

13 November 2007

KEWILL SYSTEMS PLC

Interim Management Report for the six months ended 30 September 2007

Kewill Systems plc (LSE: KWL) (“Kewill” or “the Group”), the leading provider of global supply chain execution software and services, announces its interim results for the six months ended 30 September 2007 showing strong growth in revenue and profitability across both established and newly acquired operations.

The Board remains confident in the outlook for the full year and has recommended an interim dividend of 0.25p.

Highlights:

- Group revenues up 28% to £24.4m (H1 2006/7: £19.1m)
- Underlying profit* up 75% to £3.2m (H1 2006/7: £1.9m); operating profit up 509% to £0.9m (H1 2006/7: £0.2m) - operating margins increased to 13.3% (H1 2006/7: 9.7%)
- Adjusted EPS up 35% to 4.2p (H1 2006/7: 3.1p), EPS of 1.0p (H1 2006/7: 0.9p)
- Recurring revenues grown to 50% of total revenue largely as a result of take-up of the Software as a Service (SaaS) business model. Repeat revenues from existing customers are running at 29% of the total
- Evident cross-selling between lines of business and geographies
- European revenues up 39% to £14.2m (H1 2006/7: £10.3m); underlying profit* in Europe up 81% to £3.2m (H1 2006/7: £1.8m)
- US revenues of £9.1m, up by 11% before currency differences

Paul Nichols, Chief Executive Officer, said:

“I am pleased to report this set of results which demonstrate significant growth from both existing businesses and through our strategic acquisitions. We have won a number of new customers and are making good progress with One Kewill.”

“We continue to benefit from market trends, as global trade continues to grow and shippers face increased legislative controls and need for compliance. We took advantage of these trends last year by making selective acquisitions across Europe and Asia ensuring we have a strong global presence which can provide support for our customers in all of the major trading hubs across the world.”

“We are confident about the second half of the year during which we will launch new products to leverage the positive market trends, specifically a forwarding solution globally and a new Kewill Customs solution in the US. These new products, combined with the full year addition of both Kewill Innovate and Kewill IPACS, the growing share of revenues from hosted solutions (SaaS) and continued success of One Kewill gives the Board confidence in the outlook for the full year and beyond.”

* Underlying profit represents Operating profit before amortisation of intangibles, as shown in the Income Statement on page 4.

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About Kewill Systems Plc

Kewill Systems Plc is a leading provider of global solutions for the dynamic supply network. The dynamic supply network enables enhanced responsiveness to customers through flexible connectivity between partners and systems, providing improved visibility and effective compliance, bridging the gap from a traditional rigid supply chain.

With over 35 years experience in the supply chain space, Kewill is a long-time innovator of software focusing on business integration, order management, transportation management, international trade logistics, service logistics and visibility solutions for global trading communities.

Kewill has implemented over 40,000 systems worldwide and our global customer base which entrusts us with the management of their supply networks includes Allianz, A.N. Deringer, Atlantic Forwarding, Baltrans Logistics, BHS, DHL, DSV, FedEx, Frans Maas, General Electric, General Motors, Glasgow City Council, JD Williams, Littlewoods, Marks & Spencer, Mazda, Mitsubishi, MMA, Nintendo, Nisa Today's, Legal & General, Panalpina, Philips, Pratt & Whitney, Sainsbury's, Texas Instruments, TNT, Townergate Insurance, UPS.

OPERATING REVIEW

The Board is pleased to report that Kewill has significantly increased its revenues and underlying profits* in the first half of the year, in line with our expectations and statements made at our Preliminary Results announcement in June. The re-shaping of the Group over the past 4 years has given us a strong business in software and IT services for the global trade market. Our markets are growing at between 8 and 12% per annum and this growth is being fuelled by increased volumes of shipments combined with stricter legislative controls and greater needs for compliance.

Group revenues have grown 28% to £24.4m (H1 2006/7: £19.1m) and underlying profits* are up 75% to £3.2m (H1 2006/7: £1.9m). Operating profit was £0.9m (H1 2006/7: £0.2m) as a result of an improvement in our operating margins from 9.7% to 13.3% as we begin to see the benefits of our acquisition strategy and the integration of businesses under the One Kewill initiative. Our cash balance at 30 September 2007 was £3.9m (H1 2006/7: £9.3m) following the payment of deferred consideration for acquisitions of £2.2m. The Board are pleased to announce an interim dividend payment of 0.25p per share on 13 December 2007 to shareholders on the register on 23 November 2007.

European revenues increased 39% to £14.2m (H1 2006/7: £10.3m) with strong new business in the UK for the Kewill Export Manager product including new wins, as predicted, with our newly launched Kewill Insurance Xchange service. We also saw good growth in Benelux from our existing logistics software as well as newly acquired service logistics and returns offering, with solid growth in Germany from our customs and export services. We added 48 new enterprise customers in Europe during the half year. Underlying profits* in Europe increased to £3.2m (H1 2006/7: £1.8m), with an operating margin of 23%, which includes some earlier than planned cost savings from the One Kewill initiative.

The US business increased sales by 11% before currency differences as a result of strong sales in both Enterprise Shipping Management and International Trade and Logistics. In reported currency, revenues rose 3% to £9.1m (H1 2006/7: £8.8m). We added 60 new enterprise customers in the US during the period. Underlying profits* decreased to £0.9m (H1 2006/7: £1.2m) as we invested in new products for launch in the second half.

We saw our first full half revenue of £1.1m from our Asian acquisition, Kewill-IPACS, fuelled by strong sales of its customs applications following a mandated upgrade driven by the Singapore government. In the first half underlying losses* were £0.1m (H1 2006/7: loss of £0.3m) as we took a one-off restructuring cost associated with outsourcing our Indian development centre.

We also made good progress with our "One Kewill" initiative, focussed on enabling the products that we have added through acquisitions over the past 4 years to be sold into new geographies, across our 7,000 strong customer base and into new customers around the globe. As we move forward we will be using the recently acquired technologies in our new global solutions, such as Kewill Forwarding and Kewill Customs. This gives us the benefit of reducing the number of technologies we need to support and the cost benefits of a blended onshore/offshore model.

The lengthening of supply chains and the resultant delays and added complexity has highlighted the inadequacy of many existing legacy systems. Kewill continues to invest in new products and technology to win market share as clients replace their existing systems and to enable our existing customers to have the ability to stay compliant by upgrading to the latest technology. We have also used our horizontal technology platforms such as eBiz Manager and ALS to enter into new verticals such as insurance in the UK and local government in Scotland and Singapore.

The main uncertainty surrounding the second half of this financial year for Kewill is the risk that anticipated new business contracts will not be signed and the related revenues will not be booked. There is also risk that fluctuating exchange rates will impact our results, particularly the US dollar movements. The wider risks to a business such as ours are discussed in more detail in the 2006/7 annual report published in June.

Outlook

The progress made in the first 6 months of our financial year gives us confidence in our outlook for the full year. The credit crunch that has affected global financial markets over the past few months does not appear to have impacted our markets to date. The move we have made towards offering more products using the SaaS model and thereby securing recurring revenues of 50% and repeat revenues from existing customers of 29% of total has helped to even out the yearly revenue profile of the business with greater visibility of revenue and profit between the two halves of our year. Historically our results have been weighted more heavily to the second half of the year. Our success in this, along with our robust order book and pipelines, enable the Board to have confidence in the outlook for the full year.

*Underlying profit represents Operating profit before amortisation of intangibles, as shown in the Income Statement below.

**Consolidated interim income statement
for the six months to 30 September 2007**

	Six months to 30 Sept 2007 (unaudited) £000	Six months to 30 Sept 2006 (unaudited) £000	Year to 31 March 2007 (audited) £000
Revenue – continuing operations	24,388	19,100	41,583
Cost of sales	(2,386)	(1,817)	(3,820)
Gross profit	22,002	17,283	37,763
Total net operating expenses	(21,064)	(17,129)	(36,748)
Operating profit	938	154	1,015
Analysed as:			
Operating profit before amortisation of intangibles	3,249	1,852	4,681
Amortisation of intangibles	(2,311)	(1,698)	(3,666)
Operating profit	938	154	1,015
Interest receivable	37	202	362
Notional interest payable	(249)	-	(242)
Profit before taxation	726	356	1,135
Taxation	118	377	328
Profit for the financial period	844	733	1,463
Basic earnings per share from continuing operations	1.0p	0.9p	1.9p
Diluted earnings per share from continuing operations	1.0p	0.9p	1.8p

**Consolidated interim statement of changes in shareholders' equity
for the six months to 30 September 2007**

	Called up Share Capital £000	Share premium account £000	Merger reserve £000	Translation Reserve £000	Profit and loss account £000	Total £000
At 1 April 2007	808	38,306	2,325	(486)	(11,345)	29,608
Currency translation differences	-	-	-	(151)	-	(151)
Net income recognised directly in equity	-	-	-	(151)	-	(151)
Retained profit for the six months	-	-	-	-	844	844
Total recognised income for the six months	-	-	-	(151)	844	693
Share-based payments	-	-	-	-	59	59
Dividends payable	-	-	-	-	(406)	(406)
Shares issued in lieu of services provided	-	10	-	-	-	10
Issue of shares - share options	4	114	-	-	-	118
At 30 September 2007	812	38,430	2,325	(637)	(10,848)	30,082
At 1 April 2006	789	38,293	976	222	(12,936)	27,344
Currency translation differences	-	-	-	(383)	-	(383)
Net income recognised directly in equity	-	-	-	(383)	-	(383)
Retained profit for the six months	-	-	-	-	733	733
Total recognised income for the six months	-	-	-	(383)	733	350
Share-based payments	-	-	-	-	101	101
Issue of shares - share options	-	6	-	-	-	6
At 30 September 2006	789	38,299	976	(161)	(12,102)	27,801
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)
Retained 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

**Consolidated interim balance sheet
as at 30 September 2007**

	30 Sept 2007 (unaudited) £000	30 Sept 2006 (unaudited) £000	31 March 2007 (audited) £000
Assets			
Non-current assets			
Goodwill	24,458	19,248	24,587
Other intangible assets	17,459	11,069	19,770
Property, plant and equipment	1,393	1,357	1,481
Deferred tax asset	1,221	1,334	1,140
	44,531	33,008	46,978
Current assets			
Inventories	178	133	141
Trade and other receivables	9,756	8,834	10,440
Cash and cash equivalents	3,920	9,275	5,256
	13,854	18,242	15,837
Liabilities			
Current liabilities			
Trade and other payable	13,196	12,640	15,556
Current tax liabilities	656	260	812
Contingent consideration	4,489	4,554	3,322
Provisions	83	76	55
	18,424	17,530	19,745
Net current (liabilities)/assets	(4,570)	712	(3,908)
Non-current liabilities			
Deferred tax liabilities	5,242	3,321	5,935
Contingent consideration	4,637	2,598	7,527
	9,879	5,919	13,462
Net assets	30,082	27,801	29,608
Shareholders' equity			
Capital and reserves			
Called up share capital	812	789	808
Share premium account	38,430	38,299	38,306
Merger reserve	2,325	976	2,325
Cumulative translation reserve	(637)	(161)	(486)
Profit & loss account	(10,848)	(12,102)	(11,345)
Total shareholders' equity	30,082	27,801	29,608

**Consolidated interim cash flow statement
for the six months to 30 September 2007**

	Six months to 30 Sept 2007 (unaudited) £000	Six months to 30 Sept 2006 (unaudited) £000	Year to 31 March 2007 (audited) £000
Cash flows from operating activities			
Cash generated from operations	1,905	790	5,313
Income tax paid	(706)	(209)	(394)
Net cash generated from operating activities	1,199	581	4,919
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	(2,191)	(3,773)	(11,985)
Purchase of property, plant and equipment	(460)	(299)	(533)
Interest received	37	202	362
Net cash used in investing activities	(2,614)	(3,870)	(12,156)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	118	6	19
Acquisition debt repaid	-	(227)	(227)
Net cash generated by/(used in) financing activities	118	(221)	(208)
Net decrease in cash and cash equivalents	(1,297)	(3,510)	(7,445)
Cash and cash equivalents at the start of period	5,256	12,958	12,958
Effect of exchange rates	(39)	(173)	(257)
Cash and cash equivalents at the end of period	3,920	9,275	5,256

Notes

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

	Six months to 30 Sept 2007 (unaudited) £000	Six months to 30 Sept 2006 (unaudited) £000	Year to 31 March 2007 (audited) £000
Profit for the financial period	844	733	1,463
Taxation	(118)	(377)	(328)
Depreciation charges	399	315	715
Amortisation of intangible assets	2,311	1,698	3,666
Loss/(profit) on sale of tangible fixed assets	-	1	(4)
Interest receivable	(37)	(202)	(362)
Notional interest payable	249	-	242
Share-based payments	59	101	128
(Increase)/decrease in inventories	(36)	64	55
Decrease in trade and other receivables	603	755	608
(Decrease) in trade and other payables and provisions	(2,369)	(2,298)	(870)
Cash generated from operations	1,905	790	5,313

2. Segmental reporting

	Six months to 30 Sept 2007 (unaudited) £000	Six months to 30 Sept 2006 (unaudited) £000	Year to 31 March 2007 (audited) £000
Revenue			
Europe	14,219	10,256	22,569
USA	9,067	8,844	18,755
Asia	1,102	-	259
Total Group	24,388	19,100	41,583
Operating profit/(loss) before amortisation of intangibles			
Europe	3,248	1,798	4,391
USA	899	1,237	2,801
Asia	(65)	(262)	(513)
Group Administration Costs	(774)	(820)	(1,870)
Share-based payments	(59)	(101)	(128)
Total Group	3,249	1,852	4,681
Amortisation of intangibles			
Europe	(2,196)	(1,097)	(2,436)
USA	-	(601)	(1,201)
Asia	(115)	-	(29)
Total Group	(2,311)	(1,698)	(3,666)
Total operating profit/(loss)			
Europe	1,052	701	1,955
USA	899	636	1,600
Asia	(180)	(262)	(542)
Group Administration Costs	(774)	(820)	(1,870)
Share-based payments	(59)	(101)	(128)
Total Group	938	154	1,015

3. Basis of preparation

This interim management report has been prepared under IFRS and on the basis of the accounting policies set out in the company's annual report and accounts for the year ended 31 March 2007. There are no new standards that impact the financial year ending 31 March 2008. This interim statement has been prepared in accordance with IAS 34 Interim Statements. The interim statement was approved by the board on the 12th November 2007 and has not been audited or reviewed by the company's auditors PricewaterhouseCoopers LLP. Figures for the year ended 31 March 2007 are non-statutory and have been extracted from the financial statements filed with the Registrar of Companies, which contain an unqualified audit report and no statements under sections 237(2) or 237(3) of the Companies Act 1985.

4. Dividends

A dividend that relates to the period to 31 March 2007 and that amounts to £406,000 was paid in October 2007 after approval by shareholders at the AGM on 19 July 2007. This was the first dividend the Company has paid since 1999. It is the Board's intent to pay an interim dividend of 0.25p per share on December 13 to shareholders on the register at 23 November 2007.

5. Statement of directors' responsibilities

The directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Kewill Systems plc are listed in the Kewill Systems plc Group Annual Report for 31 March 2007.

The Board of Directors of Kewill Systems plc
12 November 2007