

Interim Results for the six months to 31 January 2017

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today publishes its interim results for the six months to 31 January 2017 ("the period"). The results demonstrate excellent growth, further profitable market share gains and strong cash generation.

Financial Summary

	Six months ended		
	31 January	31 January	Growth
	2017	2016	
	£m	£m	%
Revenue	378.5	293.6	28.9
Gross profit	61.3	53.7	14.1
Adjusted operating profit^a	21.4	19.5	9.4
Operating profit	20.9	15.3	36.3
Interim dividend (p)	2.9p	1.7p	70.6^b
Diluted earnings per share (p)	8.5p	6.1p	39.3
Adjusted diluted earnings per share^c (p)	8.7p	8.2p	6.1

^aAdjusted operating profit is defined as operating profit before exceptional items and share-based payment charges.

^bThe high growth in the interim dividend reflects the reduction applied in the prior period to account for the fact the Company was only publicly listed for approximately two thirds of the 2016 financial year.

^cAdjusted diluted earnings per share is defined as profit after tax before exceptional items and share based payment charges divided by the weighted average number of shares including the dilutive effect of share options.

Highlights for the six months to 31 January 2017

- Gross profit up 14.1% to £61.3m (H1 2016: £53.7m)
- Adjusted operating profit up 9.4% to £21.4m (H1 2016: £19.5m)
- Excluding the one-off prior year procurement benefit (FY 2016: £3.4m, H1 2016: £1.6m), gross profit and adjusted operating profit growth were 17.5% (H1 2016: +11.7%) and 16.4% (H1 2016: +6.1%), respectively
- Operating profit up 36.3% to £20.9m, assisted by the absence of IPO costs in the current period
- Cash conversion was 112% (defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit – H1 2016: 142%)
- The Company remains debt free with a cash balance of £46.6m
- Customer numbers up 8.7% (H1 2016: 6.7%), the fastest rate of customer growth since H1 2014, reflecting the investment in the sales force over the past 18 months
- Adjusted diluted earnings per share up 6.1% from 8.2p to 8.7p
- Interim dividend of 2.9p per share (H1 2016: 1.7p) to be paid on 28 April 2017

Martin Hellawell, Softcat CEO, commented:

"We are very pleased to report another set of strong results. Growth in gross profit, our primary measure of income, was 14.1%. The Company has made significant investments in new sales, services and technical resource over the past 18 months and the return on those investments is evident in our latest figures. As a result, we are pleased to announce the payment of an interim dividend of 2.9p per share, in line with the policy set out at the time of our IPO.

I'd like to take this opportunity to thank all Softcat employees for their continued dedication to delivering outstanding customer service and shareholder value, and to our customers for their continuing business and loyalty.

The Board is confident of meeting its expectations for the full year. Whilst trading in the first six weeks of the second half has been strong, we have some important months ahead and we remain focussed on the job in hand."

Analyst meeting

A results presentation will be held for investors and analysts at the offices of FTI Consulting: 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD on 22 March 2017. Registration will open at 09.15 for a 09.30 start. Materials from this presentation will be available online at www.softcat.com from 09.00. A copy of this announcement will also be available online from 07.00.

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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 UK Listing 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.

Chief Executive Officer's Review

During the period the Company delivered further strong performance with growth continuing to outstrip the sector as we gain market share. Gross profit grew 14.1%, adjusted operating profit increased 9.4% and cash conversion was 112%, underpinning the payment of an interim dividend of 2.9p per share. With these results, Softcat has delivered 46 consecutive quarters of revenue and profit growth. Growth was particularly strong during Q2, partially driven by customers placing orders before vendor price rises took effect on 1 January 2017.

Revenue growth was especially strong at 28.9% with software, hardware and services all delivering double-digit growth. Gross margin percentage decreased due to the one-off procurement benefit in the prior period, the impact of a large, low-margin licensing deal and an increase in demand from customers for lower margin workplace technology in part driven by a relative recovery in PC sales.

While all areas of the business have performed well, it has been pleasing to see particularly strong growth in some of our newer offerings such as managed print, contractual support services and professional services. Notwithstanding the ongoing adoption of public cloud services, our on-premise data centre infrastructure business also had a very strong first half, continuing a trend evident throughout 2016.

Recruitment and retention of the sales force developed strongly during the period. We also continue to invest in services capability and technical expertise, responding to customer demand and ensuring our offering continues to expand and keep pace with changes in technology. Headcount growth across these areas has been in excess of 30% in the last 12 months, including the addition of key individuals with significant experience to complement our graduate sales population.

The Company intends to continue recruitment during the second half, driving our dual-track strategy of winning new customers and selling more to existing customers. Progress against these objectives in H1 has been strong:

- The Company traded with 800 more customers compared to the same period last year, a rise of 8.7%. This is the fastest rate of customer growth since H1 FY14 and demonstrates the ongoing success of our graduate model.
- Gross profit per customer grew 4.6% demonstrating that, despite the natural dilution created by new customer growth, our existing customers continue to entrust us with more and more of their infrastructure needs (excluding the impact of non-recurring procurement benefits in 2016, gross profit per customer increased 8.1%).

Given the recent opening of Glasgow, the relocation and expansion of Bristol to a new city-centre location completed during the period, and the planned expansion of Manchester, further new office openings are not envisaged within the current financial year as we focus on driving through the growth opportunity from this expanded footprint.

During the period we were delighted that Softcat was named Cisco EMEAR Partner of the Year, Adobe EMEA Partner of the Year, Hewlett Packard Enterprise UKI Partner of the Year and CRN Reseller of the Year. We also became the first Microsoft Licensing Solutions Provider to sell one million Office 365 Enterprise Suite licenses in the UK.

The Company continues to focus primarily on the significant organic growth opportunity and the Board's view of acquisitions is unchanged; we remain vigilant for new opportunities to accelerate growth but will only act should we identify something genuinely compelling.

Outlook

The Board is confident of meeting its expectations for the full year. Whilst trading in the first six weeks of the second half has been strong, we have some important months ahead and we remain focussed on the job in hand.

Chief Financial Officer's Review

Financial Summary	H1 FY17	H1 FY16	Growth
Revenue	£378.5m	£293.6m	28.9%
<u>Revenue split</u>			
Software	£193.4m	£139.3m	38.9%
Hardware	£126.3m	£110.3m	14.5%
Services	£58.7m	£44.0m	33.5%
Gross profit	£61.3m	£53.7m	14.1%
Gross profit margin	16.2%	18.3%	(2.1% pts)
Adjusted operating profit	£21.4m	£19.5m	9.4%
Adjusted OP:GP margin	34.9%	36.4%	(1.5% pts)
Adjusted operating profit margin	5.6%	6.7%	(1.1% pts)
Operating profit	£20.9m	£15.3m	36.3%
Cash conversion	112.3%	141.8%	(29.5% pts)

Revenue and gross profit

Gross profit is Softcat's primary measure of top-line performance and the Company has delivered growth of 14.1% to £61.3m. However, as stated in the 2016 annual report, prior year gross profit benefited from non-recurring procurement savings of c. £3.4m (H1 2016: £1.6m). Removing this effect 2017 H1 underlying gross profit growth was 17.5% (H1 FY16: 11.7%).

The acceleration in underlying growth reflects continued execution against our strategy of growing the customer base and selling more products and services to existing customers. In addition, the Company responded quickly to the opportunity to secure pricing for customers ahead of January increases caused by the fall in the value of sterling.

Gross profit margin decreased in the period by 2.1% pts to 16.2% driven by the following factors:

- The FY16 non-recurring procurement savings boosted the FY16 H1 margin by 0.6% pts;
- The Company secured its largest ever public sector software licensing deal for an 80,000-user central government department. This contract was secured at low margin and decreased the overall Company margin by 0.6% pts in the period;
- The remaining 0.9% pts decline was predominately due to changes in business mix. For example, the period saw increased demand for lower-margin PC hardware (against a weak comparative). Furthermore, there were some especially complex (and therefore higher margin) software deals in the previous period that have not been repeated.

Due to the strong gross profit performance and shift in business mix, revenue growth was very strong at 28.9% (H1 2016: 10.4%).

<u>Customer Metrics</u>	H1 FY17	H1 FY16	Growth
Customer numbers	10.0k	9.2k	8.7%
Gross profit per customer	£6.12k	£5.85k	4.6%

Customer numbers growth of 800 (8.7%) represents the fastest absolute and percentage rate of growth achieved since H1 2014. This reflects the ongoing success of the Company's graduate and apprentice sales model.

Gross profit per customer also continued to grow, up 4.6%, despite the natural dilutive impact of customer growth. Adjusting for the non-recurring impact of the procurement savings in the prior year, underlying gross profit per customer growth was 8.1%.

Adjusted operating profit

Adjusted operating profit increased by 9.4% to £21.4m, reflecting the growth in gross profit and the continuing investment in new capabilities and capacity. Removing the £1.2m net benefit of the FY16 H1 non-recurring procurement benefit, underlying growth was 16.4%.

Operating profit

Operating profit of £20.9m (H1 FY16: £15.3m) has grown by 36.3%, very significantly ahead of gross and adjusted operating profit growth due to the impact of exceptional IPO costs of £3.7m in the prior period.

Corporation tax charge

The interim tax charge of £4.2m reflects an effective tax rate of 20.2% (2016: 22.7%). The lower effective tax rate compared to last year is mostly the result of disallowable IPO-related expenses in FY16 coupled with a fall in the applicable standard corporation tax rate from 20.0% to 19.7% in the period. The effective tax rate is also marginally above the statutory rate in both periods due to the impact of non-deductible expenses.

Cash flow and cash conversion

The Company entered the year with a cash balance of £62.4m and paid a final ordinary dividend of £7.1m and a special dividend of £28.1m on 16 December 2016. The Company remains debt-free and closed the period with a cash balance of £46.6m.

Operating cash flow after capital expenditure was strong during the reporting period at £23.5m, representing a conversion rate of 112.3% of operating profit. This is consistent with underlying (pre-IPO costs) conversion of 114.3% achieved in H1 FY16. The net movement in working capital for H1 FY17 created a cash inflow of £2.2m. Since FY16 year end there has been a small decrease in debtor days and a small increase in creditor days due to differences in trading seasonality between year-end and half year-end.

The Company continues to target sustainable annual operating cash conversion after capital expenditure in the range of 90-95% of operating profits.

Capital investment

The Company's immediate requirements for capital investment to fund growth remain relatively modest. Net capex of £1.1m (FY16 H1: £1.0m) in the period relates mainly to computer equipment and fixtures & fittings to satisfy the demands of operational growth.

Dividend

The Board is pleased to declare an interim dividend of 2.9p per share, amounting in total to £5.7m. The interim dividend will be payable on 28 April 2017 to shareholders whose names are on the register at the close of business on 31 March 2017. Shares in the Company will be quoted ex dividend on 30 March 2017. The DRIP election date is 3 April 2017. This interim dividend is an increase of 71% on FY16, reflecting both the growth in profit and the reduction in the prior period dividend due to the Company having only been publicly listed since November 2015, and demonstrates the Company's continued commitment to return excess cash to shareholders.

Principal Risks and Uncertainties

Like most businesses, there is a range of risks and uncertainties facing the Company. A brief summary is given below detailing the specific risks and uncertainties that the Directors believe could have a significant effect on the Company's financial performance.

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 matters referred to regarding seasonality in note 15 to the condensed interim financial statements, and the comments made under the heading "outlook" in the Chief Executive's Review.

- Customer dissatisfaction: If we fail to deliver a differentiated and superior experience to our customers, this could diminish our brand and reputation and impact on our growth;
- Technology: If we fail to evolve our technology offering with changing customer needs, this could potentially lead to customer churn and/or significant downward pressure on our margins;
- Cyber security: A successful cyber-attack or internal event could result in us not being able to deliver services to our customers or failing to protect data we collect and hold on customers, employees and vendors;
- Disruption to Managed Services operations: If our IT systems fail, the service provided from our network operating centre which facilitates the selling of hosted managed services may be significantly interrupted. This could impact on customer satisfaction and diminish our brand and reputation;
- Profit margin pressure including rebates: If we fail to manage the effect of internal or market forces on our margins, this could result in reduced margins and erode profits;
- Culture change: Our culture is an integral part of our business model. If we fail to maintain our culture, this could impact on the level of staff engagement and on customer experience;
- Poor leadership: If we fail to retain and develop a strong leadership team, this could impact on the delivery of Softcat's strategy, impact on staff engagement and vendor relationships.

These risks and uncertainties have not changed significantly since 31 July 2016. Further information on the risks can be found on pages 24 to 25 of Softcat 2016 Annual Report and Accounts, which is available at <https://www.softcat.com/investor-relations/reports-and-presentations/annual-report-and-accounts-2016.pdf>

Going Concern

As stated in note 2 to the Condensed Interim Financial Statements, the Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Interim Financial Statements.

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 unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union;
- 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.

Martin Hellawell
Chief Executive Officer
22 March 2017

Graham Charlton
Chief Financial Officer
22 March 2017

**Condensed Statement of profit or loss and other comprehensive income
For the six months ended 31 January 2017**

	<i>Note</i>	Six months ended 31 January		Year ended 31 July
		2017	2016	2016
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Revenue	3	378,450	293,591	672,351
Cost of sales		<u>(317,200)</u>	<u>(239,916)</u>	<u>(551,634)</u>
Gross profit		61,250	53,675	120,717
Administrative expenses		<u>(40,358)</u>	<u>(38,347)</u>	<u>(78,527)</u>
Operating profit		20,892	15,328	42,190
Adjusted operating profit		21,366	19,527	46,751
Exceptional costs	4	-	(3,693)	(3,673)
Share – based payments charge	2	(474)	(506)	(888)
Finance income		<u>88</u>	<u>106</u>	<u>213</u>
Profit before taxation		20,980	15,434	42,403
Income tax expense	5	<u>(4,235)</u>	<u>(3,501)</u>	<u>(9,245)</u>
Profit for the year attributable to owners of the Company		<u>16,745</u>	<u>11,933</u>	<u>33,158</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>16,745</u></u>	<u><u>11,933</u></u>	<u><u>33,158</u></u>
Basic earnings per Ordinary Share (pence)	10	8.5p	6.1p	16.9p
Diluted earnings per Ordinary Share (pence)	10	8.5p	6.1p	16.9p
Adjusted basic earnings per Ordinary Share (pence)	10	8.7p	8.2p	19.2p
Adjusted diluted earnings per Ordinary Share (pence)	10	8.7p	8.2p	19.1p

All results are derived from continuing operations.

**Condensed Statement of Financial Position
As at 31 January 2017**

		31 January		31 July
		2017	2016	2016
	<i>Note</i>	Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		6,143	6,763	6,391
Intangible assets		944	632	667
Deferred tax asset		419	522	426
		<u>7,506</u>	<u>7,917</u>	<u>7,484</u>
Current assets				
Inventories		5,622	3,922	4,611
Trade and other receivables	7	151,673	113,473	132,787
Cash and cash equivalents		46,620	54,881	62,361
		<u>203,915</u>	<u>172,276</u>	<u>199,759</u>
Total assets		<u>211,421</u>	<u>180,193</u>	<u>207,243</u>
Current liabilities				
Trade and other payables	8	(137,583)	(108,778)	(115,527)
Income tax payable		(4,086)	(2,456)	(4,352)
		<u>(141,669)</u>	<u>(111,234)</u>	<u>(119,879)</u>
Net assets		<u>69,752</u>	<u>68,959</u>	<u>87,364</u>
Equity				
Issued share capital	12	99	99	99
Share premium account		4,664	4,455	4,454
Other reserves		(3,423)	(3,530)	(3,531)
Retained earnings		68,412	67,935	86,342
Total equity		<u>69,752</u>	<u>68,959</u>	<u>87,364</u>

Condensed Statement of Changes in Equity

	Share capital	Share premium	Reserve for own shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	99	4,454	(3,531)	86,342	87,364
Total comprehensive income for the period	-	-	-	16,745	16,745
Share-based payment transactions	-	-	-	436	436
Dividends paid	-	-	-	(35,174)	(35,174)
Shares issued in period	-	210	-	-	210
Tax adjustments	-	-	-	63	63
Own share movement during the period	-	-	108	-	108
Balance at 31 January 2017	99	4,664	(3,423)	68,412	69,752
Balance at 1 August 2015	98	3,942	(3,994)	95,770	95,816
Total comprehensive income for the period	-	-	-	11,933	11,933
Share-based payment transactions	-	-	-	189	189
Dividends paid	-	-	-	(40,098)	(40,098)
Shares issued in period	1	513	-	-	514
Tax adjustments	-	-	-	141	141
Own share movement during the period	-	-	464	-	464
Balance at 31 January 2016	99	4,455	(3,530)	67,935	68,959

Condensed Statement of Cash Flows
For the six months ended 31 January 2017

		Six months ended		Year
		31 January		ended
		2017	2016	31 July
		<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
	<i>Note</i>	£'000	£'000	£'000
Net cash generated from operating activities	<i>11</i>	20,120	18,497	29,925
Investing activities				
Finance income		88	106	213
Purchase of property, plant and equipment		(657)	(686)	(1,190)
Purchase of intangible assets		(443)	(335)	(536)
Proceeds from asset disposals		7	6	11
		<u>7</u>	<u>6</u>	<u>11</u>
Net cash used in investing activities		(1,005)	(909)	(1,502)
Financing activities				
Issue of share capital		210	513	513
Deferred purchase share proceeds		-	1,772	1,773
Dividends paid	<i>6</i>	(35,174)	(40,098)	(43,453)
Own share transactions		108	464	463
		<u>108</u>	<u>464</u>	<u>463</u>
Net cash used in financing activities		(34,856)	(37,349)	(40,704)
Net decrease in cash and cash equivalents		(15,741)	(19,761)	(12,281)
Cash and cash equivalents at beginning of period		62,361	74,642	74,642
Cash and cash equivalents at end of period		<u>46,620</u>	<u>54,881</u>	<u>62,361</u>

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 2017 (“Condensed Interim Financial Statements”).

The Company is a public limited company, incorporated and domiciled in the UK. Its registered address is 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 22 March 2017. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 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 2016, which were prepared in accordance with European Union endorsed International Financial Reporting Standards (“IFRS”) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for the year ended 31 July 2016 were approved by the Board of Directors on 19 October 2016 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

2.1 Basis of preparation

These Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ as adopted by the European Union and the Disclosure 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.

Going concern

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Interim Financial statements.

Changes to accounting standards

There have been no changes to accounting standards during the period which have had or are expected to have any significant impact on the Company.

Accounting policies

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 2016.

Exceptional items

Items that are material in size and unusual in nature are included within operating profit and disclosed separately in the condensed statement of profit or loss and other comprehensive income. The separate reporting of these items helps to provide a more accurate indication of the underlying business performance.

Share based payment charges

The share based payment charge includes a fair value charge of £436,468 (H1 2016: £188,792) and an accrual for employers national insurance contributions of £37,460 (H1 2016: £317,020), which become payable on exercise of share options and long term incentive awards.

Adjusted operating profit

The Company discloses an adjusted operating profit measure as this is used by management to measure performance and also provides a useful metric for shareholders. Management use this metric as it removes the impact of one-off or volatile non-trading expenses which, when included, may distract the user from understanding the underlying performance of the Company. The term adjusted operating profit is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

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:

Revenue by type	Six months ended 31 January		Year ended 31 July
	2017 £'000	2016 £'000	2016 £'000
Software	193,398	139,271	319,978
Hardware	126,312	110,327	250,692
Services	58,740	43,993	101,681
	<u>378,450</u>	<u>293,591</u>	<u>672,351</u>

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

4. Exceptional items

Operating profit for the year has been arrived at after charging:

	Six months ended 31 January		Year ended 31 July
	2017 £'000	2016 £'000	2016 £'000
IPO costs	-	3,693	3,673

All IPO costs incurred relate to the Company's listing on the London Stock Exchange in November 2015.

5. Taxation

	Six months ended 31 January		Year ended 31 July 2016
	2017 £'000	2016 £'000	£'000
Current Tax			
Current period	4,243	3,451	9,179
Adjustment for prior years	-	-	(7)
Deferred Tax			
Temporary timing differences	(8)	50	73
Total tax charge for the period	4,235	3,501	9,245

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 2017. On this basis, the Company's tax charge was £4.2m (H1 2016: £3.5m). The applicable statutory tax rate for the full year is 19.7% (H1 2016: 20.7%). Following adjusting items which relate to client entertaining and non qualifying depreciation, the effective tax rate is 20.2% (H1 2016: 22.7%). The effective tax rate has fallen due to a 1% fall in the full year statutory rate and a reduction in non-deductible expenses, in particular costs of the initial public offering in the prior year.

6. Ordinary Dividends

	Six months ended 31 January		Year ended 31 July 2016
	2017 £'000	2016 £'000	£'000
Declared and paid during the period, prior to IPO and share reorganisation:			
Ordinary dividend on ordinary shares		36,765	36,765
Ordinary dividend on 'MR' shares		864	864
Ordinary dividend on 'A' ordinary shares		2,469	2,469
		40,098	40,098
Declared and paid during the period, post IPO and share reorganisation:			
Interim dividend for the year ended 31 July 2016	-		3,355
Final dividend for the year ended 31 July 2016	7,114		-
Special dividend	28,060		-
	35,174		43,453

The dividends paid in the six months ended 31 January 2016 were paid prior to the reorganisation of share capital, see note 12, and therefore are shown as dividends split between the pre-reorganisation share classes.

An interim dividend of 2.9p per share, amounting to a total dividend of £5.73m was declared post period end and is to be paid on 28 April 2017 to those on the share register on 31 March 2017.

7. Trade and other receivables

	Six months ended 31 January		Year ended 31 July
	2017	2016	2016
	£'000	£'000	£'000
Trade receivables	143,194	107,471	123,833
Provision against receivables	(1,150)	(853)	(1,265)
Net trade receivables	142,044	106,618	122,568
Other debtors	276	41	59
Prepayments	3,914	3,125	4,764
Accrued Income	5,439	3,689	5,396
	151,673	113,473	132,787

8. Trade and other payables

	Six months ended 31 January		Year ended 31 July
	2017	2016	2016
	£'000	£'000	£'000
Trade payables	91,774	72,552	67,759
Other taxes and social security	12,927	8,939	11,778
Accruals	27,786	22,874	24,000
Deferred Income	5,096	4,413	11,990
	137,583	108,778	115,527

9. Financial Instruments

The Company's principal financial liabilities comprise trade and other payables. 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
	2017	2016	2016
	£'000	£'000	£'000

Financial assets

The financial assets of the Company were as follows:

Cash at bank and in hand	46,620	54,881	62,361
Trade and other receivables	151,673	113,473	132,787
	198,293	168,354	195,148

Financial liabilities

The financial liabilities of the Company were as follows:

Trade payables	(91,774)	(72,552)	(67,759)
Accruals	(27,786)	(22,874)	(24,000)
	(119,560)	(95,426)	(91,759)

The Directors consider that the carrying amount for all financial assets and liabilities approximate to their fair value.

10. Earnings per share

	Six months ended 31 January		Year ended 31 July
	2017	2016	2016
	Pence	Pence	Pence
Earnings per share			
Basic	8.5	6.1	16.9
Diluted	8.5	6.1	16.9
Adjusted earnings per share			
Basic	8.7	8.2	19.2
Diluted	8.7	8.2	19.1

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

	Six months ended 31 January		Year ended 31 July
	2017	2016	2016
	£'000	£'000	£'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	16,745	11,933	33,158
Adjusted Earnings			
Profit for the period	16,745	11,933	33,158
Exceptional costs	-	3,693	3,673
Share based payment charge	474	506	888
Tax effect of adjusting items	(7)	(46)	(97)
Earnings for the purposes of adjusted earnings per share	17,212	16,086	37,622

The weighted average number of shares is given below:

	Six months ended 31 January		Year ended 31 July
	2017	2016	2016
	000's	000's	000's
Number of shares used for basic earnings per share	196,887	195,935	196,040
Number of shares deemed to be issued at nil consideration following exercise of share options	515	696	696
Number of shares used for diluted earnings per share	197,402	196,631	196,736

11. 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
	2017	2016	2016
	£'000	£'000	£'000
Operating profit	20,892	15,328	42,190
Depreciation of property, plant and equipment	824	920	1,796
Amortisation of intangibles	165	161	327
(Profit)/loss on disposal of fixed assets	73	(6)	(9)
Cost of equity-settled employee share schemes	436	189	572
Operating cash flow before movements in working capital	22,390	16,592	44,876
Increase in inventories	(1,008)	(1,270)	(1,961)
(increase)/Decrease in trade and other receivables	(18,886)	6,706	(12,608)
Increase in trade and other payables	22,057	725	7,474
Cash generated from operations	24,553	22,753	37,781
Income taxes paid	(4,433)	(4,256)	(7,856)
Net cash generated from operating activities	20,120	18,497	29,925

12. Share capital

	Year ended 31 July 2015
	£'000
Authorised	
Pre-reorganisation	
Ordinary shares of 1p each	112
'MR' shares of 1p each	2
'A' ordinary shares of 1p each	6
	120

Limits on authorised share capital were removed on re-registration as a public limited company.

	Six months ended 31 January		Year ended 31 July	
	2017	2016	2016	2015
	£'000	£'000	£'000	£'000
Allotted and called up				
Ordinary shares of 1p each				90
'MR' shares of 1p each				2
'A' ordinary shares of 1p each				6
				98
Post - reorganisation				
Ordinary shares of 0.05p each	99	99	99	
Deferred shares* of 0.01p each	-	-	-	
	99	99	99	

*At 31 January 2017 the deferred shares had an aggregate nominal value of £189.33

On 12 November 2015, by special resolution of the Company, it was resolved that:

- 188,500 'MR' shares of £0.01 each be redesignated as ordinary shares of £0.01 each and their rights varied accordingly;
- 588,322 'A' ordinary shares of £0.01 each be redesignated as ordinary shares of £0.01 each and their rights varied accordingly;
- 18,933 'A' ordinary shares of £0.01 each be redesignated as deferred shares of £0.01 each; and
- each ordinary share of £0.01 be sub-divided into 20 ordinary shares of £0.0005 each.

13. 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
	2017	2016	2016
	£'000	£'000	£'000
M J Hellawell	2,632	4,868	5,119
B Wallace	153	175	190
L Ginsberg	4	-	-
V Murria	5	-	-
P Ventress	5	-	-
	2,799	5,043	5,309

With the exception of the above, there were no other significant related party transactions.

14. Post balance sheet events

Dividend

An interim dividend of 2.9p per share, amounting to a total dividend of £5.73m was declared post period end and is to be paid on 28 April 2017 to those on the share register on 31 March 2017.

15. Seasonality of operations

Historically, revenues have been marginally higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. This increased revenue weighting in the second half of the year has traditionally resulted in higher operating profit in the second half.

Independent review report to Softcat plc

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 January 31, 2017, which comprises the condensed statement of financial position as at January 31, 2017 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended and explanatory notes. 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.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'* issued by the Auditing Practices Board. 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.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in notes 1 and 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, *'Interim Financial Reporting'*, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 Ireland) 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.

Conclusion

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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

22 March 2017

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

G L Charlton
M J Hellawell
L Ginsberg
V Murria
P Ventress
B Wallace

Secretary

W Chime

Company registration number

02174990

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