth rate for the relevant markets.

Given the underlying performance of the assets to which the goodwill relates, management are confident that no impairment of goodwill exists at the balance sheet date. For all three divisions, future performance would need to deteriorate markedly for the value in use to fall below the carrying value. The headroom indicated by the annual impairment reviews is significant.

11. Other Intangible assets

Movements during the year are summarised as follows:

	2008 Intellectual property £000	2008 Customer base £000	2008 Total £000	2007 Intellectual property £000	2007 Customer base £000	2007 Total £000
Group						
Cost						
At 1 April	16,958	8,962	25,920	7,913	3,811	11,724
Additions - through business combinations	-	-	-	9,045	5,151	14,196
Foreign exchange differences	1,808	1,413	3,221	-	-	-
At 31 March	<u>18,766</u>	<u>10,375</u>	<u>29,141</u>	<u>16,958</u>	<u>8,962</u>	<u>25,920</u>
Amortisation						
At 1 April	4,973	1,177	6,150	2,120	364	2,484
Charge for the year	2,830	1,792	4,622	2,853	813	3,666
Foreign exchange differences	478	443	921	-	-	-
At 31 March	<u>8,281</u>	<u>3,412</u>	<u>11,693</u>	<u>4,973</u>	<u>1,177</u>	<u>6,150</u>
Net book amount						
At 31 March	<u>10,485</u>	<u>6,963</u>	<u>17,448</u>	<u>11,985</u>	<u>7,785</u>	<u>19,770</u>

All amortisation charges in the year have been charged through operating expenses in the income statement.

Notes to the financial statements for the year ended 31 March 2008

12. Property, plant and equipment

Movements during the year are summarised as follows:

	2008	2008	2008	2007	2007	2007
	Leasehold Improvements £000	Fixtures, Fittings and Equipment £000	Total £000	Leasehold Improvements £000	Fixtures, Fittings and Equipment £000	Total £000
Group						
Cost						
At 1 April	386	3,424	3,810	315	3,788	4,103
On acquisition	-	-	-	57	515	572
Additions	184	1,040	1,224	51	482	533
Disposals	(65)	(1,196)	(1,261)	-	(1,005)	(1,005)
Foreign exchange differences	42	189	231	(37)	(356)	(393)
At 31 March	547	3,457	4,004	386	3,424	3,810
Depreciation						
At 1 April	217	2,112	2,329	213	2,785	2,998
Charge for the year	47	818	865	34	681	715
Disposals	-	(1,097)	(1,097)	-	(1,009)	(1,009)
Foreign exchange differences	33	86	119	(30)	(345)	(375)
At 31 March	297	1,919	2,216	217	2,112	2,329
Net book amount						
At 31 March	250	1,538	1,788	169	1,312	1,481
Company						
Cost						
At 1 April	-	1,427	1,427	-	1,739	1,739
Additions	180	296	476	-	261	261
Disposals	-	(159)	(159)	-	(573)	(573)
At 31 March	180	1,564	1,744	-	1,427	1,427
Depreciation						
At 1 April	-	1,064	1,064	-	1,399	1,399
Charge for the year	8	246	254	-	236	236
Disposals	-	(158)	(158)	-	(571)	(571)
At 31 March	8	1,152	1,160	-	1,064	1,064
Net book amount						
At 31 March	172	412	584	-	363	363

Notes to the financial statements for the year ended 31 March 2008

13. Investments

	Company 2008 £000	Company 2007 £000
Investments in shares in subsidiary undertakings		
At 1 April	55,422	36,429
Adjustment to deferred consideration	2,188	20,574
Adjustments and impairments	(10,623)	(642)
Repayment of capital	-	(939)
At 31 March	46,987	55,422

The adjustments in 2008 arise from the balance sheet reconstruction discussed in note 24.

The principal subsidiary undertakings of the group as at 31 March 2008 were as follows:

TRADING AND NON-TRADING	Country of incorporation/ registration	% of equity and voting rights held at 31 March 2008
Kewill Systems, Inc	USA	100
Kewill Solutions North America, Inc a)	USA	100
TradePoint Systems LLC a)	USA	100
Kewill Systems Holdings Limited b)	England and Wales	100
Kewill Holding BV	Netherlands	100
Kewill BV (formerly Interchain BV) a)	Netherlands	100
Kewill Belgium NV (formerly Interchain Belgium NV) a)	Belgium	100
Kewill-CSF GmbH (formerly CSF GmbH)	Germany	100
Innovate I.T. Holding BV	Netherlands	100
Innovate I.T. Logistics BV a)	Netherlands	100
Kewill-IPACS e-Solutions (S) Pte Ltd	Singapore	100
Kewill-IPACS e-Solutions (HK) Ltd a)	Hong Kong	100
Kewill-IPACS e-Solutions (Shanghai) Co Ltd a)	China	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. All of the above companies are included in the consolidation.

a) shares owned by subsidiary undertaking;

b) non-trading subsidiary undertakings.

14. Inventories

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Finished goods	125	141	105	117
	125	141	105	117

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

Notes to the financial statements for the year ended 31 March 2008

15. Trade and other receivables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade debtors	8,626	8,691	1,364	1,386
Less: provision for impairment of receivables	(362)	(381)	(3)	(16)
Trade debtors - net	8,264	8,310	1,361	1,370
Amounts owed by subsidiary undertakings	-	-	217	-
Other debtors	771	937	19	89
Prepayments and accrued income	1,256	1,193	487	341
	10,291	10,440	2,084	1,800

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Sterling	1,891	2,705	1,891	1,800
US Dollars	3,345	2,960	153	-
Euro	4,563	4,349	40	-
Singapore Dollars	491	409	-	-
Other	1	17	-	-
	10,291	10,440	2,084	1,800

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
At 1 April	(381)	(372)	(16)	(25)
Receivables written off as uncollectable	176	234	15	52
New provisions created	(362)	(381)	(3)	(43)
Unused provisions reversed	205	138	1	-
At 31 March	(362)	(381)	(3)	(16)

As of 31 March 2008 the group had trade receivables of £4,567,000 (FY07: £4,012,000) that were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Up to 3 months	4,240	3,545	779	588
3 to 6 months	327	467	6	57
	4,567	4,012	785	645

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Due to this, management believe there is no further material credit risk for doubtful receivables.

The Group does not hold any collateral as security.

Impairments of trade receivables are expensed as operating expenses.

The fair value of receivables equates to their book value.

The Group does not collect external credit ratings for customers but uses its own methods for determining credit worthiness.

16. Deferred tax

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
As at 1 April	1,140	1,301	438	690
Recognised in the year	1,500	736	-	-
Utilised in the year	(1,005)	(897)	(303)	(252)
As at 31 March	1,635	1,140	135	438

The deferred tax asset can be analysed as:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred tax in respect of losses recognised	113	60	113	22
Accelerated capital allowances	1,522	1,080	22	416
	1,635	1,140	135	438

17. Financial instruments

All financial instruments are in the category of loans and receivables or cash and cash equivalents.

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 fair values of the financial assets and liabilities approximate to their book values.

Financial assets

The Group's financial assets at the year end are analysed as follows:

	2008 £000	2007 £000
Cash and cash equivalents	9,980	5,256
Trade debtors	8,317	8,310
	18,297	13,566

The ageing of the Group's trade receivables is shown in note 15.

There are debtors in the company accounts where the functional currency is sterling, owed by subsidiary undertakings totalling £217,000 (FY06/07: nil). £24,000 (FY06/07: nil) of which are denominated in sterling, £153,000 (FY06/07: nil) in US dollars and £40,000 (FY06/07: nil) in Euros.

The interest rate profile of the Group's cash and cash equivalents at 31 March 2008 was:

	Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Average fixed interest %
Cash at bank	Sterling	1,867	1,867	-	
	US Dollar	1,146	1,146	-	
	Euro	4,049	4,049	-	
	Indian Rupee	4	4	-	
	Singapore Dollar	263	263	-	
Total cash at bank		7,329	7,329	-	
Short term deposits	US Dollar	2,175	-	2,175	2.61%
	Euro	439	-	439	2.83%
	Singapore Dollar	37	-	37	0.41%
Total short term deposits		2,651	-	2,651	
Total at 31 March 2008		9,980	7,329	2,651	

Notes to the financial statements for the year ended 31 March 2008

Cash at bank	Sterling	1,914	1,914	-	
	US Dollar	405	405	-	
	Euro	977	977	-	
	Indian Rupee	39	39	-	
	Singapore Dollar	111	111	-	
Total cash at bank		<u>3,446</u>	<u>3,446</u>	-	
Short term deposits	Sterling	62	-	62	4.80%
	US Dollar	1,510	-	1,510	3.50%
	Euro	238	-	238	2.60%
Total short term deposits		<u>1,810</u>	-	<u>1,810</u>	
Total at 31 March 2007		<u>5,256</u>	<u>3,446</u>	<u>1,810</u>	

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 one to three months for the Sterling deposits (FY06/07: 3 to 6 months).

Floating rate cash earns interest based on relevant national interest rates.

The Company accounts include £1,891,000 (FY06/07: £1,826,000) cash at bank and £ nil (FY06/07: £62,000) short-term deposits.

Financial liabilities

At 31 March 2008 the Group had an undrawn £8.0 million borrowing facility with Barclays Bank. During May 2008 £2.7 million of this facility was drawn for working capital needs following the payment of some contingent consideration.

All of the Group's financial liabilities are due within one year, comprising trade creditors and contingent consideration.

Financial instruments and risk management

The main risks arising from the Group's financial instruments are counterparty credit risk, 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.

Counterparty credit risk

This is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are associated with deposits with banks and receivables from customers.

The table below shows the rating and the cash balances held by our major counterparties at the balance sheet date:

Counterparty	Rating (Moody's)	2008 £000	2007 £000
Bank A	Aa1	1,882	1,857
Bank B	Aa2	3,236	1,915
Bank C	Aa2	1,492	688
		<u>6,610</u>	<u>4,460</u>

Liquidity risk

This is the risk that the Group will have insufficient funds to meet its cash obligations when due.

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 surplus funds via the use of intra-group loans.

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.

Notes to the financial statements for the year ended 31 March 2008

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 FY01/02, 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.

The table below approximates the impact on the Group's operating profit of a 1% exchange rate movement (weakening of sterling against the specified currency, with all other variables held constant) of the Group's major non sterling trading currencies during the year.

	2008 £000	2007 £000
Euro	56	18
US Dollar	24	28
	<u>80</u>	<u>46</u>

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

The following assets were held at 31 March 2008 which were not held in the functional currency of the Company or its subsidiaries:

	Functional currency	Currency	Total	Floating rate financial assets
			2008 £000	2008 £000
	Sterling	US Dollar	85	85
	Sterling	Euro	3	3
Total at 31 March 2008			<u>88</u>	<u>88</u>

	Functional currency	Currency	Total	Floating rate financial assets
			2007 £000	2007 £000
	Sterling	US Dollar	2	2
	Sterling	Euro	5	5
Total at 31 March 2007			<u>7</u>	<u>7</u>

Interest rate risk

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.

18. Trade and other payables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade creditors	1,936	1,965	954	900
Amounts owed to subsidiary undertakings	-	-	475	161
Other tax and social security costs	901	1,389	511	533
Other creditors	79	281	38	10
Accruals	5,243	3,495	1,497	1,070
Deferred income	8,679	8,426	3,266	2,814
	<u>16,838</u>	<u>15,556</u>	<u>6,741</u>	<u>5,488</u>

Notes to the financial statements for the year ended 31 March 2008

19. Current tax liability

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Corporation tax liability	163	196	163	95
Overseas tax liability	1,603	616	-	-
	1,766	812	163	95

20. Deferred tax liability

The total deferred tax liability is made up as follows;

	Group	
	2008 £'000	2007 £'000
As at 1 April	5,935	2,772
Acquired on acquisition	-	4,259
Released to income statement	(1,689)	(1,096)
As at 31 March	4,246	5,935

The deferred tax liability relates to the deferred tax on the acquisition of intangible assets.

21. Contingent consideration

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current				
At 1 April	10,849	4,987	10,849	4,987
Contingent consideration accrued on acquisitions	-	836	-	836
Utilised during the year	(3,113)	(2,044)	(3,113)	(2,044)
Provided during the year	2,664	-	2,664	-
Released during the year	-	(457)	-	(457)
Current Liabilities	10,400	3,322	10,400	3,322
Non current				
Contingent consideration accrued on acquisitions	-	7,527	-	7,527
Provided during the year	-	-	-	-
Non current Liabilities	-	7,527	-	7,527
Total liability at 31 March	10,400	10,849	10,400	10,849

Notes to the financial statements for the year ended 31 March 2008

22. Provisions

	Group		Company	
	Restructuring £'000	Total £'000	Restructuring £'000	Total £'000
At 1 April 2006	118	118	118	118
Utilised during the year	(63)	(63)	(63)	(63)
Provided during the year	-	-	-	-
At 31 March 2007	<u>55</u>	<u>55</u>	<u>55</u>	<u>55</u>
At 1 April 2007	55	55	55	55
Utilised during the year	(105)	(105)	(105)	(105)
Provided during the year	78	78	78	78
At 31 March 2008	<u>28</u>	<u>28</u>	<u>28</u>	<u>28</u>

The Group has a £28,000 (FY06/07: £55,000) provision in respect of restructuring costs all (FY06/07: £27,000) of which relates to onerous property leases in the UK. The provisions are financial liabilities on which no interest is charged and all of which mature within 1 year. The fair value of the financial liabilities approximate to their book value.

23. Called up share capital

	Number	2008 £000	Number	2007 £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	81,268,141	813	80,764,377	808

During the year 503,764 ordinary shares of 1p each were issued at an aggregate nominal value of £5,038 and at a premium of £203,582. Of these 492,000 were issued in relation to share option schemes resulting in consideration of £198,620 and 11,764 in relation to payment in lieu of services with a value of £10,000.

Ordinary shares over which options have been granted under the senior executive share option schemes and performance share plan at 31 March 2007 total 4,844,230. These options may be exercised at prices between 0.0p and 79.4p on various dates between June 2004 and June 2016.

Senior executive share option schemes and performance share plan

Options to subscribe under various schemes for ordinary shares of 1p, including those noted in Directors' interests in the remuneration report on page 15 are shown in the table below:

	Date options granted	Exercise price per share (pence)	Exercisable		2008	2007
			from	to	Numbers	Numbers
Senior Staff	27 Jun 2001	76.00	26 Jun 2004	26 Jun 2011	189,250	232,416
	8 Jul 2002	20.75	7 Jul 2005	7 Jul 2012	14,500	34,500
	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	136,000	486,000
	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	670,000	840,000
	15 Jul 2005	74.50	14 Jul 2008	14 Jul 2015	100,000	100,000
	20 Dec 2005	72.50	19 Dec 2008	19 Dec 2015	450,000	500,000
	28 Jun 2006	69.00	27 Jun 2009	27 Jun 2016	150,000	200,000
	19 Jul 2007	0.00	18 Jul 2010	20 Jul 2011	632,500	0
	13 Nov 2007	0.00	12 Nov 2010	14 Nov 2011	572,500	0
Total				4,844,230	4,322,396	

Notes to the financial statements for the year ended 31 March 2008

Share based payments

The Group has introduced a performance share plan under which the Remuneration Committee can grant options over shares in the company to employees of the Group. Options are granted as conditional awards of free shares. The contractual life of an option is 4 years. Options granted under the performance share plan will become exercisable on the third anniversary of the date of grant and will expire 12 months later. Those relating to key management are subject to certain criteria being met. The present criteria are based on a combination of earnings per share growth and total shareholder return performance over a minimum period of three years. Options are valued using the Monte Carlo option pricing model. The fair value of options granted and the assumptions used in the calculation are as follows:

Grant date	19 July 2007	13 Nov 2007
Share price at grant date	86.5p	93.25p
Exercise price	0p	0p
Number of employees	38	7
Shares under option	642,500	572,500
Vesting period (years)	3	3
Expected volatility	25%	23%
Option life (years)	4	4
Expected life (years)	3	3
Risk free rate	5.80%	4.57%
Expected dividends expressed as a dividend yield	0.58%	0.54%
Possibility of ceasing employment before vesting	0%	0%
Expectations of meeting performance criteria	100%	100%
Fair value per option	£0.68	£0.78

The expected volatility is based on the historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on UK government bonds of a term consistent with the assumed option life.

Details of the share options outstanding under the executive share option scheme and the performance share plan during the year are as follows;

	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	4,322,396	46.0p	4,391,896	45.8p
Granted	1,215,000	0.00p	200,000	69.0p
Exercised	(492,000)	40.4p	(65,000)	28.1p
Lapsed	(201,166)	70.8p	(204,500)	75.8p
Outstanding at 31 March	<u>4,844,230</u>	34.0p	<u>4,322,396</u>	46.0p
Exercisable at 31 March	<u>2,939,230</u>	38.8p	<u>3,522,396</u>	40.1p

Range of exercise price	Weighted average exercise price	2008			2007			
		Number of shares	Weighted average remaining life		Number of shares	Weighted average remaining life		
			Expected	Contractual		Expected	Contractual	
0p	0p	1,205,000	2.5	3.5	0p	-	-	
15p - 30p	22.4p	2,079,980	0.0	4.5	23.2p	2,449,980	0.0	5.5
65p - 80p	75.7p	1,559,250	0.4	5.1	75.8p	1,872,416	0.8	6.1

The weighted average share price during the period for options exercised over the year was 87.4p (FY06/07: 75.5p). The total charge for the year relating to employee share based payment plans was £204,000 (FY06/07: £128,000), all of which related to equity-settled share based payment transactions.

24. Balance sheet reconstruction

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

Notes to the financial statements for the year ended 31 March 2008

25. Related party transactions

The Company conducts numerous transactions each year with its subsidiaries. For the year to March 2008 these involved trading activities amounting to £707,000 (FY06/07 £196,000), financing activities amounting to £53,000 (FY06/07: £2,093,000) and dividends received amounting to £3,018,000 (FY06/07: £512,000).

26. Acquisitions

Prior year acquisitions

Whilst there were no further acquisitions during the year, a total increase in goodwill to the value of £3,133,000 has arisen as a result of the following adjustments:

Acquisitions in note 10 of £93,000 represents additional costs of acquisition, previously unrecorded and not accrued for, £79,000 in relation to Innovate Holdings BV, £8,000 in relation to IPACS e-Solutions (S) Pte Ltd and £6,000 in relation to Interchain Holdings BV acquired in FY 05/06.

Adjustments in note 10 of £935,000 represents adjustments to the amount of contingent consideration payable resulting from changes in performance and the timing of contingent consideration payments. £257,000 relates to Innovate Holdings BV, £594,000 relates to CSF GmbH and £84,000 relates to IPACS e-Solutions (S) Pte Ltd which also includes a £40,000 fair value adjustment for some office closure costs.

Foreign exchange differences totalling £2,105,000 arise and have been accounted for on the original acquisition amounts as Innovate Holdings BV, Interchain Holdings BV and CSF GmbH were purchased in Euros. IPACS e-Solutions (S) Pte Ltd was purchased in Singapore dollars.

27. Financial Commitments

At 31 March 2008 the Group was committed to making the following payments in respect of operating leases expiring:

	Land and Buildings		Other Assets	
	2008 £000	2007 £000	2008 £000	2007 £000
Within one year	1,367	1,259	364	365
In the second to fifth years inclusive	1,074	1,538	522	368
After five years	74	117	-	-
	2,515	2,914	886	733

At 31 March 2008 the Company was committed to making the following payments in respect of operating leases expiring:

	Land and Buildings		Other Assets	
	2008 £000	2007 £000	2008 £000	2007 £000
Within one year	361	236	-	-
In the second to fifth years inclusive	673	321	-	-
After five years	74	117	-	-
	1,108	674	-	-

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEWILL SYSTEMS PLC

We have audited the group and parent company financial statements (the "financial statements") of Kewill Systems plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Annual Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) 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.

We read other information contained in the Annual Report and consider whether it is consistent with the audited 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 consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 part of the Directors' Remuneration Report to be audited. 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 group's and 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 part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 June 2008

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2008 annual general meeting (the "Meeting") of Kewill Systems plc (the "Company") will be held on Tuesday 22 July 2008 at 11:00am at, Kewill Systems plc, Bramley House, The Guildway, Old Portsmouth Road, Artington, Guildford, Surrey, GU3 1LR at which the following resolutions will be proposed:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions.

1. To receive and adopt the audited financial statements of the Company for the year ended 31 March 2008 together with the reports of the directors and the auditors there on.
2. To approve the directors' remuneration report for the year ended 31 March 2008.
3. To re-elect Andy Roberts as a director of the Company.
4. To re-elect Richard Gawthorne as a director of the Company.
5. That PricewaterhouseCoopers LLP be reappointed auditors (the "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.
6. To declare a total dividend of 0.75 pence per ordinary share.

Special Business

As special business, to consider and, if thought fit, to pass the following resolutions – resolution 7 being proposed as an ordinary resolution and resolutions 8, 9, 10 & 11 as special resolutions.

7. *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 £268,185 (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.
8. *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 4,063,407; (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.
9. *Authority to allot shares.* That, subject to and conditional upon the passing of resolution number 8 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 8 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 £40,634, 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 2008; 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.

10. *Change of Company Name.* That the directors be generally and unconditionally authorised to change the Company's name from "Kewill Systems plc" to "Kewill plc" effective from the date of this meeting.
11. *Adoption of new Articles of Association.* That the articles of association of the Company produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

By order of the board

Guy Millward
Company Secretary
13 June 2008

NOTES:

- A. 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 but must attend the AGM in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). To be effective, instruments of proxy must be received by the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time appointed for holding the Meeting.
- B. A form of proxy for use by ordinary shareholders is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the AGM or another person as proxy.
- C. The following documents, which are available for inspection during normal business hours at the registered office of the company on any weekday (Saturdays, Sundays and English public holidays excluded) will also be available for inspection at the place of the annual general meeting from 2 hours before the meeting until the conclusion of the meeting: copies of the service contracts of the executive directors of the company; the current memorandum & articles of association of the company and the proposed new articles of association of the Company together with an explanatory note summarising the changes being proposed by the adoption of the new articles of associated (as stated below) and the register of interests of the directors (and their families) in the share capital of the company.
- D. 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 11.00 am on 20 July 2008 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 11.00 am on 20 July 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Notes relating to resolution number:

2. Shareholders are invited to vote on the directors' remuneration report which is set out in pages 13 to 15 of the Annual Report. Such a vote is advisory only.
- 3-4. Short-form biographical details for all the directors are contained at page 8 of the Annual Report and Accounts. Shareholders may also wish to consider the following:

Andy Roberts – Andy has served on the board of directors of the Company (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 director of several private software and consultancy companies. There has been no material change in Andy's level of commitment 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 other duties. It is proposed that Andy is elected for a further term of one year as he is subject to the Group policy of re-electing, on an annual basis, all NEDs who have served more than 9 years.

Richard Gawthorne – Richard joined the Board on 17 July 2006. He has extensive finance experience that has encompassed the software industry, and so is well qualified to oversee the functioning of the audit committee and to address the industry-specific issues that arise. This is the second AGM since the appointment of Richard to the board and he is offering himself for election for a three year term. The Chairman confirms that the selection process has been sufficiently rigorous to satisfy the board as to the competence, probity and experience of Richard Gawthorne and that no formal board annual appraisal has been conducted prior to him being offered for election due to the proximity of his appointment and the publication of this notice. The Board and the Nomination Committee deem Richard to be independent and he will serve, if elected, as one of the two independent NED's on the board.

7. Apart from the issue of securities on exercise of certain share options, the directors have no present intention to exercise this authority.
9. 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. It would renew the authority given to the directors at the annual general meeting on 19 July 2007 and would be limited to 4,063,407 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 4,844,230 shares, representing 6% of the company's issued share capital. If the authority given by this resolution were to be fully used, these would represent 5.6% of the company's issued share capital. There are no warrants outstanding.
11. It is proposed in resolution 11 to adopt new articles of association in order to update the Company's current articles of association primarily to take account of the changes in English company law brought about by the Companies Act 2006. The principle changes introduced in the new articles are summarised in the Appendix. Other changes, which are of a minor, technical, clarifying or simplifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006, have not been noted in the Appendix. The proposed new articles of association are available for inspection as noted on page 44 of this document.

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. **Articles which duplicate statutory provisions**
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be amended (to the extent that this is not already the case) to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.
Where articles contained in the Current Articles merely restate the statute only, these are not included in the New Articles, in line with the approach advocated by the Government that statutory provisions should not be duplicated in a Company's constitution.
2. **Redemption**
The New Articles contain more detailed redemption provisions than the current articles. In particular, the New Articles give the Directors' the ability to fix the date on which or by which any redeemable shares are to be redeemed.
3. **Disqualification from voting – non compliance with statutory requirements**
The relevant section of the Companies Act 1985 to which provisions in the Current Articles on disqualification from voting due to non-compliance with statutory requirements to participate in Company investigations related have been repealed and replaced in the Companies Act 2006. The New Articles now contain equivalent provisions updated to incorporate Companies Act 2006 under **Part N, Failure to disclose interests in shares.**
4. **Class meetings**
The New Articles contain provisions governing the operation of a class meeting in accordance with the provisions of the Companies Act 2006.
5. **Uncertificated Securities**
The New Articles contain more detailed provisions as to uncertificated shares, including which class of shares shall be a Participating Security and if so how it shall be treated, the application of the Articles to uncertificated shares, board regulations applying to uncertificated shares, instructions via an uncertificated system and provisions on forfeiture and sale of uncertificated shares. These reflect the rules contained in the Uncertificated Securities Regulations.
6. **Form of resolution**
The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.
7. **Variation of class rights**
The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.
8. **Transfer of shares**
Under the New Articles, the Board must give reasons if they refuse to register the transfer of shares. This is in accordance with the provisions of the Companies Act 2006. The provisions relating to the refusal of the board to register on death/transfer have also been amended. The New Articles also contain restrictions on transfer of shares to a minor, a bankrupt or any person who is or may be suffering from mental disorder.
9. **Convening extraordinary and annual general meetings**
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The New Articles enable notice of a general meeting to be given in hard copy or electronic form or by means of a website.
10. **Votes of members**
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). The chairman of a general meeting no longer has a casting vote. The New Articles reflect all of these new provisions.

11. **Ratification**
The Current Articles do not contain any provisions relating to ratification by shareholders of acts of the Directors as the Companies Act 1985 required any such ratification needed to be by special resolution. The Companies Act 2006 does not specify the type of resolution needed to ratify acts of the board. Therefore, specific wording has been inserted into the New Articles requiring a special resolution of the members to be passed in order to ratify acts of the Board.
12. **Age of Directors on appointment**
The Current Articles contain a provision stating that where a director has attained a retirement age applicable to him, he will not be deemed to be re-appointed. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.
13. **Retirement by rotation**
The New Articles contain additional provisions relating to retirement by rotation by Directors. In particular, any non-executive director who has held office for 9 years or more since his first appointment by general meeting shall retire at each subsequent annual general meeting of the Company.
14. **Conflicts of interest**
The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Although the provisions related to Directors' interests are not expected to come into force until 1 October 2008, the Company proposes to include these provisions in the New Articles. The New Articles contain wording relating to Directors' interests to reflect the Companies Act 2006 as at the date of adoption of the New Articles. The New Articles contain further wording relating to Directors' interests to reflect the Companies Act 2006 provisions with effect from 1 October 2008.
Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another Company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.
There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.
It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.
15. **Notice of board meetings**
Under the Current Articles, when a director is abroad he can request that notice of Directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.
16. **Board**
The New Articles contain a limitation on the ability of a chief executive of the Company to also be appointed as Chairman of the Company for term longer than 12 months.
17. **Dividends**
The provisions in the New Articles relating to dividends have been amended to reflect provisions of Companies Act 2006 concerning distributions which came into force on 6 April 2008.
18. **Records to be kept**
The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.
19. **Auditors and website publications of audit concerns**
Companies Act 2006 contains provisions gives members the right to require the Company to publish audit concerns on a website. This provision has been included in the Company's articles but only comes into effect in respect of financial years beginning on or after 6 April 2008.
20. **Distribution of assets otherwise than in cash**
The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.
21. **Electronic and web communications**
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and permit the Company to take advantage of provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.
22. **Directors' indemnities and loans to fund expenditure**
The Companies Act 2006 has in some areas widened the scope of the powers of a Company to indemnify Directors and to fund expenditure incurred in connection with certain actions against Directors. In particular, a Company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the Company's activities as trustee of the scheme. In addition, the existing exemption allowing a Company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.
23. **General**
Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles. Where definitions are no longer relevant these have been deleted in the New Articles or have been amended to make these definitions relevant in the New Articles. The New Articles also contain a number of new definitions.

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Kewill has offices across the globe

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Singapore

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Belgium

Germany

Netherlands

Switzerland

United Kingdom

North America

California

Massachusetts

New Hampshire