26 March 2024

SOFTCAT plc
("Softcat", the "Company")
Half Year Results for the six months to 31 January 2024

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today publishes its half year results for the six months to 31 January 2024 ("the period"). These results reflect good performance in the period across our key metrics of gross profit and operating profit, coupled with strong cash generation.

Financial Summary	Six months ended 31 January 2024	Six months ended 31 January 2023	Change
	£m	£m	%
Revenue[1]	467.2	512.4	(8.8%)
Gross invoiced income[2]	1,263.5	1,214.7	4.0%
Gross profit	196.5	177.1	11.0%
Operating profit	66.7	63.1	5.8%
Cash conversion[3]	101.1%	117.8%	(16.7% pts)
Interim dividend (p)	8.5p	8.0p	6.3%
Earnings per share (p)	25.6p	25.0p	2.4%
Diluted earnings per share (p)	25.5p	25.0p	2.0%

Highlights for the six months to 31 January 2024

- Double digit growth in gross profit, our primary measure of income, delivered against a challenging set of comparative numbers.
- Operating profit growth of 5.8% was ahead of our expectations[4] and sets a new record for first half operating profit.
- Growth was broad based across technologies and customer segments resulting in increases in both gross profit per customer (+9.6%) and total customer numbers (+1.3%), demonstrating continued progress against our strategy.
- Gross Invoiced Income (GII) grew 4.0% driven by strong growth in software and services partially offset by an anticipated decline in hardware. Revenue declined by (8.8%) driven by the decline in hardware which represents a higher proportion of this metric as software and some of services are netted down under IFRS15.
- Headcount grew 14.6%, reflecting our continued investment in building capabilities and scale to enable long-term market share gains in a growing sector.
- Strong cash generation at 101.1% conversion from operating profit. Closing cash was £112.5m and the Company remains debt free.
- An interim dividend of 8.5p per share will be paid on 22 May 2024 with shares trading ex-dividend on 11 April 2024.

[1] Revenue is reported under IFRS 15, the international financial reporting standard for revenue. IFRS 15 requires judgements be made to determine whether Softcat acts as principal or agent in certain trading transactions. These judgements, coupled with slight variations of business model and contractual arrangements between IT Solutions Providers, means the impact of IFRS 15 across the peer group is not uniform. Income prior to the IFRS 15 adjustment is referred to as gross invoiced income, which is an Alternative Performance Measure (APM).

[2] Gross invoiced income (GII) reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information on this, please refer to page 22.

[3] Cash conversion is defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to page 22.

[4] Market consensus FY2024 operating profit at 23 October 2023 was £152.4m.

Outlook

Our positive performance over the first six months of the financial year reinforces our expectations to deliver on our full year guidance of double-digit gross profit and high-single digit operating profit growth.

We continue to see significant and expanding opportunities in our market and will maintain our investment approach to building the team, infrastructure and tools to capitalise on this exciting and long-term growth potential.

Graham Charlton, Softcat CEO, commented:

"We are delighted to report a strong set of results and key performance indicators, delivering operating profit ahead of our expectations and double-digit gross profit growth from broad-based demand. The breadth, depth and progressive nature of our offering, delivered via our exceptional people and their relentless dedication to customer service, remains a compelling proposition. We continue to execute against our key objectives to win new customers and sell more to existing customers.

The future opportunity in our industry remains incredibly exciting. AI, data management and cybersecurity, amongst other technologies, continue to drive rapid transformation in technology, and this will generate growth across all areas from the cloud and datacentre to the edge. These incremental tailwinds to an already growing market play perfectly into our comprehensive offering at a time when customers need broader and more integrated support from their partners than ever before. This is a great opportunity for us to further increase our market share and we have therefore continued to invest for future growth, increasing headcount by 14.6%.

This progress was only possible because of the fantastic team at Softcat with our special culture and the attitude of our people remaining key elements of our competitive advantage. I can't thank our people enough for everything they continue to do for each other and our customers."

Analyst and Investor call

The management team will host an investor and analyst conference call at 9.30am UK time, on Tuesday, 26 March 2024. To participate in the conference call, please use the following access details:

Conference Call Details:

A live webcast of the presentation will be available at:
https://www.investis-live.com/softcat/65df407fd0d5201200b403ba/bdow

Please register approximately 10 minutes prior to the start of the call.

The announcement and presentation will be available at www.softcat.com from 7.00am and 9.00am respectively.

Enquiries

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Forward-looking statements

This announcement includes statements that are, or may be deemed to be, forward-looking statements. By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the Financial Conduct Authority, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect subsequent events or circumstances following the date of this announcement.

This announcement has been determined to contain inside information. The responsible individual for insider information at Softcat plc is Luke Thomas (Company Secretary).

Chief Executive Officer's Review

We continued to execute well against our strategic goals of winning new customers and selling more to existing customers. Gross profit (GP), our primary measure of income, grew double-digit, up by 11.0%. This was driven by both an increase in customer numbers (up 1.3% to 10.1k) and GP per customer (up 9.6% to £38.9k).

Sustained growth

We were able to demonstrate strong GP growth across all customer segments, reflecting our high-quality customer service and ability to deliver integrated technology solutions comprising software, hardware and services. IT spend continues to become less discretionary and increasingly critical in delivering business outcomes and therefore attracts a larger allocation of corporate and public sector budgets. Growth was equally broad-based across technology areas with our core technology groupings of datacentre and cloud, networking and security, and workplace all performing well and contributing double-digit GP growth in the period. This growth was despite the currently challenging client devices market, although this headwind should recede as the year progresses and, notwithstanding this, hardware GP still grew low single digit in the period.

We estimate that our share of the addressable UK market is c.5%. The prospects for our industry are stronger than ever and we have a clear opportunity, across all segments of our customer base, to gain further wallet-share. We have the largest commercial team in the UK market and will continue to seek new customers and invest across all functions as we build capacity and new capabilities, further enhancing our market-leading proposition.

Demand trends

During the period, there was growing interest from customers in engaging with generative-AI ("Gen-AI") and the possibilities it offers, over time, to transform their operations. We have been able to offer advice and support via workshops, webinars, podcasts and one-to-one meetings, and these interactions mean we are well-placed to help our customers assess their readiness for adoption as use cases and products start to come to market. In many situations, customers are discovering through their interactions with us that they first need to make improvements to their foundational data governance and management for Gen-AI as more and more use cases are established.

While it is still very early days, we are already beginning to see the all-encompassing impact the broader AI opportunity will have across both infrastructure and applications. The early-stage adoption of tools such as Microsoft Copilot will increase steadily over the medium term, but Gen-AI and large language models are just one aspect of AI that will drive both volume and innovation in IT over the coming decades. Our market leading partnership with Microsoft positions us well to take advantage of the Copilot opportunity, while the breadth of our capabilities across all technology areas and vendors, comprising hardware, software and services, and our capacity to invest in new products and services, also gives us prime access to the revolution coming to hybrid cloud datacentres, networks and the end user device estate. Recent M&A activity by some of our top partners demonstrates how they are thinking about embedding AI innovation within infrastructure itself – this includes by creating more efficient networks and management of compute workloads, for example. We believe our ability to support customers in thinking about how all these requirements overlap and interact will remain a key advantage for many years to come.

Towards the end of the period, we also began to see some revival in the challenging client devices market. There are many ageing assets currently in use across corporate and public sector organisations, and these are likely to be refreshed in the near term. The Gen-AI impetus and Windows update cycles will only add to this pressure as time goes by.

In addition, our annual survey of corporate and public sector customers' top IT priorities shows that the increasing number and sophistication of threats continue to put cyber security at the top of the agenda. As both the threat landscape and attack surface expand, so does the complexity of necessary solutions and this enables our team to demonstrate the value we can add in safeguarding IT estates, which become ever more mission critical to organisations.

We also continue to build our multinational offering, supporting domestic customers in their overseas operations. Our largest non-UK&I office is in the US, but we have also established operations in the Netherlands, Australia, Hong Kong and Singapore in recent years, and we are evaluating additional opportunities to expand this network in both North America and Europe.

Ease of doing business

We continue to invest in our own data strategy, recognising the intrinsic importance of effective data collection, management and governance in an efficient, modern operating model and the exciting potential to accelerate growth through automation and analytics. We are working with a UK partner towards a unified data analytics platform that will capture and cleanse internal and external data streams into a single, well-structured and secure platform. We plan to have the first iterations deployed during H2 FY2024 with potential to incorporate AI techniques and enhancements over time.

Building on this data platform, we are also investing in analytics and reporting tools as part of our digital strategy. Existing internal tools and systems will be consolidated over time into a single, enhanced view of customer behaviour that will improve insights for our salespeople and drive innovation in our technology offering. Similarly, we are moving towards a unified platform for our customers to view and manage the products and services they receive from us, making us more responsive and easier to do business with. This customer platform will accommodate new distribution models, notably marketplaces and 'as-a-service' software and hardware propositions, providing a complete modern range of solutions.

Vendor marketplaces are another aspect of IT Channel innovation that we are embracing, evolving to remain highly relevant to both customers and vendors alike. The breadth of our offering means we work with the very large, established vendors through to newer, smaller players across the IT stack. We invest significant resources into these relationships and value the recognition we receive for the quality of our partnerships, which in this period included:

- Reseller of the Year 2023, CRN Channel Awards
- UK & Ireland Partner of the Year, Nutanix;
- Client Partner of the Year, Dell;
- SMB Partner of the Year, Cisco;
- Cloud Innovation and Transformation, VMware;
- EMEA Partner of the Year, CrowdStrike.

Our people and culture

We are continuing to invest in people to underpin the sustainable and profitable growth pathway we see ahead of us. The emergence of AI technology is just the most recent example of why our confidence in the future of Softcat and our industry is so high.

In H1 FY2024 we have added a net 314 employees, representing a 14.6% increase on the prior period. As planned, we will slow our rate of headcount growth a little in H2 and into FY2025 as we look to embed and drive results from the significant growth of the past two years.

H1 recruitment was again across all areas of the business, with a particular focus on our specialist and technical roles as we respond to demand from our customers to help solve the increasingly complex problems they face. The enhancements we made to the pay structure of our sales and other teams in FYs2022-23 have enabled us to be more competitive in the market and as a result, salary increases have normalised in the current year to an average rise of 4.3%.

Our growth continues to be fuelled by the special Softcat culture, creating competitive advantage from superior customer service. The manner with which we deliver the advice and support our customers depend upon makes us stand out in a fragmented market where it is difficult to differentiate. We will continue to prioritise our people and the environment they work in, recognising their commitment to the team and each other. It was fantastic to see them all together at our largest ever company Kick-Off event in September, and this year's full year incentive trips to South Africa were also the biggest ever, mixing people from all departments to celebrate their achievements, have fun and meet new people.

Our continued strong performance is down to the entire team at Softcat. The ownership, positivity, commitment, and resilience they demonstrate to each other, our customers, partners, and the business is outstanding, and I am extremely grateful to be part of such an amazing team.

Diversity, Inclusion and Sustainability

Promoting diversity, equality and inclusion (DE&I) is intrinsic to the culture of Softcat. Feeling accepted, listened to and valued is an integral part of why people love working at Softcat and our most recent employee engagement score of 90% shows that our efforts are well received. We continue to promote our Allyship training programme to all employees to support the centrality of inclusivity and fairness to how we work. More informally, our numerous community groups are as active as ever and play a big part in the life of Softcat and we encourage staff who wish to participate in charitable events and volunteering. From a gender diversity perspective, we're proud to have 63% female representation on our Board and, across the business, we've met our own goal of 35% female workforce mix ahead of target, so we have raised the bar and are now pushing towards 40% by 2030.

DE&I is just one aspect of our approach to ESG and sustainability. Environmental sustainability remains central to our plans, from using 100% renewable energy in our offices, hosting a Sustainable Partner Forum to facilitate industry dialogue and attending COP28, to incorporating new sustainable products and solutions into our technology offering. We are playing a leading role in the push towards net zero in our industry and 2023 saw a seven percent reduction in our GHG emissions, despite continued growth in our business. During the period, we were delighted to receive recognition for our actions, winning three awards at the CRN Sustainability in Tech Awards, including Sustainability Champion of the Year in the reseller category, as well as ESG Partner of the Year from Lenovo.

Board composition

Jacqui Ferguson joined the Board as a Non-Executive Director in January 2024. The Company announced last year that the role of Senior Independent Director (which is currently undertaken by Lynne Weedall on an interim basis) will transition to Jacqui on a permanent basis at some point in 2024. The Board is pleased to confirm Jacqui's appointment as Senior Independent Director with effect from 1 May 2024. Lynne Weedall will remain as the chair of the Nomination Committee and of the Remuneration Committee.

Chief Financial Officer's Review

Financial Summary	H1 FY2024	H1 FY2023	Change
Revenue split			
Software	£96.2m	£83.6m	*15.0%*
Hardware	£273.1m	£330.9m	*(17.5%)*
Services	£97.9m	£97.9m	*0.1%*
Total revenue	**£467.2m**	**£512.4m**	***(8.8%)***
Gross invoiced income split			
Software	£769.5m	£687.4m	*11.9%*
Hardware	£275.6m	£334.6m	*(17.6%)*
Services	£218.4m	£192.7m	*13.3%*
Total gross invoiced income[1]	**£1,263.5m**	**£1,214.7m**	***4.0%***
Gross profit	**£196.5m**	**£177.1m**	***11.0%***
Gross profit margin[2]	15.6%	14.6%	*1.0% pts*
Operating profit	**£66.7m**	**£63.1m**	***5.8%***
Operating profit margin[2]	5.3%	5.2%	*0.1% pts*
Gross profit per customer[3]	£38.9k	£35.5k	*9.6%*
Customer base[4]	10.1k	10.0k	*1.3%*
Cash conversions[5]	101.1%	117.8%	*(16.7% pts)*

[1] Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information on this, please refer to page 22.

[2] Gross profit margin and operating profit margin are both calculated as a percentage of gross invoiced income.

[3] Gross profit per customer is defined as Gross profit divided by the customer base.

[4] Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.

[5] Cash conversion is defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to page 22.

Gross profit, revenue, and gross invoiced income (GII)

Our H1 FY2024 results reflect our ability to continue to deliver our strategy of providing the UK market's leading range of technology solutions (spanning workplace, datacentre, cloud, networking and security solutions) across software, hardware and services, delivered through highly engaged employees who provide exceptional customer service, to attract new customers and increase sales to our existing customer base.

Gross profit (GP), our primary measure of income, grew by 11.0% to £196.5m in line with guidance of double-digit growth across FY2024 and despite a challenging H1 FY2023 comparator with base period GP growth of 17.9%.

GP growth was broad based and consistent across customer segments and technology groups, with enterprise, mid-market and public sector, datacentre and cloud, networking and security, and workplace all demonstrating high single-digit or low double-digit growth rates.

GP growth across product types was more divergent, with strong double-digit growth in software and services and low single-digit growth in hardware. Hardware GII declined by (17.6%), impacted by the continued, market driven, decline in client device sales and a reduction in low margin server and compute sales linked to a handful of sizeable transactions in the base period, only partially offset by an increase in margin rich datacentre infrastructure solutions. The GII hardware decline was more than offset by hardware gross margin expansion.

These trends were, as we expected, largely in line with H2 FY2023. The interest from customers around Gen-AI is resulting in a lot of very positive customer engagement, which is laying strong foundations for when customers are ready to start investing further in this technology. The challenging conditions during the second half of FY2023, with some customers adopting a more considered approach to buying decisions continued into H1 FY2024. However, we have not seen any additional lengthening of procurement decision making processes and we were encouraged by the momentum at the end of the period.

Hardware, software and services revenues are reported under IFRS15 on a mix of gross (principal) and net (agent) bases which can make this metric hard to understand. Thus, we also have continued to report GII to help give a clearer view of underlying growth. H1 FY2024 revenue declined by (8.8%) driven by: (1) a (17.6%) decline in hardware GII. This decline in hardware GII, which is reported on a gross basis within the revenue number, was driven by a decline in client devices and lower margin storage and compute as described above; and (2) Services revenue which registered 0.1% growth compared to a GII growth of 13.3%. Depending on the nature of the service delivery, some services are reported on a gross basis and others on a net basis, in this reporting period there was a mix shift towards services reported net which thus impacted the services revenue growth.

GII increased 4.0% to £1,263.5m driven by strong growth in software and services, up by 11.9% and 13.3% respectively, partially offset by the decline in hardware sales mentioned above. Following a similar pattern to H2 FY2023, GII grew behind GP in the period, with GP as a percentage of GII expanding by 98 bps to 15.6% (from 14.6% in H1 FY2023). The margin increase was predominantly due to the hardware mix changes as described above.

Customer KPIs

During the period, GP per customer grew by 9.6% to an annualised £38.9k (H1 FY2023: £35.5k) and the customer base expanded by 1.3%, to 10.1k (H1 FY2023: 10.0k). Growth in GP per customer was broad based driven by all three of our solution types (datacentre infrastructure, networking and security and workplace).

Company analysis, using data from several sources (including Gartner, CRN and HG Insights), suggests our market share remains c.5% in the UK and Ireland. We serve approximately 1 in 5 customers in our target market with an average share of wallet of c.20-25%. These numbers indicate that both facets of our simple strategy, to win new customers and sell more to existing customers, continue to offer significant opportunities for future growth.

Operating costs and operating profit

Operating profit (OP) of £66.7m (H1 FY2023: £63.1m) increased by 5.8% year-on-year, this was ahead of expectations set at the FY2023 results, reflecting a small over delivery on GP and slightly lower costs in the period.

Operating cost growth of 13.9% vs. prior year was driven by increased commissions, commensurate with growth in GP, alongside the impact of a 16.7% increase in average headcount, and an average cost per head increase of 2.9%. These cost increases were partially offset by slightly lower IT and bad debt costs in the period, due to year-on-year phasing. The H1 FY2024 headcount growth reflects our consistent strategy to grow our staff base ensuring we are well positioned to capitalise on growth opportunities in the medium term, however, this was at more normalised levels of growth compared to the more significant investment made in FY2023.

As a result of the cost investments in headcount, our OP to GP margin decreased to 34.0% (H1 FY2023 35.6%), slightly better than expected.

Corporation tax charge

The half year tax charge of £17.2m (H1 FY2023: £13.3m) reflects the increased statutory rate of 25% (H1 FY2023: blended rate of 21%). The effective tax rate of 25.2% (H1 FY2023: 21.0%) is marginally above the statutory rate due to the impact of non-deductible expenses. Our tax strategy continues to be focussed on paying the right amount of tax in the right jurisdiction, at the right time.

Cash flow and cash conversion

The Company entered the period with £122.6m of cash and cash equivalents and then paid an aggregate final and special dividend of £59.1m in December 2023.

Cash flow from operations before tax but after capital expenditure was strong during the period, generating a positive net inflow of £67.5m and, representing a conversion rate from OP of 101.1% (FY2023: 117.8%), this is slightly above our target range of 85-95% due to strong receipts at the end of the period. Cash at the end of the period totalled £112.5m.

The Company targets sustainable full year operating cash conversion (after capital expenditure) in the range of 85-95% of operating profits.

Finance Income

In the period income from cash and cash equivalents held in interest bearing accounts totalled £1.7m (H1 FY2023: £0.2m).

Dividend

The Board is pleased to declare an interim dividend of 8.5p per share (H1 FY2023: 8.0p), amounting to £17.0m (H1 FY2023: £16.0m). The interim dividend will be payable on 22 May 2024 to shareholders on the register at the close of business on 12 April 2024. Shares in the Company will be quoted ex-dividend on 11 April 2024. The last day for dividend reinvestment plan ("DRIP") elections is 30 April 2024.

Group consolidation

Softcat US LLC, a Limited Liability Company (LLC) began trading on 1 February 2024 and is a wholly owned subsidiary of Softcat plc. Prior to this, trade in the US was recorded within a branch of Softcat plc. Consolidated full year accounts for FY2024 will be prepared, as a result, on a Group basis.

Principal Risks and Uncertainties

The principal and emerging risks facing the Company have been identified and evaluated by the Board.

In assessing the Company's likely financial performance for the second half of the current financial year, these risks and uncertainties should be considered in addition to the comments made under the heading "outlook" in the Chief Executive Officer's Review.

In summary, principal risks include:

Risk	Potential impacts	Management and mitigation
BUSINESS STRATEGY		
Failure to respond to market changes including technology offering, channel disintermediation, competitor landscape and customer needs (no change in net risk)	• Loss of competitive advantage • Reduced number of customers and profit per customer	• Insight from ongoing industry analysis and subscriptions input into annual strategy process • Regular insights into customer priorities including climate-related through the annual customer experience survey results and 'voice of the customer' surveys. Multi-layered relationship with strategic vendors and executive sponsor alignment • Regular Quarterly Business Reviews with vendors
OPERATIONAL		
Customer dissatisfaction (no change in net risk)	• Reputational damage • Loss of customers • Financial penalties	• Dedicated Customer experience team, who manage and escalate customer dissatisfaction cases • ISO20000-1 IT Service Management and ISO-9001 Quality management certified • Ongoing customer service excellence training • 'Big-deal review' process
Cyber security risk & business interruption risk (no change in net risk)	• Inability to deliver customer services • Reputational damage • Financial loss • Customer dissatisfaction	• ISO27001 accredited processes. Company-wide information security policy and mandatory security-related training • Regular testing of disaster recovery plans and business continuity plans • Established and documented processes for incident management, change of control, etc. • Ongoing upgrades to network. • All employees issued with corporate devices with standardised access monitoring and control • Key software used is from large multi-national companies who have a 99.9% SLA and who also provide us with SOC2 reports that provide assurance on their processes and controls • Annual penetration test by a third party
FINANCIAL		
Macro-economic factors including impact on customer sentiment, inflationary pressures, interest and foreign currency volatility (no change in net risk)	• Short-term supply chain disruption • Reduced margins • Reduced customer demand • Reduced profit per customer • Higher operating costs • Customer insolvencies and cash collection challenges	• Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure • Close dialogue with supply chain partners • Annual budget considers the operating profit growth expectations of the markets • Operating costs are budgeted and reviewed regularly • Going concern and viability statements are underpinned by robust analysis of scenarios

Ineffective working capital management (no change in net risk)	• Increased bad debts • Increased cost of operations	• Robust credit assessment process including use of trade credit insurance • Regular review of the aged debt position by management • Defined treasury policy covering liquidity management processes and thresholds • Regular cash forecasting, actual reporting and variance analysis to highlight any adverse trends and allow sufficient time to respond
Failure to retain competitive terms with our suppliers and/or right size our cost base compared to gross profit generated (no change in net risk)	• Uncompetitive pricing leading to loss of business • Reduced profitability/margins	• Budgeting process and regular reviews ensure costs are managed appropriately and in consideration of gross profit growth Any out of budget spend needs management level approval • Rebates form an important, but only minority, element of total operating profit. In addition, Rebate programmes tend to be industry standard and not specific to the Company, while vendor aligned teams ensure we optimise available rebate structures • Ongoing training to sales and operations teams to keep pace with new vendor programmes
PEOPLE		
Loss of culture (no change in net risk)	• Reduced staff engagement • Negative impact on customer service • Loss of talent	• Culture sits at the heart of all changes that are made in Softcat. There is regular communication from Senior Leadership Team members to employees at 'Kick off' and 'All Hands' calls about the importance of culture • Regional offices with empowered local management • Quarterly management satisfaction survey with feedback acted upon • Regular staff events and incentives • Enhanced internal communication processes and events
Talent, Capability & Leadership risk (no change in net risk)	• Lack of strategic direction • Reduced staff engagement • Loss of talent • Loss of competitive advantage	• Succession planning process in place • Experienced and broad senior management team • Investment in robust recruitment and selection processes • Attrition tracked and action taken as necessary
REGULATORY AND COMPLIANCE		
Compliance with existing regulation/legislation and being prepared for emerging regulation/legislation (no change in net risk)	• Financial penalties • Reputational damage • Loss of customers	• Presence of a second line function (Governance Risk & Control, Information Security, Legal and Company Secretarial) • Management committee in place to review second line progress and report to the Audit Committee • Ongoing engagement with specialist third parties where required

Climate change

In the prior year, in line with the approach recommended by the Task Force on Climate-related Financial Disclosures ('TCFD'), we conducted a formal assessment of the potential impact of climate change to our business and supply chain. Please see our 2023 Annual Report and Accounts, pages 50 to 71 for more information. Climate change is already a component of the risk of failure to respond to market changes when considering the needs of our customers and how products, services and solutions might be affected by the drive towards carbon neutrality. We also have robust business interruption plans in the event of a disruption to our business. Our most recent analysis concluded that no other climate change-related risk is a principal risk which needs to be incorporated into the list of principal risks shown.

These risks and uncertainties have not changed significantly since those published in the 31 July 2023 Annual Report.

Going Concern

Please refer to note 2 under 'Basis of preparation'.

Cautionary Statement

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

In making this report, the Company is not seeking to encourage any investor to either buy or sell shares in the Company. Any investor in any doubt about what action to take is recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- the condensed set of financial statements, which has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting, has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- 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
- the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of relates parties' transactions and changes therein).

Neither the Company nor the Directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Graham Charlton	Katy Mecklenburgh
Chief Executive Officer	Chief Financial Officer
25 March 2024	25 March 2024

Condensed Statement of profit or loss and other comprehensive income
For the six months ended 31 January 2024

	Note	Six months ended 31 January		Year ended 31 July
		2024 Unaudited	2023 Unaudited	2023 Audited
		£'000	£'000	£'000
Revenue	*3*	**467,152**	**512,405**	**985,300**
Cost of sales		(270,638)	(335,351)	(611,466)
Gross profit		**196,514**	**177,054**	**373,834**
Administrative expenses		(129,783)	(113,983)	(232,936)
Operating profit		**66,731**	**63,071**	**140,898**
Finance income		1,650	151	1,171
Finance cost		(165)	(99)	(205)
Profit before taxation		**68,216**	**63,123**	**141,864**
Income tax expense	*4*	(17,169)	(13,280)	(29,835)
Profit for the period		**51,047**	**49,843**	**112,029**
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on cash flow hedge		677	-	(799)
Foreign exchange differences on translation of foreign branches		2	(148)	(204)
Total other comprehensive income/(loss)		**679**	**(148)**	**(1,003)**
Total comprehensive income for the period		**51,726**	**49,695**	**111,026**
Profit attributable to:				
Owners of the Company		**51,047**	**49,843**	**112,029**
Total comprehensive income attributable to:				
Owners of the Company		**51,726**	**49,695**	**111,026**
Basic earnings per Ordinary Share (pence)	*11*	25.6	25.0	56.2
Diluted earnings per Ordinary Share (pence)	*11*	25.5	25.0	56.0

All results are derived from continuing operations.

Condensed Statement of Financial Position
As at 31 January 2024

	Note	Six months ended 31 January		Year ended 31 July
		2024 Unaudited	2023 Unaudited	2023 Audited
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		10,755	11,166	11,348
Right-of-use assets	*6*	8,779	5,849	9,969
Intangible assets		8,548	7,575	7,155
Deferred tax asset		2,623	2,306	2,997
		30,705	26,896	31,469
Current assets				
Inventories		3,992	7,157	3,591
Trade and other receivables	*7*	496,822	545,501	490,041
Cash and cash equivalents		112,455	97,722	122,621
Income tax receivable		2,184	1,415	-
		615,453	651,795	616,253
Total assets		646,158	678,691	647,722
Current liabilities				
Trade and other payables	*8*	(349,271)	(437,866)	(359,627)
Contract liabilities	*9*	(36,278)	(27,275)	(23,851)
Income tax payable		-	-	(6)
Lease liabilities	6	(2,385)	(2,722)	(2,734)
		(387,934)	(467,863)	(386,218)
Non-current liabilities				
Contract liabilities	*9*	(6,227)	(3,426)	(3,032)
Lease liabilities	6	(6,391)	(3,707)	(7,027)
		(12,618)	(7,133)	(10,059)
Net assets		245,606	203,695	251,445
Equity				
Issued share capital	*13*	100	100	100
Share premium account		4,979	4,979	4,979
Cash flow hedge reserve		(122)	-	(799)
Reserves for own shares		-	-	-
Foreign exchange revaluation reserve		3,360	3,414	3,358
Retained earnings		237,289	195,202	243,807
Total equity		245,606	203,695	251,445

Condensed Statement of Changes in Equity (unaudited)

	Share capital	Share premium	Translation reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2022	100	4,979	3,562	-	202,459	211,100
Profit for the period	-	-	-	-	49,843	49,843
Impact of foreign exchange on reserves	-	-	(148)	-	-	(148)
Total comprehensive income for the period	-	-	(148)	-	49,843	49,695
Share-based payment transactions	-	-	-	-	1,591	1,591
Dividends paid	-	-	-	-	(58,220)	(58,220)
Dividend equivalents paid	-	-	-	-	(66)	(66)
Tax adjustments	-	-	-	-	(104)	(104)
Other	-	-	-	-	(301)	(301)
Balance at 31 January 2023	**100**	**4,979**	**3,414**	**-**	**195,202**	**203,695**
Balance at 1 August 2023	100	4,979	3,358	(799)	243,807	251,445
Profit for the period	-	-	-	-	51,047	51,047
Impact of foreign exchange on reserves	-	-	2	-	-	2
Net gain on cash flow hedge	-	-	-	677	-	677
Total comprehensive income for the period	-	-	2	677	51,047	51,726
Share-based payment transactions	-	-	-	-	1,699	1,699
Dividends paid	-	-	-	-	(59,069)	(59,069)
Dividend equivalents paid	-	-	-	-	(98)	(98)
Tax adjustments	-	-	-	-	(97)	(97)
Balance at 31 January 2024	**100**	**4,979**	**3,360**	**(122)**	**237,289**	**245,606**

Condensed Statement of Cash Flows
For the six months ended 31 January 2024

	Note	Six months ended 31 January 2024	Six months ended 31 January 2023	Year ended 31 July 2023
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Net cash generated from operating activities	*12*	**51,198**	**61,118**	**104,802**
Investing activities				
Finance income		1,650	151	1,171
Purchase of property, plant and equipment		(682)	(1,052)	(2,544)
Purchase of intangible assets		(2,115)	(361)	(701)
Net cash used in investing activities		**(1,147)**	**(1,262)**	**(2,074)**
Financing activities				
Issue of share capital		-	-	-
Dividends paid	*5*	(59,069)	(58,220)	(74,175)
Payment of principal portion of lease liabilities		(985)	(983)	(2,839)
Payment of interest portion of lease liabilities		(165)	(99)	(205)
Net cash used in financing activities		**(60,219)**	**(59,302)**	**(77,219)**
Net (decrease)/increase in cash and cash equivalents		**(10,168)**	**554**	**25,509**
Exchange gains/(losses) on cash and cash equivalents		2	(148)	(204)
Cash and cash equivalents at beginning of period		122,621	97,316	97,316
Cash and cash equivalents at end of period		**112,455**	**97,722**	**122,621**

Notes to the Financial Information

1. General information

The Directors of Softcat plc (the "Company") present their Interim Report and the unaudited Condensed Interim Financial Statements for the six months ended 31 January 2024 ("Condensed Interim Financial Statements").

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is Solar House, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1LW.

The Condensed Interim Financial Statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 26 March 2024. The financial information contained in this report does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Condensed Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 July 2023, which have been prepared in accordance with UK-adopted international accounting standards (IFRS) in accordance with the requirements of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 July 2023 were approved by the Board of Directors on 24 October 2023 and delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation

These Condensed Interim Financial Statements have been prepared in accordance with UK adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The Condensed Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand ('£'000'), unless otherwise stated. They were prepared under the historical cost convention.

The accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those applied in the preparation of the Company's Financial Statements for the year ended 31 July 2023.

Going Concern

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period to at least 31 March 2025.

In preparing this financial information, management has considered the circumstances impacting Softcat during the period, as detailed in the Chief Financial Officer's Review, and reviewed projected performance for the period to at least 31 March 2025; being the going concern period. The Directors also considered the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position.

Given the current macro-economic environment and considering the relevant guidance issued by the FRC the Directors have undertaken a comprehensive going concern review.

The Company has modelled three scenarios in its assessment of going concern. These are:

- the base case;
- the severe but plausible case; and
- the reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a twelve-month period from the date of this report until the end of the going concern period.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to remain competitive in an increasingly digital age and a source of potential competitive advantage to customers across industry verticals. Public Sector, a large and growing area of the business, continues to invest in technology to provide efficient services to the public and this has continued apace despite the ongoing macro-economic headwinds in the UK economy. The Company strategy remains unchanged and will continue to focus on winning new customers and selling more to existing customers during the going concern period.

Liquidity and financing position

At 31 January 2024, the Company held instantly accessible cash and cash equivalents of £112.5m, while net current assets were £227.5m. Operational cash flow forecasts for the going concern period are sufficient to support the business. There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Challenging economic environment

Management has, in all three scenarios, considered the principal challenges to short term business performance which are expected to be:

- continued low or negative growth in the UK economy;
- loss of Softcat competitiveness versus competitors;
- elevated global economic and political risks, leading to higher input prices and lower supplier rebates; and
- higher risk of credit losses.

Despite the impact of these challenges, the Company has traded well, delivering double-digit gross profit growth. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case

The base case, which was approved by the Board in 2024, takes into account the FY2024 budget process which includes estimated growth and increased costs across the going concern period and is consistent with the actual trading experience through to March 2024. The key inputs and assumptions in the base case include:

- continued revenue growth in line with historic rates;
- rebate income continues to be received in proportion to cost of sales as in FY2023;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in our people, the businesses IT infrastructure.

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. Year to date trading to the end of March 2024 is consistent with the base case forecast.

Severe but plausible

Given the current conditions facing our customer base and the UK economy, we have modelled a severe but plausible scenario. In this case we have modelled a reduction in gross invoiced income and gross profit margins versus the base case, which is worse than any historic trend and more severe than experienced during the height of the COVID-19 pandemic. Further impacts of this scenario, such as reduced rebate income and greater credit losses or other one-off impacts to the income statement, have also been considered.

The key inputs and assumptions, compared to the base case include:

- an average 10% reduction in gross invoiced income;
- reduced gross profit margins by 2.5%;
- additional bad debt write offs of £10m across the going concern period;
- extending the debtor days by six from historic levels achieved and no change to historic supplier payment days;
- paying a reduced final dividend in line with lower profitability but still within the range set out in the capital allocation policy;
- commission cost moves in line with reduced profitability; and
- proportion of cost of sales received as rebate reduced by 10% in addition to the reduction caused by movement in gross margin.

The purpose of this scenario was to consider if there was a significant risk that the Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Company continues to be profitable, and maintains a positive cash balance at all times. Despite this, management has modelled further cost savings and working capital actions (see mitigating actions) that would enable the Company to mitigate the impact of reduced cash generation further and achieve the Board's desired minimum cash position, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

The primary mitigating action management could undertake would be the removal of the final ordinary and special dividends that are modelled in late 2024.

In addition, there are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £23m cost reduction on an annualised basis and additional annual working capital savings of approximately £20m, before considering the cost of delivering them and the point in time at which they were delivered.

The actions therefore, which, if implemented, would offset the reduced activity:

- bonuses scaled back in line with performance;
- savings in discretionary areas of spend, such as salary increases, recruitment, travel and entertainment costs;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management to temporarily ease working capital pressure.

The mitigations, whilst not being required in the severe but plausible scenario, are nonetheless deemed deliverable by management if required, and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

Reverse stress test

The Directors have assessed individually the conditions required to cause a material negative cash position in the going concern period. A combination of these factors has been modelled as a reverse stress test (albeit to a lesser extent than individually modelled) as a more credible, whilst still extremely remote, possibility. These conditions have been compared to the severe but plausible scenario and the going concern statement is still deemed applicable. The five combined stresses modelled are as follows:

- reduction of 20% in gross invoiced income, compared to the base case;
- reduced gross margin by 5%;

• additional bad debt write offs of £20m in total across the going concern period;
• extending the debtor days by eight days from historic levels achieved and no change to historic supplier payment days; and
• reducing rebate income by 20%.

The business has never experienced any of the above inputs standalone, or in combination, in its history. In the modelled scenario, prior to mitigations, the business could become cash negative within twelve months.

Whilst the Board considers such a scenario to be remote, a programme of further actions to mitigate the impact, in excess of those set out above, would be actioned should the likelihood of such a scenario increase. The Board considers the forecasts and assumptions used in the reverse stress test, as well as the event that could lead to it, to be remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has significant liquidity headroom to continue in operational existence for the twelve-month period from the date of this report (the going concern period) until 31 March 2025. Accordingly, at the March 2024 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. Should the impact of these conditions be even more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

Critical accounting judgements and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make several key judgements involving estimates and assumptions concerning the future. Key judgements management have made are those which have the most significant effect on the amounts recognised in the financial statements. Key sources of estimation uncertainty are those assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key judgements and sources of estimation uncertainty reported in the financial statements for the year ended 31 July 2023 are still relevant. There have been no new areas of significant accounting judgement or key sources of estimation uncertainly arising from operations in the first six months of the financial year to 31 July 2024, nor in the months to the date of publication of this interim report.

Changes to accounting standards

No new standards or amendments became effective in the period to 31 January 2024 which have had a material effect on the financial statements.

Alternative Performance Measures

The Company uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures which are set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise gross invoiced income (or 'GII') and cash conversion.

Gross invoiced income is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to gross invoiced income is provided within Note 3 of the financial statements.

Cash conversion ratio is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. Cash conversion is an indicator of the Company's ability to convert profits into available cash. A reconciliation to the adjusted measure for cash conversion is provided below:

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	£'000
Net cash generated from operating activities	51,198	61,118	104,802
Income taxes paid	19,082	14,599	29,793
Cash generated from operations	70,280	75,717	134,595
Purchase of property, plant and equipment	(682)	(1,052)	(2,544)
Purchase of intangible assets	(2,115)	(361)	(701)
Cash generated from operations, net of capital expenditure	67,483	74,304	131,350
Operating profit	66,731	63,071	140,898
Cash conversion ratio	101.1%	117.8%	93.2%

3. **Segmental information**

The information reported to the Company's Chief Executive Officer, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Company. The Company has therefore determined that it has only one reportable segment under IFRS 8, which is that of "value-added IT reseller and IT infrastructure solutions provider". The Company's revenue, results and assets for this one reportable segment can be determined by reference to the statement of comprehensive income and statement of financial position. An analysis of revenues by product, which form one reportable segment, is set out below:

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue by type			
Software	96,142	83,661	188,797
Hardware	273,102	330,891	610,638
Services	97,908	97,853	185,865
	467,152	**512,405**	**985,300**
Gross invoiced income by type			
Software	769,509	687,462	1,543,501
Hardware	275,590	334,580	617,844
Services	218,371	192,686	401,963
	1,263,470	**1,214,728**	**2,563,308**

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue by type of business			
Small and medium	264,634	313,891	555,541
Enterprise	120,234	129,712	253,229
Public sector	82,284	68,802	176,530
	467,152	**512,405**	**985,300**
Gross invoiced income by type of business			
Small and medium	578,877	584,318	1,103,851
Enterprise	260,557	259,352	512,839
Public sector	424,036	371,058	946,618
	1,263,470	**1,214,728**	**2,563,308**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. Softcat continues to report gross invoiced income as an alternative financial KPI as this measure allows a consistent, year on year, understanding of gross income billed, business performance and position and correlates closely to working capital movements. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

Reconciliation of gross invoiced income to revenue

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Gross invoiced income	1,263,470	1,214,728	2,563,308
Income recognised as agent under IFRS 15	(796,318)	(702,323)	(1,578,008)
Revenue	**467,152**	**512,405**	**985,300**

The total revenue for the Company has been derived from its principal activity as an IT reseller. Substantially all this revenue relates to trading undertaken in the United Kingdom.

4. Taxation

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Current Tax			
Current period	17,065	13,322	30,414
Adjustment in respect of current income tax in previous years.	-	-	(160)
Foreign tax effects	-	-	-
Deferred Tax			
Temporary differences	104	(42)	(419)
Total tax charge for the period	**17,169**	**13,280**	**29,835**

The income tax expense was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 31 January 2024. On this basis, the Company's tax charge was £17.2m (H1 2023: £13.3m). The half year effective tax charge being 25.2% (2022: 21.0%).

5. Dividends

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
Declared and paid during the period	Unaudited £'000	Unaudited £'000	Audited £'000
Interim dividend	-	-	15,955
Final dividend	33,956	33,098	33,098
Special dividend	25,113	25,122	25,122
	59,069	**58,220**	**74,175**

An interim dividend of 8.5p per share, amounting to a total dividend of £17.0m, was declared post period end and is to be paid on 22 May 2024 to those on the share register at the close of business on 12 April 2024.

6. **Right-of-use assets and lease liabilities**

Leases - as a lessee
Softcat has lease contracts for various properties and offices across the country, used for its operations. Property leases generally have lease terms of between 3 and 10 years. A number of these contracts include extension and termination options which are discussed below.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the period:

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Property leases			
Opening right-of-use asset	9,970	6,162	6,162
Additions	-	746	5,934
Depreciation	(1,191)	(1,059)	(2,127)
Closing right-of-use asset	**8,779**	**5,849**	**9,969**

Set out below are the carrying amounts of lease liabilities included under current and non-current liabilities and the movements during the period:

	Six months ended 31 January		Year ended 31 July
Property leases	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Opening lease liability	9,761	6,666	6,666
Additions	-	746	5,934
Accretion of interest	165	99	205
Payments	(1,150)	(1,082)	(3,044)
Closing lease liability	**8,776**	**6,429**	**9,761**
Current lease liability	2,385	2,722	2,734
Non-current lease liability	6,391	3,707	7,027
	8,776	**6,429**	**9,761**

Softcat had no variable lease expenses or income from sub-leases charged to the Statement of profit or loss and other comprehensive income, nor any sale and leaseback transactions.

Softcat has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio to align to business needs. Management exercise significant judgement in determining whether these options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in lease term:

As at 31 January 2024 (unaudited)	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	-	-	-
	-	**-**	**-**

As at 31 January 2023 (unaudited)	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	4,951	704	5,655
	4,951	**704**	**5,655**

Following the lease modifications above, the termination options on existing property leases were no longer expected to be utilised.

Lease charges related to low value and short-term leases recognised in the Statement of profit or loss and Other comprehensive income was £nil in both periods.

7. **Trade and other receivables**

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade receivables	432,161	486,326	429,569
Allowance for expected credit losses	(3,718)	(5,767)	(3,920)
Net trade receivables	**428,443**	**480,559**	**425,649**
Unbilled receivables	37,476	35,132	34,508
Prepayments	4,147	3,910	6,344
Accrued income	10,898	8,570	9,270
Deferred costs	15,858	17,330	14,270
	496,822	**545,501**	**490,041**

8. **Trade and other payables**

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade payables	217,987	330,934	254,907
Other taxes and social security	24,259	17,938	13,699
Accruals	107,025	88,994	90,222
Other creditors	-	-	799
	349,271	**437,866**	**359,627**

9. Contract liabilities

Deferred income is split as:

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Current deferred income	36,278	27,275	23,851
Non-current deferred income	6,227	3,426	3,032
	42,505	**30,701**	**26,883**

Contract balances

Deferred income includes goods or services to be delivered to customers by Softcat for which there is a contractual obligation arising from receipt of consideration or amounts due from the customer. The outstanding balances on these accounts has moved in line with the activity of the business and customer base. As at 31 January 2024, £42.5m remains on the Statement of Financial Position as a contract liability. Softcat expects that £36.3m of the balance as at 31 January 2024 will be released in the following 12 months with the balance released within 2-5 years. Of the £26.9m balance as at 31 July 2023, £12.0m has been recognised in this period.

10. Financial instruments

The Company's principal financial liabilities comprise trade and other payables including lease liabilities. The primary purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables and cash that derive directly from its operations.

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Financial assets			
The financial assets of the Company were as follows:			
Cash at bank and in hand	112,455	97,722	122,621
Trade receivables, other debtors and accrued income	476,818	524,261	469,427
	589,273	**621,983**	**592,048**
Financial liabilities			
The financial liabilities of the Company were as follows:			
Trade payables	(217,987)	(330,934)	(254,907)
Accruals	(107,025)	(88,994)	(90,222)
Lease liabilities	(8,776)	(6,429)	(9,761)
	(333,788)	**(426,357)**	**(354,890)**

The Directors consider that the carrying amounts for all financial assets and liabilities (excluding lease liabilities) approximate to their fair value.

11. **Earnings per share (EPS)**

Earnings per share	Six months ended 31 January 2024 Unaudited Pence	Six months ended 31 January 2023 Unaudited Pence	Year ended 31 July 2023 Audited Pence
Basic	25.6	25.0	56.2
Diluted	25.5	25.0	56.0

The calculation of the earnings per share and diluted earnings per share is based on the following data:

	Six months ended 31 January 2024 Unaudited £'000	Six months ended 31 January 2023 Unaudited £'000	Year ended 31 July 2023 Audited £'000
Earnings			
Earnings for the purposes of EPS being profit for the period	51,047	49,843	112,029

The weighted average number of shares is given below:

	Six months ended 31 January 2024 Unaudited 000's	Six months ended 31 January 2023 Unaudited 000's	Year ended 31 July 2023 Audited 000's
Number of shares used for basic earnings per share	199,415	199,157	199,237
Number of shares expected to be issued at nil consideration following exercise of share options	1,127	499	922
Number of shares used for diluted earnings per share	200,542	199,656	200,159

12. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Operating profit	66,731	63,071	140,898
Depreciation of property, plant and equipment	1,275	1,155	2,466
Depreciation of right-of-use assets	1,190	1,059	2,127
Amortisation of intangibles	722	763	1,525
Dividend equivalents paid	(98)	(66)	(66)
Cost of equity-settled employee share schemes	1,699	1,591	3,330
Operating cash flow before movements in working capital	**71,519**	**67,573**	**150,280**
(Increase)/decrease in inventories	(401)	(2,053)	1,513
(Increase)/decrease in trade and other receivables	(6,781)	(4,077)	51,383
Increase/(decrease) in trade and other payables and contract liabilities	5,943	14,275	(68,581)
Cash generated from operations	**70,280**	**75,718**	**134,595**
Income taxes paid	(19,082)	(14,600)	(29,793)
Net cash generated from operating activities	**51,198**	**61,118**	**104,802**

13. Share capital

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
Ordinary shares of 0.05p each	100	100	100
Deferred shares of 1p each	-	-	-
	100	100	100

14. Related party transactions

Dividends to Directors

The following Directors, who served as Directors for either the whole or part of the interim period, were paid the following dividends:

	Six months ended 31 January		Year ended 31 July
	2024	2023	2023
	Unaudited £'000	Unaudited £'000	Audited £'000
M Hellawell	1,244	1,227	1,563
G Watt	32	23	32
G Charlton	40	33	44
K Mecklenburgh	-	-	-
R Perriss	4	4	6
V Murria	49	48	62
K Slatford	-	-	-
L Weedall	-	-	-
M Prakash	-	-	-
J Ferguson	-	-	-
	1,369	**1,335**	**1,707**

Both Martin Hellawell and Karen Slatford resigned in FY2023 but have been included in the above table for completeness.

Mayank Prakash and Jacqui Ferguson started their directorship during HY24 and therefore have been included in the above table, they were not paid any dividends in the period.

Except for the above, there were no other significant related party transactions.

15. Post balance sheet events

Dividend

An interim dividend of 8.5p per share, amounting to a total dividend of £17.0m was declared post period end and is to be paid on 22 May 2024 to those on the share register at the close of business on 12 April 2024.

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2024 which comprises the Condensed Statement of Profit or Loss and Other Comprehensive Income, Condensed Statement of Financial Position, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and Explanatory Notes 1 to 15. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in notes 1 and 2, the annual financial statements of the Company are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
25 March 2024

Corporate Information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Directors
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G Charlton
K Mecklenburgh
R Perriss
V Murria
L Weedall
M Prakash
J Ferguson

Secretary
L Thomas

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