



10 November 2009

## Kewill plc

### Interim results for the six months ended 30 September 2009

Kewill plc ("Kewill" or "the Company" or "the Group"), the provider of software and solutions to simplify global trade and logistics, announces its unaudited interim results for the six months ended 30 September 2009.

#### Financial Highlights

- Revenue increased 11% to £27.2m (H1 2008/9: £24.5m)
- Adjusted operating profit\* increased 25% to £3.5m (H1 2008/9: £2.8m)
- Operating profit of £0.6m (H1 2008/9: £0.5m) after amortisation of intangibles
- Adjusted EBITDA\*\* increased 28% to £4.2m (H1 2008/9: £3.3m)
- Adjusted EPS\*\*\* up 27% to 4.2p (H1 2008/9: 3.3p)
- Diluted EPS up 87% to 0.7p (H1 2008/9: 0.4p)
- Proposed interim dividend payment of 0.35p per share up 17% (2008/9: 0.30p per share)

#### Operational Highlights

- Significant new contracts signed included Nokia (service logistics), Lockheed (shipping logistics) and Steinweg (warehouse logistics)
- Functionality of existing software products enhanced for global customers
- One Kewill synergies drove profit performance

#### Fund Raising

- The Company has also announced today a fund raising of 8,141,506 new ordinary shares at 92 pence each to raise £7.5m (gross of fees).

Paul Nichols, Chief Executive Officer of Kewill plc, said,

"Kewill has continued to deliver growth in profit despite the challenging macro economic environment. We do not expect overall market conditions to improve until 2010, however our recent contract wins and strong recurring revenue give the Board confidence for the full year."

*\* Adjusted operating profit represents operating profit before amortisation of intangibles of £2.9m (H1 2008/9: £2.3m), as shown in the Income Statement.*

*\*\* Adjusted EBITDA represents operating profit before amortisation of intangibles of £2.9m (H1 2008/9: £2.3m) and depreciation of property, plant and equipment of £0.7m (H1 2008/9: £0.5m).*

*\*\*\* Adjusted EPS represents the EPS before amortisation of intangibles of £2.9m (H1 2008/9: £2.3m).*

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#### About Kewill plc

##### **Kewill delivers solutions that simplify global trade and logistics.**

Global businesses face ever increasing complexity across their supply chains including decisions on sourcing, customs, compliance, transportation, storage, finance, visibility and connectivity. Inefficiency in any of these areas will lead to supply chain delays and result in increased costs. Kewill has a suite of software solutions that significantly simplify the management of the most complex global supply chains for enterprises and logistics service providers.

With over 35 years experience in global trade management and logistics, and over 600 employees worldwide, Kewill is a long-time innovator of solutions for manufacturers, distributors, retailers, freight forwarders, transport companies, customs brokers, 3PL's and 4PL's, as well as other related institutions involved in financing and underwriting global trade such as banks and insurance providers.

Kewill's solutions are in daily use by more than 40,000 users worldwide and our global customer base which entrusts us with the management of their supply networks includes divisions of 3M, Bayer, Caterpillar, DHL, FedEx, Ford, General Electric, General Motors, H.J. Heinz, Kimberley-Clark, Kraft, Levi Strauss, Mazda, Nestlé, Nike, Palm, Procter & Gamble, Smith & Nephew, Sony, TNT, Unilever, UPS, Vodafone, Yamaha, Xerox. [www.kewill.com](http://www.kewill.com)

## **Financial Review**

The financial performance for the first half of the year has been solid in a difficult market. Year on year, the Group generated a 11% increase in revenue and 25% increase in adjusted operating profit. The underlying performance in constant currency delivered a 6% increase of adjusted operating profit on flat revenue.

Revenue for the six months to 30 September 2009 grew to £27.2m (H1 2008/09: £24.5m). Recurring revenue from Software as a Service ("SaaS"), hosting and maintenance increased to £17.1m (H1 2008/09: £14.3m) and now represents 63% of total revenue. License revenue for the Group fell 20% as expected as a result of slower decision making by customers. In constant currency terms, Group revenue in the six months to 30 September 2009 held steady at £24.4m (H1 2008/09: £24.5m).

Adjusted operating profit rose by 25% to £3.5m for the six months to 30 September 2009 (H1 2008/09: £2.8m). As a result, the adjusted operating profit rose from 11% to 13% of Group revenue. In constant currency terms, adjusted operating profit grew 6% to £3.0m (H1 2008/09: £2.8m).

Adjusted EBITDA\*\* rose by 28% to £4.2m for the six months to 30 September 2009 (H1 2008/09: £3.3m), and was 16% of total revenue in the period. In constant currency terms, adjusted EBITDA grew 11% to £3.7m (H1 2008/09: £3.3m).

Profit after tax for the six months to 30 September 2009 rose 89% to £0.6m (H1 2008/09: £0.3m). In constant currency terms, profit after tax fell to £0.1m (H1 2008/09: £0.3m) due to increased non cash charges.

The Group held £2.6m in net cash and cash equivalents as at 30 September 2009 compared to £0.5m net debt at 30 September 2008. In the first half, the Group generated cash of £3.4m and paid £2.9m in final settlement of acquisitions and £0.6m in dividend.

In the six months to 30 September 2009, the Group invested £0.8m (H1 2008/09: £0.4m) in new hardware and data room equipment in order to host the increasing number of customers on SaaS products.

*\*Adjusted operating profit represent operating profit before amortisation of intangibles of £2.9m (H1 2008/9: £2.3m), as shown in the Income Statement.*

*\*\* Adjusted EBITDA represents operating profit before amortisation of intangibles of £2.9m (H1 2008/9: £2.3m) and depreciation of property, plant and equipment of £0.7m (H1 2008/9: £0.5m)*

## **Operational Highlights**

Despite difficult trading conditions, Kewill's financial and operational performance has been solid throughout the period. Kewill has continued to build on its position at the forefront of the Global Trade and Logistics market by developing innovative products and winning global contracts with blue-chip customers. In addition, the One Kewill program and the consolidation of acquired subsidiaries have created a firm foundation for future growth.

### **Europe**

European revenue increased 8% to £16.7m in the six months to 30 September 2009 (H1 2008/09: £15.5m). The revenue growth in Europe varied by country. For example, in Germany, strong revenue from Kewill's customs compliance products hosted in a SaaS format contributed to continued growth. In Benelux, service revenue fell as customers delayed change projects and decisions on new software purchases. In constant currency terms, the European business saw a revenue increase of 1%.

European operating profit contributed £3.9m, representing 24% of European revenue.

The European business secured several key customer contracts in the period including Nokia (to provide service logistics) and Scottish and Newcastle (to provide business integration), both on a Software as a Service basis.

In addition, European partnerships were strengthened in the period. Kewill CustomsXchange progressed with the signing of several partners across Europe enabling customers to reduce the number of connections needed for their customs filings. In the UK, Nubridges joined forces with Kewill to enhance business integration offerings, and Kewill's success in the Netherlands was recognised by "Best Oracle Industry Partner" award.

Product launches in the first half in Europe included new versions of Kewill Logistics and Kewill Zabis (German customs). Kewill also rolled out 28 terminals at key German airports to support the Air Cargo Pool (ACP) initiative. As of September 2009, more than 100 airlines have signed up to use the ACP service.

### **Americas**

The Americas revenue increased 10% to £9.1m in the six months to 30 September 2009 (H1 2008/09: £8.3m). Americas revenue benefitted significantly from the strong dollar, decreasing 8% in constant currency. In particular, a slow down in license sales in the year resulted in lower revenue for both license and related services.

The reduction in revenue was compensated by strong cost synergies from One Kewill, leading to the Americas operating profit increasing by 32% to £1.2m. The Americas operating profit represented 13% of the Americas revenue.

In compliance, the American business secured a contract win with Leviton for Kewill SPEX, the export documentation solution. Other contracts to note included Yusen, the international freight forwarder, which expanded its use of Kewill Customs across the USA with roll-out due to complete in late 2009.

In logistics, the period saw continued deployment of Flagship across the Purolator community, with 2,500 individual installations completed. In addition, the Kewill Forwarding and its integration with the Sage Accpac accounting product resulted in a contract with Crane Worldwide Logistics (CWL), now operating with Kewill Forwarding in 14 countries.

The partnership with Oracle in transportation management (signed September 2008) has also brought successes: three Flagship deals: Nexcom (an agency of the Navy), Beckman Coulter and Lockheed Martin Aero.

### **Asia**

Asia revenue increased significantly by 71% to £1.4m in the six months to 30 September 2009 (H1 2008/09: £0.8m). Revenue growth was driven by the Kewill Forwarding contract with NYK Logistics (including hardware) and from several existing customers taking advantage of the Singapore stimulus program to upgrade to Kewill Forwarding. In constant currency terms, the Asian revenue increased 51%

Asia operating profit contributed £0.1m to the Group, representing 4% of Asian revenue (or 29% loss after Asia-located development team costs). New business wins included a sale of Kewill Forwarding to

Infiniti Marine based in Singapore and success in securing repeat business from existing customers. This included additional revenue with DHL, Toll and CH Robinson in China, Skyleader and Leschaco in Thailand and Atlantic Forwarding across Asia Pacific. In addition, a good level of new business was generated from upgrades to Kewill Forwarding, including Hankyu and Hanshin, Pentagon, Transpeed and Union Airfreight.

## **Market Overview**

The Global Trade and Logistics market separates into four sectors: Compliance, Logistics, Reverse Logistics and Integration & Visibility. Kewill offers solutions in all four areas, enabling businesses to drive operational efficiencies in their complex global supply chains. Despite very challenging macro-economic conditions, Kewill continued to close significant new business in the first half of the year. Customers look for the fast return on investment of our products generated by reductions in operational cost and duties paid, avoidance of compliance fines and service penalties and in addition, the reduction of supply chain lead times.

## **Compliance**

In the six months to 30 September 2009, customs legislation changes in Europe and the US have led to increased adoption of Kewill custom-compliant solutions. In particular, the European Customs System (ECS) became mandatory in July 2009 resulting in revenue growth in Kewill Germany. Other successes in the compliance market include Kewill Zabis for customs and export and Air Cargo Pool (ACP), the airfreight community solution. ACP enables Logistics Service Providers to efficiently comply with the new ECS legislation. As of September 2009, more than 100 airlines have signed up to use the ACP service.

In addition, Kewill CustomsXchange was launched as an additional SaaS offering. This service gives customers a single point of access to pan-European customs applications through the Kewill gateway and the European Trade Network (ETN).

## **Logistics**

Kewill's continued investment in software and expertise in the Logistics sector has underpinned our ability to win business with tier 1 global companies. In Europe the Maersk Damco, NYK Logistics and Norfolkline contracts in the second half of 2008/09 have already delivered significant licence and services revenue to help underpin our first half and will continue into the second half and beyond. The closure in the first half in America of deals with Lockheed Martin Aero, Beckman Coulter and Nexcom (Kewill Flagship parcel shipping), and in Asia new business with NYK Logistics, Toll and Infiniti Marine (Kewill Forwarding) and the contract win in Europe with Steinweg (Kewill Warehouse) in October will help ensure a successful second half.

Kewill Logistics solution has been adopted in Asia by a global logistics service provider with successful implementation in two countries and the opportunity for more in the second half. We expect logistics to deliver further growth as major global players in this sector continue to consolidate operations and prepare for an economic upturn.

## **Reverse Logistics**

Kewill entered the Reverse Logistics sector through the acquisition of InnovateIT in March 2007, since re-branded as Kewill Service Logistics. Kewill has a market leading position with Kewill SLS, a SaaS product which allows customers to manage the complete return and repair cycle. The market focus has shifted from supply chain planning to the improvement of supply chain execution, as businesses recognise the need to act quickly and efficiently to seize market opportunities.

In addition, the economic downturn has driven companies and consumers to maintain assets longer and there has been an associated increase in the volume of goods being returned for repair. This demand has driven businesses to seek solutions that allow them to deal with these increases without additional investment in headcount and facilities.

One of the sectors driving this most rapidly is hi-tech and, in particular, mobile handsets, hand-held devices (PDAs), PCs, servers and peripherals. The global roll out of Kewill SLS by Nokia demonstrates the benefits that efficient processes can bring.

We also see future growth potential in the telecoms, utilities and aerospace sectors as well as in retail as result of the growth in internet shopping.

### **Integration and Visibility**

Business integration (principally Electronic Data Interchange) is one of Kewill's most established sectors. In the six months to 30 September 2009, we signed a new partnership with Nubridges to further extend the variety of Value Added Networks (VANs) we can offer our customers. Connection with a company's partners or suppliers has long been our focus, and our established networks connect retailers with their suppliers (Kewill RetailXchange) and insurance companies with their brokers (Kewill InsuranceXchange). These solutions not only connect the "players" in a particular market, but also provide key visibility of orders, shipments and documents. More recently we launched a similar SaaS product for custom filings: Kewill CustomsXchange.

Visibility tools providing timely and accurate information to management are key to customers driving performance improvement. Kewill Vision addresses this need and we continue to develop this product.

### **Background to the Fund Raising and Ongoing Strategy**

The Company continues to benefit from strong demand for its products and services in all of its regions. The Board believes that the Company has a strong market position and there are short-term opportunities for organic and acquisitive growth. This funding will strengthen the balance sheet and therefore the Company's abilities to capitalise on these acquisition opportunities.

Our vision is to be the leading provider of global trade and logistics solutions for enterprises, shippers and logistics service providers of all sizes. We believe the successful completion of this Fund Raising will enable us to capitalise on short term opportunities to capitalise on growing legislative complexities; to respond to competitive moves in the marketplace and to be positioned to be ready to support a return to growth in global trade.

We continue to see significant growth drivers across our three main areas of compliance, logistics and reverse logistics through significant regulatory change, global consolidation, operational efficiencies and our ability to help clients meet their service commitments. Kewill is well positioned to continue to grow in each of these areas as a result of our globally available products and physical presence in key geographies.

### **Outlook**

Considering the main areas of Kewill's focus and looking first at Compliance, the launch this year of Kewill Customs, Kewill Export and Kewill CustomsXchange have positioned us to capitalise on the continued opportunities: in Europe and the US, new regulations are scheduled for 2010, driving customers to seek our help in ensuring compliant shipping. As these are delivered in a SaaS model, this momentum will continue to improve our contribution from recurring revenue.

In the Logistics sector, the previous nine months have seen major contract wins for our solutions with Tier 1 LSPs, which remains a key growth area as they look to refresh often old and inflexible technology. In the small and medium sized LSPs, we are seeing a growing demand for simple "out of the box" solutions and are packaging our software offerings into a form where they can be more easily deployed in an affordable way for these smaller users.

Finally, in Service Logistics, our recent success in winning a global contract with Nokia indicates the benefit that can be delivered by our SaaS offerings in return and repair logistics for the hi-tech industry. We also see a growing need for solutions in other industries including retail, where the increase in internet shopping is resulting in a high degree of returned goods and inadequate systems to facilitate.

These growth drivers lead us to feel confident in the long term future of the global trade and logistics marketplace, although we do not foresee overall market conditions improving until 2010. However, we are continuing to win business, we are seeing growth in recurring revenue and costs remain under control. We are pleased with the outlook for solid organic growth, and, over and above this, the fund

raising puts us in a good position to take advantage of acquisitive opportunities to enhance our position in the market place. These factors give the Board confidence for the full year.

**Consolidated interim income statement for the six months to 30 September 2009**

	Six months to Sept 2009 (unaudited) £000	Six months to Sept 2008 (unaudited) £000	Year to March 2009 (audited) £000
<b>Revenue</b>	<b>27,173</b>	24,548	53,266
Operating expenses	(26,568)	(24,038)	(51,301)
<b>Operating profit</b>	<b>605</b>	510	1,965
Analysed as:			
Operating profit before amortisation of intangibles and share based payments	3,731	3,013	7,920
Amortisation of intangibles	(2,922)	(2,311)	(5,554)
Share based payments	(204)	(192)	(401)
Operating profit	605	510	1,965
Interest receivable on cash and short term deposits	13	(59)	61
Interest payable	(69)	(79)	(606)
<b>Profit before taxation</b>	<b>549</b>	372	1,420
Taxation	64	(47)	106
<b>Profit for the period</b>	<b>613</b>	325	1,526
<b>Basic earnings per share</b>	<b>0.8p</b>	0.4p	1.9p
<b>Diluted earnings per share</b>	<b>0.7p</b>	0.4p	1.8p

**Consolidated comprehensive income statement *for the six months to 30 September 2009***

	Six months to Sept 2009 (unaudited) £000	Six months to Sept 2008 (unaudited) £000	Year to March 2009 (audited) £000
<b>Profit for the period</b>	613	325	1,526
Currency translation differences	(1,830)	650	8,734
<b>Total comprehensive income for the period</b>	<b>(1,217)</b>	975	10,260

**Consolidated interim statement of changes in shareholders' equity for the six months to 30 September 2009**

	Share capital account £000	Share premium account £000	Merger reserve £000	Special reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 April 2009	813	27,527	2,325	-	11,905	3,167	45,737
Retained profit for the six months	-	-	-	-	-	613	613
Other comprehensive income:							
Currency translation differences	-	-	-	-	(1,830)	-	(1,830)
Total comprehensive income for the period	-	-	-	-	(1,830)	613	(1,217)
Employee share option schemes:							
- value of employee services	-	-	-	-	-	204	204
- proceeds from shares issued	1	105	-	-	-	-	106
Dividend paid	-	-	-	-	-	(569)	(569)
<b>At 30 September 2009</b>	<b>814</b>	<b>27,632</b>	<b>2,325</b>	<b>-</b>	<b>10,075</b>	<b>3,415</b>	<b>44,261</b>
At 1 April 2008	813	27,510	2,325	11,000	3,171	(9,110)	35,709
Retained profit for the six months	-	-	-	-	-	325	325
Other comprehensive income:							
Currency translation differences	-	-	-	-	650	-	650
Total comprehensive income for the period	-	-	-	-	650	325	975
Employee share option schemes:							
- value of employee services	-	-	-	-	-	192	192
- proceeds from shares issued	-	12	-	-	-	-	12
Shares issued in lieu of services provided	-	5	-	-	-	-	5
Dividend paid	-	-	-	-	-	(406)	(406)
Balance sheet reconstruction	-	-	-	(11,000)	-	11,000	-
At 30 September 2008	813	27,527	2,325	-	3,821	2,001	36,487
At 1 April 2008	813	27,510	2,325	11,000	3,171	(9,110)	35,709
Retained profit for the year	-	-	-	-	-	1,526	1,526
Other comprehensive income:							
Currency translation differences	-	-	-	-	8,734	-	8,734
Total comprehensive income for the year	-	-	-	-	8,734	1,526	10,260
Employee share option schemes:							
- value of employee services	-	-	-	-	-	401	401
- proceeds from shares issued	-	12	-	-	-	-	12
Shares issued in lieu of services provided	-	5	-	-	-	-	5
Dividend paid	-	-	-	-	-	(650)	(650)
Balance sheet reconstruction	-	-	-	(11,000)	-	11,000	-
At 31 March 2009	813	27,527	2,325	-	11,905	3,167	45,737

**Consolidated interim balance sheet as at 30 September 2009**

	30 September 2009 (unaudited) £000	30 September 2008 (unaudited) £000	31 March 2009 (audited) £000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	33,092	28,372	34,550
Other Intangible assets	10,897	15,137	14,121
Property, plant and equipment	2,645	1,687	2,593
Deferred tax assets	2,298	1,635	2,148
	<u>48,932</u>	<u>46,831</u>	<u>53,412</u>
<b>Current assets</b>			
Inventories	124	255	181
Trade and other receivables	10,594	9,130	11,963
Cash and cash equivalents	2,586	2,095	3,983
	<u>13,304</u>	<u>11,480</u>	<u>16,127</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13,934	13,007	16,554
Current tax liabilities	1,718	625	1,339
Borrowings	-	2,557	-
Contingent consideration	-	2,027	2,938
Provisions	20	10	20
	<u>15,672</u>	<u>18,226</u>	<u>20,851</u>
<b>Net current liabilities</b>	<b>(2,368)</b>	<b>(6,746)</b>	<b>(4,724)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	2,303	3,598	2,951
	<u>2,303</u>	<u>3,598</u>	<u>2,951</u>
<b>Net assets</b>	<b>44,261</b>	<b>36,487</b>	<b>45,737</b>
<b>Shareholders' equity</b>			
Called up share capital	814	813	813
Share premium account	27,632	27,527	27,527
Merger reserve	2,325	2,325	2,325
Cumulative translation reserve	10,075	3,821	11,905
Retained earnings	3,415	2,001	3,167
<b>Total shareholders' equity</b>	<b>44,261</b>	<b>36,487</b>	<b>45,737</b>

**Consolidated interim cash flow statement for the six months to 30 September 2009**

	Six months to 30 Sept 2009 (unaudited) £000	Six months to 30 Sept 2008 (unaudited) £000	Year to March 2009 (audited) £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	3,374	348	6,075
Income tax paid	(344)	(1,727)	(2,322)
Net cash generated from/(used in) operating activities	3,030	(1,379)	3,753
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)	(2,857)	(8,451)	(8,607)
Purchase of property, plant and equipment	(783)	(355)	(1,626)
Net Interest (paid)/received	(131)	(48)	(65)
Net cash used in investing activities	(3,771)	(8,854)	(10,298)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares	106	7	12
Dividends paid	(563)	(399)	(646)
Net cash used in financing activities	(457)	(392)	(634)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,198)</b>	<b>(10,625)</b>	<b>(7,179)</b>
Cash and cash equivalents at the start of period	3,983	9,980	9,980
Effect of exchange rates	(199)	183	1,182
<b>Cash and cash equivalents at the end of period</b>	<b>2,586</b>	<b>(462)</b>	<b>3,983</b>

## Notes

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

	Six months to 30 Sept 2009 (unaudited) £000	Six months to 30 Sept 2008 (unaudited) £000	Year to March 2009 (audited) £000
Profit for the financial period	613	325	1,526
Taxation	(64)	47	(106)
Depreciation charges	703	496	1,177
Amortisation of intangible assets	2,922	2,311	5,554
Loss on sale of tangible fixed assets	3	3	17
Interest (receivable)/payable	(13)	59	(61)
Interest payable	69	79	606
Share based payments	204	192	401
Decrease/(Increase) in inventories	57	(130)	(54)
Decrease in trade and other receivables	783	1,161	338
Decrease in trade and other payables and provisions	(1,903)	(4,195)	(3,323)
<b>Cash generated from operations</b>	<b>3,374</b>	<b>348</b>	<b>6,075</b>

### 2. Basis of preparation

This Interim Financial Information has been prepared in accordance with IAS 34 "interim financial reporting". The Interim Financial Information was approved by the board on the 9th November 2009 and has not been audited or reviewed by the company's auditors PricewaterhouseCoopers LLP. **The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with IFRS.** Figures for the year ended 31 March 2009 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.

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 March 2009. **The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009:**

- IAS 1 (revised) 'Presentation of financial statements'. The revised standard prohibits the presentation of non-owner changes in equity in the statement of changes in equity, requiring all 'non-owner changes in equity' to be shown in a performance statement. The Group has elected to present two statements: an income statement and a statement of comprehensive income.
- IFRS 8 'Operating segments'. Segmental reporting requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of the standard has had no impact on the segments disclosed in the Interim Financial Information (See Note 5.)
- IFRS 2 (amended) 'Share-based payment'. Clarifies that vesting conditions are service and performance conditions only. Adoption of the standard has had no impact on the Group's interim management report.

### 3. Dividends

A final dividend for the period to 31 March 2009 of 0.70 pence per share (£569,000 in total) was paid in August 2009 after approval by shareholders at the AGM on 16 July 2009.

An interim dividend of 0.35 pence per share (interim to 31 March 2009: 0.30 pence per share) is proposed by the directors for payment in January 2010. The total payment will be £285,000.

#### 4. Segmental reporting

The chief operating decision-maker (CODM) has been identified as the Board. The Board reviews the Group's internal reporting in order to monitor and assess performance and allocate resources. Board assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax and amortisation. Therefore, Management has determined the operating segments based on these reports.

	Six months to 30 Sept 2009 (unaudited) £000	Six months to 30 Sept 2008 (unaudited) £000	Year to March 2009 (audited) £000
<b>Revenue</b>			
Europe	16,688	15,479	32,723
USA	9,130	8,278	18,334
Asia	1,355	791	2,209
<b>Total Revenue</b>	<b>27,173</b>	<b>24,548</b>	<b>53,266</b>
<b>Operating profit/(loss) before amortisation of intangibles</b>			
Europe	3,862	3,268	7,718
USA	1,214	917	2,011
Asia	(413)	(307)	(272)
Group administration costs	(932)	(865)	(1,537)
Share-based payments	(204)	(192)	(401)
<b>Total operating profit before amortisation of intangibles</b>	<b>3,527</b>	<b>2,821</b>	<b>7,519</b>
<b>Amortisation of intangibles</b>			
Europe	(2,775)	(2,196)	(5,274)
USA	-	-	-
Asia	(147)	(115)	(280)
<b>Total amortisation of intangibles</b>	<b>(2,922)</b>	<b>(2,311)</b>	<b>(5,554)</b>
<b>Operating profit/(loss)</b>			
Europe	1,087	1,072	2,444
USA	1,214	917	2,011
Asia	(560)	(422)	(552)
Group administration costs	(932)	(865)	(1,537)
Share-based payments	(204)	(192)	(401)
<b>Total operating profit</b>	<b>605</b>	<b>510</b>	<b>1,965</b>
Net interest receivable/(payable)	13	(59)	61
Interest payable	(69)	(79)	(606)
<b>Profit before tax</b>	<b>549</b>	<b>372</b>	<b>1,420</b>
Taxation	64	(47)	106
<b>Profit for the period</b>	<b>613</b>	<b>325</b>	<b>1,526</b>
<b>Total assets</b>			
Europe	46,891	45,425	52,878
USA	13,937	12,319	15,169
Asia	1,408	567	1,492
<b>Total assets</b>	<b>62,236</b>	<b>58,311</b>	<b>69,539</b>

## **6. Related party transactions**

There were no related party transactions during the period to 30 September 2009 (30 September 2008, 31 March 2009: nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation. Total key management compensation amounted to £649,000 for the six months ended 30 September 2009 (30 September 2008: £721,000 - restated). Integration of previous acquisitions has reduced the number of key management employees. Therefore the prior year compensation has been restated to reflect the new scope.

## **7. Acquisition payments**

The acquisition payments in the period to 30 September 2009 relate to contingent consideration paid to vendors of acquisitions in prior periods where performance criteria have been met. The total payment of £2.9m made in April 2009 is the last such payment and no further consideration is due.

## **8. Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group for the remainder of the financial year continue to be those identified and discussed in more detail in the Directors' Report in our Annual Report and Account 2009.

The main strategic risk is the recent macroeconomic downturn although this would appear to be slowing and reversing in some geographies. Increased competition, particularly in the form of new products and services and consolidation of key customers could impact both our revenue and profit.

Key operational risks involve delivery and support of customer projects as delays can in turn reduce revenue and profit recognition. Additional operational risks lie in customers suffering financial failure and key person loss within the Group.

Credit control and bad debt issues have not posed a significant problem to date but are closely monitored around the Group. Kewill relies on its staff to develop, sell and support its products each year and strives to reward and retain staff to minimise any staff loss.

The Board aims to mitigate financial risks through the deployment of robust internal controls. Group financial results are suspect to exchange rate translation risks but with revenue, costs and profit in multiple currencies these risks are spread. Kewill continues to be in a net cash position but has in place bank facilities of £8 million which are not currently in use.

The external rules and regulations that govern the activities of companies of Kewill's size are periodically reviewed and revised to reflect best practise. This relatively large administrative burden continues to be handled by a small group of staff with assistance from external advisors. Any increase in the burden could have a direct and detrimental effect on the Group's profit.

## **9. Statement of directors' responsibilities**

The directors' confirm that this condensed set of consolidated Interim Financial Information has been prepared in accordance with IAS 34, 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, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principle risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Kewill plc are listed in the Kewill plc Annual Report and Accounts 2009, with the exception of the following change in the period: Mr Guy Millward left the company on 30 June 2009, and Mrs Karen Bach was appointed on 17 August 2009. A list of current directors is maintained on the Kewill plc website: [www.kewill.com](http://www.kewill.com)

The Board of Directors of Kewill plc  
09 November 2009