

8 November 2011

## KEWILL PLC

### Interim results for the six months ended 30 September 2011

Kewill plc (Ticker: KWL) ("Kewill", the "Company" or the "Group"), the provider of software solutions that accelerate global trade and logistics, announces its unaudited results for the six months ended 30 September 2011.

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 September 2011	Six months ended 30 September 2010	Growth %
Revenue	£27.2m	£28.9m	-6%
Recurring revenue as % of total <sup>(1)</sup>	66%	62%	
Adjusted operating profit <sup>(2)</sup>	£2.3m	£4.2m	-45%
Operating (loss)/profit	-£0.7m	£0.7m	na
Adjusted operating profit margin <sup>(2)</sup>	8.4%	14.4%	-6%
Operating (loss)/profit margin	-2.6%	2.4%	
Adjusted EBITDA <sup>(2)</sup>	£3.0m	£4.8m	-37%
Adjusted EBITDA <sup>(2)</sup> margin	11.2%	16.6%	
Adjusted EPS <sup>(3)</sup>	1.8p	3.3p	-45%
Adjusted diluted EPS <sup>(3)</sup>	1.8p	3.2p	-44%
Diluted EPS	-0.9p	1.1p	na
Interim dividend	0.42p	0.37p	13.5%

#### OPERATIONAL HIGHLIGHTS

- Contracts already in negotiation combined with a strong pipeline give the Board confidence that full year results will be in line with expectations.
- 82% of expected full year revenues recognised or contracted at 30 September 2011.
- The business continues to deliver strong cash conversion from operations with cash of £15.8 million at 30 September 2011.
- In Customs & Forwarding new business was generated from new customers including Halal Global Services Company, and existing customers such as Union Airfreight, Transpeed, Trinet Logistics Asia, Hankyu Hanshin and Senator Singapore.
- In Transportation & Logistics, new customers included L'Oreal USA, Laitram and American Music Supply, and upgrades orders from existing clients included Black & Decker, Cisco, Aviall and PT Senopati.
- In eCommerce and B2B Integration, new customers included HP Enterprise Services, Auto Windscreens and Paymentsshield.
- Decisive action taken to reduce costs in the reverse logistics business.

- (1) Recurring revenue is defined as annually contracted revenue (Software as a Service, hosting and maintenance).
- (2) Adjusted operating profit is before amortisation of intangibles of £2.3 million (2010: £3.2 million), share based payment charges of £0.1 million (2010 £0.2 million), expensed acquisition costs of £nil (2010: £0.1 million) and reorganisation costs of £0.6 million (2010: £nil) as set out in the condensed consolidated income statement as the Directors regard this as providing additional useful information on trends in underlying performance. Adjusted EBITDA is also before depreciation of £0.7million (2010: £0.6 million).
- (3) In order to arrive at the adjusted earnings per share figures, adjustments made to consolidated pre-tax profit include the adjustments to operating profit as noted above, plus adding back notional interest on deferred consideration £0.1 million (2010: £0.1 million). The resulting adjusted profit before taxation is then subject to a notional tax charge at the weighted average tax rate for the Group excluding intangible amortisation, amounting to 29.5% (2010: 29.9%).
- (4) Constant currency equivalents are calculated by translating current year figures at prior year exchange rates.

George Elliott, Chairman commented:-

“The Board’s expectations for full year revenues include 82% that is already recognised or contracted and we fully expect that the pilot orders described in our most recent trading update will convert to licence sales in the second half. In addition, we are seeing a strong sales pipeline across all regions and this gives us confidence that Kewill will recover the first half shortfall in adjusted operating profit and deliver full year results in-line with expectations. To demonstrate our confidence in the trading outlook for the second half, the Board has declared a 13.5% increase in the interim dividend.”

- Ends -

**For additional information, please contact:**

**Kewill plc**

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**About Kewill plc:**

Kewill delivers solutions that accelerate global trade and logistics.

Our software solutions and deep domain knowledge enable our customers to drive revenue growth and measurable cost savings.

A global company, Kewill provides software that accelerates customs and forwarding, transportation & logistics, and eCommerce & B2B integration. All of our solutions and people are focused on increasing the speed and cost effectiveness of global trade for our customers.

Since 1972, Kewill has delivered global trade and logistics solutions to some of the most sophisticated companies in the world. Over 7,000 companies use Kewill solutions including Bayer, Ingersoll Rand, DHL, UPS, TNT, Toll, Hankyu Hanshin, Scott’s & Co., Hitachi, WaverleyTBS, Mothercare, Black & Decker and Damco.

[www.kewill.com](http://www.kewill.com).

# Interim Results for the six months ended 30 September 2011

## Financial Review

### Revenue

Revenue for the first six months of the year reduced by 6% to £27.2 million (H1 2010/11: £28.9 million). Revenue performance was particularly affected by the decline in our reverse logistics business which was down by £0.9 million. Excluding this business, revenue reduced by 3%.

General economic uncertainty across all regions has led prospective new customers to adopt a more cautious approach to procurement, which has in turn resulted in extended sales cycles. This has therefore resulted in license revenue declining by 50% year-on-year to £1.0 million. As previously highlighted in our most recent trading update in October, Kewill was awarded preferred supplier status on four major new projects in the first half which, under normal procurement cycles, would likely have led to significant software licence fees and services revenues in the period. However, as a result of their more cautious approach, two of these major prospects have commenced their use of our products with an initial paid-for end-user pilot phase before committing to the product licence.

As noted above, and as announced at the time of the full year results in June of this year, the loss of the global roll-out contract with Nokia and the reduction in the value of our contract with HP following its merger with Palm adversely impacted our business by £0.9 million in the first half of this year. To mitigate the impact of this, we took decisive action to reduce our costs. The reorganisation cost in the period was £0.6 million, representing redundancy costs in the reverse logistics business. Annualised cost savings from this measure will be approximately £1.3 million.

The net impact of exchange rates compared to 2010/11 was not material to total revenue.

In Europe, revenue was £16.9 million (H1 2010/11: £17.1 million), a reduction of 1%. On a constant currency<sup>(4)</sup> basis European revenue decreased by 4%, to £16.4 million, largely as a result of the £0.7 million reduction in revenue from Nokia offset by the inclusion of Minihouse acquired in June 2010, for the full six months. Recurring revenue increased by 2% in constant currency terms and now represents 71% of all European revenues. Licence revenue in Europe was down by 60% as a result of lengthened sales cycles and the decision by two large customers to award pilot projects as a precursor to awarding the full licence contract which we fully expect to sign in the second half (as discussed above). In the case of two other European customers, we are currently carrying out paid-for evaluation work to significantly enhance and upgrade existing systems prior to an expected larger order in the second half.

Revenue from the Americas was 12% lower than last year at £8.9 million (H1 2010/11: £10.2 million). On a constant currency basis, Americas revenue decreased by 7% compared to last year. Excluding the decline due to the Palm / HP merger, constant currency revenue declined by 5%. Recurring revenue was 8% lower than last year (on a constant currency basis) and represents 58% of the total Americas revenue. Licence revenue was down 42% on last year as customers delayed purchase decisions. Costs have been reduced to mitigate the impact on profitability.

In Asia, revenue reduced to £1.4 million (H1 2010/11: £1.7 million), a decrease of 19% primarily as a result of delays in licence deals. On a constant currency basis, Asia revenue reduced by 22%. Kewill fully expects licence revenue in Asia to recover significantly in the second half as a result of the strong pipeline. Recurring revenue increased by 1% (constant currency 1%) and now represents 49% of Asia revenues.

## **Adjusted operating profit<sup>(2)</sup>**

The 6% reduction in revenues has led to a 45% reduction in adjusted operating profit to £2.3 million (H1 2010/11: £4.2 million). The net impact of exchange rates compared to 2010/11 was not material. Adjusted operating profit margins were 8.4% (H1 2010/11: 14.4%).

## **Adjusted EBITDA<sup>(2)</sup>**

Adjusted EBITDA decreased by £1.8 million (a 37% decrease over the same period last year) to £3.0 million. The net impact of exchange rates compared to H1 2010/11 was not material. Adjusted EBITDA margins were 11% (H1 2010/11: 17%).

## **Reorganisation costs**

The Group incurred a £0.6 million reorganisation cost in the period, representing redundancy costs in the reverse logistics business. Annualised cost savings from this measure will be approximately £1.3 million.

## **Profit before tax**

After the deduction of amortisation of intangibles, acquisition costs (2010/11 only), share based payments and finance charges, the Group showed a loss before tax of £0.7 million (H1 2010/11 profit: £0.6 million). Net finance costs were less than £0.1 million as the Group held net cash throughout the period, offset by notional interest on the Minihouse contingent consideration. Amortisation of intangible assets has reduced by £0.9 million due to the past acquisitions being fully amortised. The net impact of exchange rates compared to H1 2010/11 was not material.

## **Cash flow and financing**

Net cash generated from operating activities (pre-tax) was again strong at £1.7 million (H1 2010/11: £3.8 million) which represented 100% of adjusted operating profit less the deduction of reorganisation costs (H1 2010/11: 92%). Cash at 30 September 2011 was £15.8 million (H1 2010/11 £12.3 million) after £1.1 million of tax payments (H1 2010/11: £1.0 million), £0.8 million paid as dividends to shareholders (H1 2010/11: £0.7 million), £0.4 million paid in respect of the Minihouse acquisition (H1 2010/11: £5.0 million), a net payment of £0.1 million for employee share awards (H1 2010/11: less than £0.1 million) and £0.5 million of net capital expenditure (H1 2010/11: £0.9 million).

## **Dividends**

To demonstrate their confidence in the trading outlook for the second half, the Board has declared an interim dividend of 0.42 pence per share (H1 2010/11: 0.37 pence per share), representing a 13.5% increase, which will be paid on 13 January 2012 to those shareholders on the register at 2 December 2011 (the shares going ex-dividend on 30 November 2011).

## **Business Review**

### **Market Overview**

There are four major factors placing increased pressure on our customers to automate their supply chain systems and these are:

- overall growth in global trade – forecast by WTO at 6.5% in 2011
- increased complexity in supply chains
- M&A driving the need for consolidated systems
- end customers outsourcing more of their logistics to LSPs

This macro environment creates opportunities for Kewill as our customers see operational and financial benefits from our systems to help them manage multiple transportation modes. This includes the integration of domestic & international shipping, the need for better visibility and control of their supply chains through connection to their trading partners and regulatory agencies. Our product and service portfolio can be grouped into three major lines of business:

- Customs & Forwarding – managing international trade and regulatory compliance
- Transportation & Logistics – accelerating the shipment and facilitating the cost effective storage of goods
- eCommerce/B2B Integration – connecting business systems and monitoring global trade and logistics

These are areas where Kewill has specialised for many years. Our continued investment in specialist technology to provide solutions our customers require, allied with our deep domain skills across major trading geographies, puts us in a strong position to win new business and add increased value for our existing customers. Our specialist technology solutions help reduce the manual processes involved in shipping across multiple geographies, helping to reduce costs and improve accuracy and hence customer satisfaction on setting and meeting delivery expectations. Our software & services help control and manage transportation networks, particularly important as variable fuel costs drive near-shore/offshore decisions. We also help to accelerate lead times for customer shipments and reduce inventory holdings resulting in lower storage costs and working capital. By ensuring compliance with governmental and regulatory requirements we are able to help our customers avoid costly delays and fines.

Despite the fall in revenues in the six months to 30 September 2011 against last year for the reasons described earlier, we began to see early signs during the first half that customers are beginning to invest again on addressing the crucial issues that put pressure on their supply chains and hence their overall business. In particular we saw an increase in activity, including smaller orders and pilot projects, from LSPs in Europe and Asia that we are convinced will lead to larger deals in the second half of the year. This was particularly noticeable in the area of Customs & Forwarding.

### **Line of Business Review**

#### **Customs & Forwarding**

Revenues in Customs & Forwarding grew by 6% in the first half to £13.4 million (H1 2010/11: £12.6 million) driven by the continued success of Kewill Forwarding both from new customers committing to this market leading product and existing customers continuing the successful roll-out of their implementations. New business was secured with Halal Global Services Company (HGS), a leading logistics company specializing in the logistics of Halal food. They have selected Kewill Forwarding as the solution to support their business in Thailand as well as their expansion across Asia. Other new orders were also received from several existing clients for upgrades to Kewill Forwarding version 3.2 with Union Airfreight, Transpeed, Trinet Logistics Asia, Hankyu Hanshin and Senator Singapore. In addition, three major LSPs selected Kewill Forwarding in the first half to be their preferred supplier. We would anticipate these decisions leading to licence orders and significant professional services revenue earning commitments in the second half of the financial year.

On the product side we released Kewill Forwarding version 3.3, adding hub and gateway functions, end to end visibility, bonded warehouse and integration with Kewill Customs Exchange (KCX). KCX continued to grow its comprehensive coverage of the European geography and is now operational in fifteen EU countries. It also provided the platform for the go-live in Singapore of a Trade Permit solution providing electronic connectivity from the shipper to their forwarder and on to the Singapore government's customs system via TradeXchange®.

## **Transportation & Logistics**

Revenues in the first half of the year were £8.8 million, a decline of 20% (H1 2010/11: £11.0 million) compared to the same period last year. Of the decline in revenue, £0.9 million was attributable to the previously disclosed loss of the Nokia global contract and the consolidation of the HP and Palm reverse logistics revenues. Excluding these two material contract losses the revenues would have declined 13% largely as a result of the more cautious approach by our customers and consequential delay in licence contract signings.

Our main product offerings in this line of business are the Kewill Logistics suite that provides integrated transportation and warehousing management for LSPs and our parcel products Flagship and Clippership. During the first half we released version 6.0/4 and 6.1 of Kewill Transport adding a web-based plan board, cross-docking & 4PL enhancements. In addition, we provided the first integration of Kewill Transport with the Netherlands customs offerings acquired with Minihouse in June 2010. As part of the full year results for last year we announced the availability of TMS Quickstart, an option for customers to have a fast deployment of our Kewill Transport solution in a SaaS environment. During the first half we won our first pilot for TMS Quickstart in Europe, we also closed our first TMS/WMS contract in Indonesia with PT Senopati, through our new Indonesian partner, PT Star System International.

We also continued with our previously announced program to migrate customers from the older Kewill Ship parcel shipping product and during the period under review we had commitments from over thirty of these customers to migrate across to Kewill Flagship or Clippership.

In the area of trade compliance we released Kewill Export version 1.3 with important functionality for US export documents and received an order from one of our large Kewill Flagship customers to implement an integrated version of Kewill Flagship with Kewill Export and ECS our export compliance SaaS offering. This will be an important part of our strategy to integrate the suite of solutions for our shipper customers and thereby enhance our cross selling initiative.

Other notable Kewill Flagship sales included new customers such as L'Oreal USA, Laitram, American Music Supply, NMB Solutions and CTL Global and upgrade orders from existing clients Black & Decker, Cisco, Aviall, American Mailing, GE Aviation and Deluxe Corporation. We also increased our business sold through our third party channel with the addition of over 90 value added resellers across the USA. Our partner development work also progressed with product integrations between Flagship and Oracle OTM & EBS and JDA.

## **eCommerce and B2B Integration**

Revenue in our eCommerce and B2B Integration line of business was £5.0 million (H1 2010/11: £5.3 million) a reduction of 6%. This reduction reflects the slow business conditions in the UK retail market as customers reigned in spending. However, we were successful in the period under review with orders for our Kewill MessageBroker system from new customers HP Enterprise Services, Auto Windscreens, PaymentsShield and Markerstudy and upgrade orders from MM UK, Thomas Pink and VAX and a three year contract renewal from ARB Underwriting. Kewill Trade orders were placed by PaymentsShield and Markerstudy, a contract extension from J. Sainsbury and three year contract renewals from JD Williams and Dunelm.

## **Outlook**

Last year we reported that we were making specific investments in sales & marketing specifically timed to take advantage of the return to growth that was being forecast in global trade over the next three years, and to increase cross selling opportunities within the business. As reported in our most recent trading updates, this increased investment has taken longer to generate direct revenue benefit as a result of several factors beyond our direct control. General economic

uncertainty across all regions has led prospective new customers to adopt a more cautious approach to procurement, which has in turn resulted in extended sales cycles.

The Board's expectations for full year revenues include 82% that is already recognised or contracted and we fully expect that the pilot orders described in our most recent trading update will convert to license sales in the second half. In addition, we are seeing a strong sales pipeline across all regions and this gives us confidence that Kewill will recover the first half shortfall in adjusted operating profit and deliver full year results in-line with expectations. As a sign of our confidence in the trading outlook for the second half, the Board has declared a 13.5% increase in the interim dividend.

## **Directors' responsibilities**

The Directors confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

## **Signed on behalf of the Board**

**Paul Nichols**  
Chief Executive Officer

**7 November 2011**

**David Gibbon**  
Chief Financial Officer

**7 November 2011**

## **Cautionary statement**

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any party or for any other purpose.

The IMR contains forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Kewill plc and its subsidiary undertakings when viewed as a whole.

This report is available in electronic format from the Company's website, [www.kewill.com/investor](http://www.kewill.com/investor)

## Condensed consolidated interim income statement

for the six months ended 30 September 2011

	Note	Six months to Sept 2011 (unaudited) £000	Six months to Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
<b>Continuing operations</b>				
Revenue		27,215	28,933	60,030
Operating expenses		(27,932)	(28,249)	(56,634)
<b>Operating (loss)/profit</b>		<b>(717)</b>	684	3,396
Analysed as:				
Operating profit before amortisation of intangibles, reorganisation costs, acquisition costs and share- based payments		2,293	4,175	9,643
Amortisation of intangibles		(2,321)	(3,188)	(5,865)
Reorganisation costs	3	(575)	-	-
Acquisition costs		-	(143)	(186)
Share-based payments		(114)	(160)	(196)
<b>Operating (loss)/profit</b>	4	<b>(717)</b>	684	3,396
Interest receivable on cash and short term deposits		55	54	108
Finance costs		(76)	(119)	(342)
<b>(Loss)/profit before taxation</b>		<b>(738)</b>	619	3,162
Taxation	5	(54)	434	2,236
<b>(Loss)/profit for the period</b>		<b>(792)</b>	1,053	5,398
<b>Basic (loss)/earnings per share</b>	6	<b>(0.9p)</b>	1.2p	6.0p
<b>Diluted (loss)/earnings per share</b>	6	<b>(0.9p)</b>	1.1p	5.8p

## Condensed consolidated interim statement of comprehensive income

for the six months ended 30 September 2011

		Six months to Sept 2011 (unaudited) £000	Six months to Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
(Loss)/profit for the period		(792)	1,053	5,398
<b>Other comprehensive income:</b>				
Currency translation differences		(264)	(2,186)	(1,618)
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,056)</b>	(1,133)	3,780

## Condensed consolidated interim statement of changes in equity

for the six months ended 30 September 2011

	Share capital	Share premium	Merger reserve	Translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
<b>At 1 April 2011</b>	<b>906</b>	<b>27,853</b>	<b>2,325</b>	<b>9,354</b>	<b>17,781</b>	<b>58,219</b>
Loss for the period	-	-	-	-	(792)	(792)
Other comprehensive income:						
Currency translation differences	-	-	-	(264)	-	(264)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(264)</b>	<b>(792)</b>	<b>(1,056)</b>
Employee share option schemes:						
- value of employee services	-	-	-	-	114	114
- proceeds from shares issued	4	160	-	-	-	164
- cost of shares purchased	-	-	-	-	(88)	(88)
- cash settlement of vested options	-	-	-	-	(191)	(191)
Dividend paid	-	-	-	-	(791)	(791)
<b>At 30 September 2011</b>	<b>910</b>	<b>28,013</b>	<b>2,325</b>	<b>9,090</b>	<b>16,033</b>	<b>56,371</b>
At 1 April 2010	898	27,811	2,325	10,972	13,189	55,195
Profit for the period	-	-	-	-	1,053	1,053
Other comprehensive income:						
Currency translation differences	-	-	-	(2,186)	-	(2,186)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,186)</b>	<b>1,053</b>	<b>(1,133)</b>
Employee share option schemes:						
- value of employee services	-	-	-	-	160	160
- proceeds from shares issued	4	29	-	-	-	33
Dividend paid	-	-	-	-	(674)	(674)
<b>At 30 September 2010</b>	<b>902</b>	<b>27,840</b>	<b>2,325</b>	<b>8,786</b>	<b>13,728</b>	<b>53,581</b>
At 1 April 2010	898	27,811	2,325	10,972	13,189	55,195
Profit for the year	-	-	-	-	5,398	5,398
Other comprehensive income:						
Currency translation differences	-	-	-	(1,618)	-	(1,618)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,618)</b>	<b>5,398</b>	<b>3,780</b>
Employee share option schemes						
- value of employee services	-	-	-	-	196	196
- proceeds from shares issued	8	42	-	-	-	50
Dividend paid	-	-	-	-	(1,002)	(1,002)
<b>At 31 March 2011</b>	<b>906</b>	<b>27,853</b>	<b>2,325</b>	<b>9,354</b>	<b>17,781</b>	<b>58,219</b>

## Condensed consolidated interim balance sheet

as at 30 September 2011

	Note	30 September 2011 (unaudited) £000	30 September 2010 (unaudited) £000	31 March 2011 (audited) £000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		36,570	36,414	36,852
Other intangible assets		6,469	11,446	8,947
Property, plant and equipment		3,367	3,226	3,395
Deferred tax assets		4,992	3,460	5,001
		<b>51,398</b>	<b>54,546</b>	<b>54,195</b>
<b>Current assets</b>				
Inventories		99	57	121
Trade and other receivables		10,102	10,606	11,513
Current tax assets		589	-	-
Cash and cash equivalents		15,837	12,324	16,938
		<b>26,627</b>	<b>22,987</b>	<b>28,572</b>
<b>Total assets</b>		<b>78,025</b>	<b>77,533</b>	<b>82,767</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		15,683	15,877	17,705
Current tax liabilities		323	681	260
Contingent consideration		996	965	984
Provisions		263	449	282
		<b>17,265</b>	<b>17,972</b>	<b>19,231</b>
<b>Net current assets</b>		<b>9,362</b>	<b>5,015</b>	<b>9,341</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		1,586	2,870	2,084
Contingent consideration		2,719	2,991	3,135
Provisions		84	119	98
		<b>4,389</b>	<b>5,980</b>	<b>5,317</b>
<b>Total liabilities</b>		<b>21,654</b>	<b>23,952</b>	<b>24,548</b>
<b>Net assets</b>		<b>56,371</b>	<b>53,581</b>	<b>58,219</b>
<b>Shareholders' equity</b>				
Called up share capital	8	910	902	906
Share premium account		28,013	27,840	27,853
Merger reserve		2,325	2,325	2,325
Cumulative translation reserve		9,090	8,786	9,354
Retained earnings		16,033	13,728	17,781
<b>Total shareholders' equity</b>		<b>56,371</b>	<b>53,581</b>	<b>58,219</b>

## Condensed consolidated interim cash flow statement

for the six months ended 30 September 2011

	Six months to 30 Sept 2011 (unaudited) £000	Six months to 30 Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1,725	3,821	10,324
Interest paid	(12)	(16)	(180)
Income tax paid	(1,055)	(1,027)	(1,996)
Net cash generated from operating activities	658	2,778	8,148
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)	(374)	(5,022)	(5,022)
Purchase of property, plant and equipment	(772)	(902)	(1,713)
Sale of property, plant and equipment	226	-	-
Interest received	12	59	113
Net cash used in investing activities	(908)	(5,865)	(6,622)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares	164	34	51
Purchases of ordinary shares (for vesting options)	(88)	-	-
Cash settlement of vesting options	(191)	-	-
Repayment of borrowings	-	(229)	(229)
Dividends paid	(791)	(674)	(1,002)
Net cash used in financing activities	(906)	(869)	(1,180)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,156)</b>	<b>(3,956)</b>	<b>346</b>
Cash and cash equivalents at the start of period	16,938	16,950	16,950
Effect of exchange rates	55	(671)	(358)
<b>Cash and cash equivalents at the end of period</b>	<b>15,837</b>	<b>12,323</b>	<b>16,938</b>

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

	Six months to 30 Sept 2011 (unaudited) £000	Six months to 30 Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
(Loss)/profit before taxation	(738)	619	3,162
Depreciation charges	747	638	1,159
Amortisation of intangible assets	2,321	3,188	5,865
Loss on disposal of property, plant and equipment	2	-	9
Interest receivable	(55)	(54)	(108)
Interest payable	76	119	342
Share-based payments	114	160	196
Decrease/(increase) in inventories	21	22	(41)
Decrease/(increase) in trade and other receivables	1,179	115	(566)
(Decrease)/increase in trade and other payables and provisions	(1,942)	(986)	306
<b>Cash generated from operations</b>	<b>1,725</b>	<b>3,821</b>	<b>10,324</b>

## **Notes to the condensed consolidated interim financial statements**

### **1. General information**

Kewill plc (the "Company") is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is Bramley House, The Guildway, Old Portsmouth Road, Artington, Guildford, Surrey, GU3 1LR. The Company is listed on the London Stock Exchange and its registered number is 1037515.

### **2. Accounting policies**

#### **Basis of preparation**

The condensed consolidated interim financial statements comprise the Company and its subsidiaries (the "Group") and are presented in pounds sterling rounded to the nearest thousand. They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union, and should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31 March 2011.

The annual financial statements of Kewill plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, although the information for the year ended 31 March 2011 presented within the condensed interim financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2011 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed interim financial statements were approved by the Board of Directors on 7 November 2011.

The condensed interim financial statements have not been reviewed or audited by the Company's auditors.

#### **Significant accounting policies**

The same accounting policies, presentation and methods of computation are followed in the condensed set of interim financial statements as applied in the Group's latest annual audited financial statements, except that taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected annual earnings as determined on a territory by territory basis.

New standards, amendments to standards or interpretations which are mandatory for the first time for the Group's financial year beginning 1 April 2011 have been taken into account in the preparation of the condensed interim financial statements but there have been no significant changes as a result of so doing.

### **3. Reorganisation costs**

Reorganisation cost represents the cash cost of redundancy payments, primarily arising in the reverse logistics business following the loss of a contract with Nokia and the reduction in the value of the contract with HP following its merger with Palm.

### **4. Segmental reporting**

The Group's operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (considered to be the Board of Directors) to allocate resources to the segments and to assess their performance.

The Board primarily considers the business from a geographical basis, but secondary information on revenues by product type is also reviewed.

Under the primary geographical reporting, external revenues are recorded by origin and operating profits reflect the statutory operating profits recorded by the legal entities based in each region (prior to any central overhead allocation).

## Segmental reporting (continued)

	Six months to 30 Sept 2011 (unaudited) £000	Restated Six months to 30 Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
<b>Revenue (external)</b>			
Europe	16,880	17,051	36,525
USA	8,931	10,151	19,924
Asia	1,404	1,731	3,581
<b>Total Revenue</b>	<b>27,215</b>	<b>28,933</b>	<b>60,030</b>
<b>Adjusted operating profit</b>			
Europe	2,686	3,583	7,844
USA	867	1,360	2,711
Asia	(688)	122	515
Group operating expenses	(572)	(890)	(1,427)
<b>Adjusted operating profit</b>	<b>2,293</b>	<b>4,175</b>	<b>9,643</b>
<b>Amortisation of intangibles</b>			
Europe	(2,151)	(3,025)	(5,535)
Asia	(170)	(163)	(330)
<b>Total amortisation of intangibles</b>	<b>(2,321)</b>	<b>(3,188)</b>	<b>(5,865)</b>
<b>Reorganisation costs</b>			
Europe	(504)	-	-
USA	(71)	-	-
<b>Total reorganisation costs</b>	<b>(575)</b>	<b>-</b>	<b>-</b>
<b>Acquisition costs</b>	<b>-</b>	<b>(143)</b>	<b>(186)</b>
<b>Share-based payments</b>	<b>(114)</b>	<b>(160)</b>	<b>(196)</b>
<b>Total operating (loss)/profit</b>	<b>(717)</b>	<b>684</b>	<b>3,396</b>
<b>Operating profit/(loss)</b>			
Europe	31	558	2,309
USA	796	1,360	2,711
Asia	(858)	(41)	185
Group operating expenses including acquisition costs and share-based payments	(686)	(1,193)	(1,809)
<b>Total operating (loss)/profit</b>	<b>(717)</b>	<b>684</b>	<b>3,396</b>
Interest receivable	55	54	108
Interest payable	(76)	(119)	(342)
<b>(Loss)/profit before tax</b>	<b>(738)</b>	<b>619</b>	<b>3,162</b>
Taxation	(54)	434	2,236
<b>(Loss)/profit for the period</b>	<b>(792)</b>	<b>1,053</b>	<b>5,398</b>

During the second half of the prior year, the group changed the basis of allocating expenses to segments and measuring segmental performance. This was to better reflect the statutory profits of the companies in each region. The figures for the six months to 30 September 2010 have also now been restated on the new basis.

## Revenue by product group

	Six months to 30 Sept 2011 (unaudited) £000	Six months to 30 Sept 2010 (unaudited) £000	Year to March 2011 (audited) £000
Customs & forwarding	13,389	12,603	23,736
Transportation & logistics	8,807	11,008	26,385
eCommerce and B2B integration	5,019	5,322	9,909
<b>Total revenue</b>	<b>27,215</b>	<b>28,933</b>	<b>60,030</b>

## 5. Taxation

The tax charge for the six months to 30 September 2011 has been accrued using the tax rates that would be applicable to total expected annual earnings by country. Excluding intangible amortisation, the full year weighted average statutory tax rate for the Group is expected to be 29.5% (year to 31 March 2011: 29.9%).

## 6. 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 year based on the following:

	Consolidated income period to 30 Sept 2011 £000	Adjustments to consolidated pre tax profit period to 30 Sept 2011 £000	Results after adjustments at normalised rate of taxation period to 30 Sept 2011 £000
(Loss)/profit before tax	(738)	3,075	2,337
Taxation	(55)		(689)
(Loss)/profit attributable to ordinary shareholders	(793)		1,648
<b>Number of shares</b>			
Weighted average number of ordinary shares in issue	90,817,644		90,817,644
Effect of dilutive share options	2,319,672		2,319,672
Weighted average number of ordinary shares for the purposes of diluted earnings per share	93,137,316		93,137,316
	<b>EPS</b>		<b>Adjusted EPS</b>
Basic (loss)/earnings per share	(0.9p)		1.8p
Diluted (loss)/earnings per share	(0.9p)		1.8p
	Consolidated income period to 30 Sept 2010 £000	Adjustments to consolidated pre tax profit period to 30 Sept 2010 £000	Results after adjustments at normalised rate of taxation period to 30 Sept 2010 £000
Profit before tax	619	3,571	4,190
Taxation	434		(1,253)
Profit attributable to ordinary shareholders	1,053		2,937
<b>Number of shares</b>			
Weighted average number of ordinary shares in issue	89,881,038		89,881,038
Effect of dilutive share options	3,347,738		3,347,738
Weighted average number of ordinary shares for the purposes of diluted earnings per share	93,228,776		93,228,776
	<b>EPS</b>		<b>Adjusted EPS</b>
Basic earnings per share	1.2p		3.3p
Diluted earnings per share	1.1p		3.2p

## Earnings per share (continued)

Adjusted earnings per share has been disclosed as the Directors consider this better reflects the underlying performance of the Group. The basis of calculation was revised in the second half of the prior year to eliminate the distorting effect caused by the progressive recognition of tax losses.

In order to arrive at the adjusted earnings per share figures, adjustments made to consolidated pre-tax profit comprise adding back amortisation of intangibles £2,321,000 (2010: £3,188,000), notional interest on deferred consideration £65,000 (2010: £80,000), reorganisation costs £575,000 (2010: £nil), acquisition costs £nil (2010: £143,000) and share-based payment expense £114,000 (2010: £160,000). The resulting adjusted profit before taxation is then subject to a notional tax charge at the weighted average tax rate for the Group excluding intangible amortisation, amounting to 29.5%.

	Consolidated income Year to 31 March 2011 £000	Adjustments to consolidated pre tax profit Year to 31 March 2011 £000	Results after adjustments at normalised rate of taxation Year to 31 March 2011 £000
Profit before tax	3,162	6,409	9,571
Taxation	2,236		(2,862)
Profit attributable to ordinary shareholders	5,398		6,709
Number of shares			
Weighted average number of ordinary shares in issue	90,179,940		90,179,940
Effect of dilutive share options	3,076,629		3,076,629
Weighted average number of ordinary shares for the purposes of diluted earnings per share	93,256,569		93,256,569
	EPS		Adjusted EPS
Basic earnings per share	6.0p		7.4p
Diluted earnings per share	5.8p		7.2p

Adjustments made to consolidated pre-tax profit for the year to 31 March 2011 comprise adding back amortisation of intangibles £5,865,000, notional interest on deferred consideration £162,000, acquisition costs £186,000 and share-based payment expense £196,000. The resulting adjusted profit before taxation is then subject to a notional tax charge at the weighted average tax rate for the Group excluding intangible amortisation, amounting to 29.9%.

## 7. Dividends

The proposed interim dividend of 0.42 pence per share (Interim 2010/11: 0.37 pence per share) was approved by the Board on 7 November 2011 and has not been included as a liability on the balance sheet at 30 September 2011.

## 8. Share Capital

During the period the Group issued 340,769 shares to satisfy awards vesting under the Group's Senior Executive Share Option Plans and Performance Share Plan. A further 86,490 shares were purchased on the open market to satisfy awards vesting under the Performance Share Plan.

Share capital at 30 September 2011 amounted to £909,755.

## 9. Related party transactions

No related party transactions have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during this period, nor have there been any material changes in the nature of related party transactions as disclosed in the last annual report.

## 10. Risks and uncertainties

The Group's principal risks and uncertainties remain as disclosed in the last annual report (on pages 18 to 19).