

22 March 2022

SOFTCAT plc
("Softcat", the "Company")
Half Year Results for the six months to 31 January 2022

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 2022 ("the period"). The results reflect a period of profit growth ahead of expectations and strong cash generation.

Financial Summary

	Six months ended		Growth %
	31 January 2022	31 January 2021	
	£m	£m	
Revenue ¹	770.9	577.0	33.6
Gross invoiced income ²	1,158.3	870.8	33.0
Gross profit	150.2	134.5	11.7
Operating profit	64.1	57.1	12.4
Cash conversion ³	85%	88%	n/a
Interim dividend (p)	7.3p	6.4p	14.1
Earnings per share (p)	26.2p	23.3p	12.4
Diluted earnings per share (p)	26.0p	23.2p	12.1

Highlights for the six months to 31 January 2022

- The Company delivered strong growth across all key income and profit measures, despite very strong comparatives for the prior period and whilst maintaining a high level of investment in future growth.
- The drivers of income growth have been broad-based, with good progress made in all customer segments and across each of software, hardware and services. This has been achieved against the backdrop of ongoing supply chain challenges which remain manageable but are contributing to a relatively modest backlog of hardware orders. This backlog is expected to gradually unwind over the course of the Company's next financial year.
- Operating profit performance, ahead of expectations, was enhanced in the period by Omicron-related cost constraints. While travel and events spend is returning to normal levels as Covid restrictions ease, this has happened at a slower pace than initially expected.
- Average headcount was up 10% on the prior period, with recruitment across all areas of the business continuing into the second half.
- Average gross profit per customer was up 12.4% to £30.2k and there was further growth in the customer base.
- Cash generation continues to be strong and in line with expectations.
- An interim dividend of 7.3p per share, up 14.1%, will be paid on 13 May 2022 with the shares trading ex-dividend on 7 April 2022.
- **Outlook:** Operating profit in the first six months of the financial year has been ahead of the Board's initial expectations. While the current geopolitical and macroeconomic volatility make it more difficult to forecast performance, because of the outperformance in the first half the Board now believes that the outturn for the full year will be ahead of previous estimates.

¹ Revenue is reported under IFRS 15, the international accounting standard for revenue. IFRS 15 requires finely balanced 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 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.

² 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 the CFO Review on page 6.

³ Cash conversion is defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure.

Graeme Watt, Softcat CEO, commented:

Before addressing the Company's progress and performance, I'd like to express how deeply saddened we are by the humanitarian crisis in Ukraine. We draw great strength and comfort from the way our employees are responding to help and assist those who have been impacted by this crisis, and in parallel we are closely evaluating and managing any business risks that may arise as events further unfold. This includes supporting our customers against cyber risk as we re-double our own defences. In addition, we are fully compliant with UK government sanctions and monitoring the impact of the conflict on supply chains. Most of all, we remain hopeful that peace can be restored to Ukraine at the earliest possible opportunity and the appalling human suffering being felt in the country can be ended.

Turning now to Softcat's business performance, the Company continued to perform well across all areas of the business in the first half. Transaction numbers grew strongly as we saw more customers emerge from the impacts of the pandemic, and this drove a 12.4% expansion in gross profit per customer. All customer segments made good progress which included an acceleration in our enterprise business. Various industry data and commentary suggest the overall market has maintained a mid-single digit growth rate which indicates that we have continued to gain share.

Notwithstanding the very high bar we set during last year's exceptional first half performance, these results preserve a run that now extends to sixty-six consecutive quarters of year-on-year growth in gross invoiced income and profit.

Our key external challenges continued to be the impact of the pandemic as well as supply chain constraints. Our staff continued to take the various changes in government COVID guidance in their stride and I am delighted with the way they have been able to operate so effectively. From February 2022 we reverted to our hybrid working policy and our people are enjoying being back together in the office.

Component shortages have not worsened but nor have they improved so our order backlog is building somewhat. However, the situation remains manageable and to put things into perspective, only a portion of our hardware portfolio is impacted. Hardware in total typically comprises 30-40% of our annual gross invoiced income, so most of our business is unaffected.

We have continued to invest in our team, internal systems and the tools to support growth, and this puts us in a strong position to deliver on future opportunities. As many industries are currently reporting, the labour market is challenging and recruitment is not getting any easier. Nevertheless, average headcount increased by 10% on the prior year as we continued to invest across all functions. We have now grown the workforce by 20% since the start of the pandemic.

In our annual employee engagement survey, undertaken in November 2021, our employee net promoter score was 52 (2021: 58) and remains at the consistently high levels we have reported in recent years. We were also delighted to be ranked 3rd for Wellbeing by the Great Places to Work Institute, testament to the work everyone in the Company has put in to keep one another informed, connected and motivated throughout the pandemic. Our people are very much looking forward to the full resumption of our incentive trips and other events as this calendar year progresses.

Our focus on being people and customer-led remains at the highest level. I would like to offer our sincere thanks to all our customers and partners for being such a pleasure to work with. And a big thank you must go to the entire team at Softcat for these results. They have all performed brilliantly and I am very proud of how we continue to work together and support each other.

Outlook

Operating profit in the first six months of the financial year has been ahead of the Board's initial expectations. While the current geopolitical and macroeconomic volatility make it more difficult to forecast performance, because of the outperformance in the first half the Board now believes that the outturn for the full year will be ahead of previous estimates.

Analyst and Investor call

The management team will host an investor and analyst conference call at 9.30am UK time, on Tuesday, 22 March 2022. To participate in the conference call, please use the following access details:

Dial in Details:

UK Toll Free: 0800 376 7922
UK Local: +44 (0)20 7192 8000
Conference ID: 1264443

A live webcast of the presentation will be available at:

<https://edge.media-server.com/mmc/p/9ortworn>

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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Ed Bridges
Matt Dixon

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.

Chief Executive Officer's Review

The strong performance we are reporting for the first half of 2022 has exceeded our original expectations. Despite very tough comparatives for the prior period, we delivered gross invoiced income (GII) growth of 33.0% with gross profit growth up 11.7%, generating in turn operating profit expansion of 12.4%. Revenue, which is GII netted down to just the margin element for cloud-based software and some other income streams, was up 33.6%.

Growth across all segments

It was again the nature of our growth that was most pleasing, with substantial progress made across all customer segments. GII from enterprise customers grew by 32.8% and mid-market was up 44.0%, the latter comprising some further large projects from a major customer as well as strong double-digit growth from the rest of that segment. Public sector customers paused for breath over the summer of 2021, but performance accelerated in Q2 to deliver 14.8% GII growth for the six-month period.

Our key technology segments of hardware, software and services all made good progress as well, demonstrating that organisations are continuing to prioritise spend on digital infrastructure. Enhancing customer and employee experiences, managing distributed workforces in hybrid working environments, and delivering productivity gains all remain high on the agenda. Cloud migration continues to be a driver of growth and our customers need to protect and secure their data. Challenges of component shortages in the supply chain have led to a relatively modest increase in order backlog for some elements of hardware, although we anticipate this will gradually unwind over the course of our next financial year.

Well positioned for further growth

We are well positioned to assist our customers with the choice, complexity and pace of change they face in making their IT infrastructure investments. The breadth of our customer base, technology offering, and services all continue to serve us well. We were able to grow gross profit per customer by 12.4% in the period as we also continued to expand the customer base. Consistent with prior periods, 94% of the gross profit generated in the first half came from existing customers as they continue to invest and we demonstrate our value, build trust and strengthen relationships over time. Gartner's latest forecasts predict high single-digit annual growth in our addressable market through to 2025. We still have relatively low share and so the opportunity to grow market share remains as compelling as ever.

We continue to invest in future growth by adding to our workforce and developing and implementing new systems, tools and platforms. The challenges in the labour market have been well-documented, but we nonetheless managed to grow average headcount by 10% in the period. We have also taken steps to adapt to the times including a substantial expansion of our apprentice programme going forward and a review of remuneration across all parts of the business. In addition, we have made excellent progress with our sales development programme for new joiners.

Our systems projects continue to progress, and we have a robust plan of further investments lined up in the areas of our own financial systems, our public cloud offering, customer digital experience and service management.

We have made progress in other areas too, for example in the US, where we are building a small multi-national team based in Arlington, Virginia, which comprises both sales and operational staff. Their principal goal is to drive incremental fulfilment opportunities with our UK customers who have operations and needs in North America.

Acting on Sustainability and Diversity

The sustainability actions in place to achieve our 2040 net zero target are progressing well. Our plan of near and long-term targets has been submitted to the Science Based Targets initiative and we plan to have all our UK&I offices operating from renewable energy by the end of the calendar year. We have recently established a committee of the Board focussed on this area and have made a commitment to the Task Force on Climate-related Financial Disclosures (TCFD) compliance in our next annual report. We are also developing a platform to help our customers understand and quantify their own emissions related to both their IT infrastructure and other operations. We expect sustainability considerations to

become an integral part of the IT procurement process and are looking to develop the role we play in bringing together those solutions with the needs of customers.

I am pleased to see our diversity focus has led to a steady increase in our gender diversity where women now make up 33% of the workforce (compared to 28% four years ago). We have also added “community” as a fifth Company value which reflects our belief in the power of people and encouraging collaboration, and the empowering disability and neurodiversity network, added to our thriving set of internal communities during last year, is making good progress with its work on raising awareness and providing support.

All this progress and our financial results could not have been delivered without the enormous commitment, positive attitude and determination that our people bring to Softcat every day, so I would like to close by saying a simple thank you and very well done to each and every person in our team.

Board committee composition

The Board is pleased to announce the appointment of Lynne Weedall as an independent non-executive Director of the Company and chair of the Remuneration Committee with effect from 3 May 2022.

Chief Financial Officer's Review

<u>Financial Summary</u>	H1 FY22	H1 FY21	Growth
<u>Revenue split</u>			
Software	£259.7m	£240.1m	8.2%
Hardware	£451.5m	£289.2m	56.1%
Services	£59.7m	£47.7m	25.2%
Total revenue	£770.9m	£577.0m	33.6%
<u>Gross invoiced income split</u>			
Software	£552.2m	£461.6m	19.6%
Hardware	£459.6m	£293.9m	56.4%
Services	£146.5m	£115.3m	27.1%
Total gross invoiced income	£1,158.3m	£870.8m	33.0%
Gross profit	£150.2m	£134.5m	11.7%
Operating profit	£64.1m	£57.1m	12.4%
OP:GP margin	42.7%	42.4%	0.3% pts
Cash conversion	85%	88%	n/a

Gross profit, revenue and gross invoiced income (GII)

The prior period contained some of the largest deals in the Company's history, but a combination of strong underlying trading and further development of a key account delivered double-digit growth in gross profit, our key financial metric, which rose by 11.7% to £150.2m.

Revenue growth of 33.6% was closely matched to the 33.0% expansion in gross invoicing. This reflects the competing impacts of a shift in mix back towards hardware during the period, offset by the ongoing trend within software towards SaaS / cloud-based solutions. The increase in hardware mix was driven mainly by significant datacentre projects with a major customer. Cloud-based SaaS solutions as well as third party services are recognised net of product costs under IFRS 15. The Company continues to report on GII as well as GAAP revenue since the former is most closely linked to working capital movements and also provides insight to the relative gross spend by different customer segments and across different technology areas. The IFRS 15 reconciliation between revenue and gross invoiced income is included in note 3 of this interim statement.

Gross profit margin, when measured against GII, of 13.0% was down on the prior period (H1 2021: 15.4%). This mainly reflects the impact of large, lower-margin transactions with a major customer during the current period when compared to a handful of large, high-margin projects in the prior period.

<u>Customer Metrics¹</u>	H1 FY22	H1 FY21	Growth
Customer base (rolling 12-month basis)	9.7k	9.6k	0.6%
Gross profit per customer (rolling 12-month basis)	£30.2k	£26.9k	12.4%

¹Customer base and the GP per customer are calculated on a twelve-month rolling basis. This reflects the development of the business over an annual cycle which is more closely aligned to customer budget cycles than a six-month view. Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.

During the period, gross profit per customer grew by 12.4% to an annualised £30.2k (H1 2021: £26.9k) and the customer base expanded by 0.6% to 9.7k (H1 2021: 9.6k). The combination of these effects has driven the gross profit growth of 11.7% seen during the period.

The customer base is a measure of customers trading with the Company in two consecutive twelve-month periods. The growth reported in the current period is therefore impacted by the difficult conditions in the early part of the pandemic when new customer acquisition was significantly more challenging (i.e., the twelve months from 1 February 2020). New customer acquisition in the most recent 12 months (i.e., from 1 February 2021) has been stronger but will not be reflected in the customer base until next financial year.

Company analysis, using data from a number of sources (including Gartner, CRN and IDC), suggests our market share continues to expand but remains below 4%. We serve approximately 1 in 5 customers in our target market with an average share of wallet of c.20%. These numbers indicate that both facets of our simple strategy, to win new customers and sell more to existing, continue to offer huge opportunities for future growth.

Operating costs and operating profit

Operating profit of £64.1m (H1 2021: £57.1m) grew by 12.4%, reflecting the 11.7% increase in gross profit and 11.2% rise in operating costs. Investment in people continues to be the main driver of cost growth and average headcount was up 10% period-on-period, reflecting ongoing recruitment across all areas of the business, as well as the impact of pay reviews. In addition, we have begun to see the return of travel and events costs as the pandemic restrictions begins to ease, although this has happened at a slower rate than previously anticipated. We do expect this to accelerate during the second half back to pre-pandemic levels.

The conversion of gross profit to operating profit remained very strong at 42.7%.

Corporation tax charge

The interim tax charge of £12.2m reflects an effective tax rate (ETR) of 19.0% (2021: 19.2%). The ETR varies marginally from the statutory rate in the prior period due mainly to the impact of non-deductible expenses. The effective statutory rate of 19.0% (2021: 19.0%) is in line with government legislation at the reporting date.

Cash flow and cash conversion

The Company entered the year with a cash balance of £101.7m and paid an aggregate final and special dividend of £69.5m in December 2021. The Company has no external bank borrowings and ended the period with a cash balance of £74.3m.

Cash flow from operations before tax but after capital expenditure was strong during the reporting period at £54.5m, representing a cash conversion rate of 85.0% of operating profit, in line with historic performance.

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

Dividend

The Board is pleased to declare an interim dividend of 7.3p per share (2021: 6.4p), amounting in total to £14.5m. The interim dividend will be payable on 13 May 2022 to shareholders on the register at the close of business on 8 April 2022. Shares in the Company will be quoted ex-dividend on 7 April 2022. The last day for dividend reinvestment plan ("DRIP") elections is 21 April 2022.

Principal Risks and Uncertainties

Like most businesses, there is a range of risks and uncertainties facing the Company. A 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 16 to the Condensed Interim Financial Statements, and the comments made under the heading "outlook" in the Chief Executive Officer's Review.

Risk	Potential impacts	Management & mitigation
BUSINESS STRATEGY		
Customer dissatisfaction (slight increase in net risk from prior year)	<ul style="list-style-type: none"> Reputational damage Loss of competitive advantage 	<ul style="list-style-type: none"> Graduate training programme Ongoing vendor training for sales staff Annual customer survey with detailed follow-up on negative responses Process for escalating cases of dissatisfaction to MD & CEO
Failure to evolve our technology offering with changing customer needs (no change in net risk)	<ul style="list-style-type: none"> Loss of customers Reduced profit per customer 	<ul style="list-style-type: none"> Processes in place to act on customer feedback about new technologies Training and development programme for all technical staff Regular business reviews with all vendors Sales specialist teams aligned to emerging technologies to support general account managers Regular specialist and service offering reviews with senior management
OPERATIONAL		
Cyber and data security, including GDPR compliance (slight increase in net risk from prior year)	<ul style="list-style-type: none"> Inability to deliver customer services Reputational damage Financial loss 	<ul style="list-style-type: none"> Company-wide information security policy Appropriate induction and training procedures for all staff External penetration testing programme undertaken ISO 27001 accreditation In-house technical expertise All employees issued with corporate devices with standardised access monitoring and controls
Business interruption (no change in net risk)	<ul style="list-style-type: none"> Customer dissatisfaction Business interruption Reputational damage Financial loss 	<ul style="list-style-type: none"> Operation of back-up operations centre and data centre platforms Established processes to deal with incident management, change control, etc. Continued investment in operations centre management and other resources Ongoing upgrades to network Regular testing of disaster recovery plans and business continuity plans
Macroeconomic factors including the impacts of the conflict in Ukraine and the pandemic (increase in net risk)	<ul style="list-style-type: none"> Short-term supply chain disruption Reduced margins Reduced customer demand Reduced profit per customer 	<ul style="list-style-type: none"> Close dialogue with supply-chain partners Customer-centric culture Breadth of proposition and customer base Additional customer credit review processes introduced Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure

FINANCIAL		
Profit margin pressure including rebates (no change in net risk)	<ul style="list-style-type: none"> • Reduced margins 	<ul style="list-style-type: none"> • Ongoing training to sales and operations team to keep pace with new vendor programmes • Rebate programmes are industry standard and not specific to the Company • Rebates form an important but only minority element of total operating profits
PEOPLE		
Culture change (slight increase in net risk from prior year)	<ul style="list-style-type: none"> • Reduced staff engagement • Negative impact on customer service • Loss of talent 	<ul style="list-style-type: none"> • Culture embedded in the organisation over a long history • Branch structure with empowered local management • Quarterly staff satisfaction survey with feedback acted upon • Regular staff events and incentives • Enhanced internal communication processes and events
Poor leadership (no change in net risk)	<ul style="list-style-type: none"> • Lack of strategic direction • Deteriorating vendor relationships • Reduced staff engagement 	<ul style="list-style-type: none"> • Succession planning process • Experienced and broad senior management team

In our consideration of emerging risks, climate change is identified as an area requiring greater analysis. This is already a component of the risk 'Failure to evolve our technology offering with changing customer needs', particularly in respect of how customer demand might be affected by the drive towards carbon neutrality. Further analysis of climate change will take into account the potential impact on our business and its supply chain. Our analysis will support more comprehensive future reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD).

These risks and uncertainties have not changed significantly since those published in the 31 July 2021 Annual Report in October 2021. The Company continues to monitor the impact of Covid-19, as discussed within the Chief Executive Officer's Review, above. Further information on the risks can be found on pages 30 to 35 of Softcat's 2021 Annual Report and Accounts, which is available at <https://www.softcat.com/about-us/investor-centre/shareholder-information>

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 to at least 31 March 2023.

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 2023; 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.

Softcat continues to monitor the operational effects of the Covid-19 pandemic and update base case plans to reflect current circumstances for the going concern period. In modelling the assumptions for going concern assessments, the Directors remain positive about the market and the potential for Softcat to continue to grow market share. Softcat operates in a resilient industry and its customer base incorporates a large volume of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age.

Softcat continues to model its base case and severe but plausible scenarios, as well as stress testing the limits of Softcat.

Base case

The key assumptions in the base case going concern forecast model for the period to 31 March 2023 and beyond are as follows:

- Revenue and GII growth to be in line with the first two quarters of FY22, when removing the impact of large, one off deals;
- Gross margin, rebate income, debtor days, and bad debt continue to be in line with the year so far, adjusted for seasonal variations;
- Payroll costs to increase as a result of continued investment in headcount;
- Travel and staff costs to return to pre-pandemic levels in H2 and to be maintained for a full year in FY23;
- Other operating costs to broadly follow patterns experienced over the last 12 months; and
- Dividend payments relating to FY22.

Severe but plausible

Although, at present, the impacts of Covid 19 are minimal, management continue to be cautious with respect to the number of businesses which have received government support and may not be able to continue trading in the medium term following the removal of this support. Management also notes the recent developments between Russia and Ukraine and the wider economic impacts this may have on areas such as energy costs and upward pressure on inflation. Softcat has modelled the possible downside of these scenarios and analysed remedial action required to ensure that the Company can remain cash positive without external debt. Mitigating action under all current models for a short-term solution is to adjust the dividend paid out. This ensures Softcat can continue operationally and maintain cash above minimum accepted levels determined by the Board. Cost reduction initiatives would also be considered if these modelled scenarios were to crystallise.

Reverse stress testing

A reverse stress test has also been performed and mitigating actions have been analysed. These scenarios and tests do not give management or the Directors cause for concern because the probability of them occurring is deemed to be extremely remote and actions are available to the Directors to remedy.

Liquidity and financing position

As at 31 January 2022, the Company held instantly accessible cash and cash equivalents of £74.3m, while net current assets were £143.8m. The Company has been and anticipates to be debt free through the period under review. This does not raise cause for concern, nor do management anticipate needing to obtain external funding for at least 12 months post report date.

Going concern conclusion

The Directors consider that the Company has significant liquidity headroom to continue in operational existence for the going concern period to 31 March 2023. Accordingly, at the March 2022 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the interim report. The macroeconomic environment continues to be uncertain and will continue to be carefully monitored by management.

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 related 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.

Graeme Watt

Chief Executive Officer

21 March 2022

Graham Charlton

Chief Financial Officer

21 March 2022

Condensed Statement of profit or loss and other comprehensive income
For the six months ended 31 January 2022

	<i>Note</i>	Six months ended 31 January		Year ended
		2022	2021	31 July
		Unaudited	Unaudited	2021 Audited
		£'000	£'000	£'000
Revenue	3	770,933	576,988	1,156,667
Cost of sales		(620,722)	(442,524)	(880,309)
Gross profit		<u>150,211</u>	<u>134,464</u>	<u>276,358</u>
Administrative expenses		(86,078)	(77,400)	(156,942)
Operating profit		<u>64,133</u>	<u>57,064</u>	<u>119,416</u>
Finance income		6	24	28
Finance cost		66	(138)	(477)
Profit before taxation		<u>64,205</u>	<u>56,950</u>	<u>118,967</u>
Income tax expense	4	(12,181)	(10,716)	(22,782)
Profit and total comprehensive income for the period		<u>52,024</u>	<u>46,234</u>	<u>96,185</u>
Profit attributable to:				
Owners of the Company		<u>52,024</u>	<u>46,234</u>	<u>96,185</u>
Basic earnings per Ordinary Share (pence)	11	26.2	23.3	48.4
Diluted earnings per Ordinary Share (pence)	11	26.0	23.2	48.2

All results are derived from continuing operations.

Condensed Statement of Financial Position
As at 31 January 2022

	Note	31 January		31 July
		2022	2021	2021
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		11,812	12,783	11,753
Right-of-use assets	6	6,550	7,572	7,022
Intangible assets		6,696	2,696	5,202
Deferred tax asset		2,511	2,516	3,149
		<u>27,569</u>	<u>25,567</u>	<u>27,126</u>
Current assets				
Inventories		44,367	13,583	38,411
Trade and other receivables	7	405,189	284,143	329,666
Cash and cash equivalents		74,283	71,245	101,724
Income tax receivable		459	148	432
		<u>524,298</u>	<u>369,119</u>	<u>470,233</u>
Total assets		<u>551,867</u>	<u>394,686</u>	<u>497,359</u>
Current liabilities				
Trade and other payables	8	(362,919)	(230,348)	(293,528)
Contract liabilities	9	(14,907)	(11,509)	(12,759)
Lease liabilities	6	(2,684)	(2,480)	(2,598)
		<u>(380,510)</u>	<u>(244,337)</u>	<u>(308,885)</u>
Non-current liabilities				
Contract liabilities	9	(3,088)	(3,730)	(3,626)
Lease liabilities	6	(5,145)	(6,214)	(5,704)
		<u>(8,233)</u>	<u>(9,944)</u>	<u>(9,330)</u>
Net assets		<u>163,124</u>	<u>140,405</u>	<u>179,144</u>
Equity				
Issued share capital	13	100	100	100
Share premium account		4,979	4,979	4,979
Reserves for own shares		-	-	-
Retained earnings		158,045	135,326	174,065
Total equity		<u>163,124</u>	<u>140,405</u>	<u>179,144</u>

Condensed Statement of Changes in Equity (unaudited)

	Share capital	Share premium	Reserves for own shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2021	100	4,979	-	174,065	179,144
Total comprehensive income for the period	-	-	-	52,024	52,024
Share-based payment transactions	-	-	-	1,416	1,416
Dividends paid	-	-	-	(69,469)	(69,469)
Dividend equivalents paid	-	-	-	(214)	(214)
Tax adjustments	-	-	-	(84)	(84)
Other	-	-	-	307	307
Balance at 31 January 2022	100	4,979	-	158,045	163,124
Balance at 1 August 2020	100	4,979	-	135,668	140,747
Total comprehensive income for the period	-	-	-	46,234	46,234
Share-based payment transactions	-	-	-	1,113	1,113
Dividends paid	-	-	-	(48,081)	(48,081)
Dividend equivalents paid	-	-	-	(81)	(81)
Tax adjustments	-	-	-	492	492
Other	-	-	-	(19)	1,594
Balance at 31 January 2021	100	4,979	-	135,326	140,405

Condensed Statement of Cash Flows
For the six months ended 31 January 2022

	<i>Note</i>	Six months ended 31 January		Year ended 31 July
		2022	2021	2021
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Net cash generated from operating activities	12	46,168	44,076	91,252
Investing activities				
Finance income		6	24	28
Purchase of property, plant and equipment		(1,242)	(2,060)	(2,265)
Purchase of intangible assets		(1,572)	(1,569)	(4,199)
Net cash used in investing activities		(2,808)	(3,605)	(6,426)
Financing activities				
Issue of share capital		-	-	-
Dividends paid	5	(69,469)	(48,081)	(60,815)
Payment of principal portion of lease liabilities		(1,206)	(1,146)	(2,125)
Payment of interest portion of lease liabilities		(126)	(138)	(291)
Net cash used in financing activities		(70,801)	(49,365)	(63,231)
Net (decrease)/increase in cash and cash equivalents		(27,441)	(8,894)	21,585
Cash and cash equivalents at beginning of period		101,724	80,139	80,139
Cash and cash equivalents at end of period		74,283	71,245	101,724

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 2022 (“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 21 March 2022. 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 2021, which have prepared in accordance with accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Annual Report and Financial Statements for the year ended 31 July 2021 were approved by the Board of Directors on 25 October 2021 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 2021.

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 2023.

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 2023; 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.

Softcat continues to monitor the operational effects of the Covid-19 pandemic and update base case plans to reflect current circumstances for the going concern period. In modelling the assumptions for going concern assessments, the Directors remain positive about the market and the potential for Softcat to continue to grow market share. Softcat operates in a resilient industry and its customer base incorporates a large volume of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age.

Softcat continues to model its base case and severe but plausible scenarios, as well as stress testing the limits of Softcat.

Base case

The key assumptions in the base case going concern forecast model for the period to 31 March 2023 and beyond are as follows:

- Revenue and GII growth to be in line with the first two quarters of FY22, when removing the impact of large, one off deals;
- Gross margin, rebate income, debtor days, and bad debt continue to be in line with the year so far, adjusted for seasonal variations;
- Payroll costs to increase as a result of continued investment in headcount;
- Travel and staff costs to return to pre-pandemic levels in H2 and to be maintained for a full year in FY23;
- Other operating costs to broadly follow patterns experienced over the last 12 months; and
- Dividend payments relating to FY22.

Severe but plausible

Although, at present, the impacts of Covid 19 are minimal, management continue to be cautious with respect to the number of businesses which have received government support and may not be able to continue trading in the medium term following the removal of this support. Management also notes the recent developments between Russia and Ukraine and the wider economic impacts this may have on areas such as energy costs and upward pressure on inflation. Softcat has modelled the possible downside of these scenarios and analysed remedial action required to ensure that the Company can remain cash positive without external debt. Mitigating action under all current models for a short-term solution is to adjust the dividend paid out. This ensures Softcat can continue operationally and maintain cash above minimum accepted levels determined by the Board. Cost reduction initiatives would also be considered if these modelled scenarios were to crystallise.

Reverse stress testing

A reverse stress test has also been performed and mitigating actions have been analysed. These scenarios and tests do not give management or the Directors cause for concern because the probability of them occurring is deemed to be extremely remote and actions are available to the Directors to remedy.

Liquidity and financing position

As at 31 January 2022, the Company held instantly accessible cash and cash equivalents of £74.3m, while net current assets were £143.8m. The Company has been and anticipates to be debt free through the period under review. This does not raise cause for concern, nor do management anticipate needing to obtain external funding for at least 12 months post report date.

Going concern conclusion

The Directors consider that the Company has significant liquidity headroom to continue in operational existence for the going concern period to 31 March 2023. Accordingly, at the March 2022 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the interim report. The macroeconomic environment continues to be uncertain and will continue to be carefully monitored by management.

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 2021 are still relevant. There have been no new areas of significant accounting judgement or key sources of estimation uncertainty arising from operations in the first 6 months of the financial year to 31 July 2022, nor in the months to the date of publication of this interim report, other than the below.

Changes to accounting standards

There have been no new standards effective in the period to 31 January 2022, that materially affect Softcat. Outside of the recent Interpretations Committee tentative decision discussed below, there are no further changes that will materially affect Softcat based on existing standards.

IFRS 15 Interpretations Committee tentative decision

In November 2021, the IFRS Interpretation Committee (IC) responded to an industry request to clarify whether a company should recognise revenue from the resale of standard software licenses on a gross or net basis under IFRS 15.

In its initial tentative agenda decision, the IFRS IC did not provide a direct clarification on the topic, as they stated that the specifics of each case may vary and must be analysed in detail. However, the IFRS IC provided further guidance on the “control” criteria which determine whether revenue is recognised on a gross or net basis under IFRS 15. The staff paper, the discussions within the IFRS IC and the tentative agenda decision indicate support of revenue recognition on a net basis.

The IFRS IC tentative agenda decision was open for public comment with a deadline of 8 February 2022 and a final decision is not expected to be issued before second quarter of 2022. Softcat currently recognises cloud-hosted or security software revenue on a “net” basis with the remaining software revenue recorded on a “gross” basis. Softcat is waiting for final guidance from the IFRS IC before determining whether to change its accounting policy on this portion of revenue.

If Softcat were to change its accounting policy to recognise revenue from the sale of standard software on a “net” basis, where it is currently recorded “gross”, our current best estimate of the impact on Softcat’s financial statements is:

- Revenue and cost of sales would decrease by a further £177.7m on top of the current IFRS 15 software adjustment net down (an additional £165.8m in H1 2021 and £347.4m in FY21).
- Gross profit, operating profit, and profit before and after taxes will be unchanged in all periods.

	Gross invoiced income £’000	Income made net by IFRS 15 £’000	Revenue as reported IFRS 15 £’000	Estimated increase in net down £’000	Estimated revised revenue £’000
6 months to 31 January 2022	552,183	(292,462)	259,722	(177,672)	82,050
6 months to 31 January 2021	461,633	(221,539)	240,094	(165,775)	74,319
Year ended 31 July 2021	1,109,198	(608,140)	501,058	(347,444)	153,614

The estimates are preliminary and subject to further management review and will be reconsidered following release of the final decision by the IFRS IC.

Adjusted 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, set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company. 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.

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 of gross invoiced income and cash conversion.

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.

Cash conversion ratio comprises of cash flows from operations net of capital expenditure as a percentage of operating profit. A reconciliation to the adjusted measure for cash conversion is provided below.

	Six months ended 31 January		Year ended 31 July
	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Cash generated from operations			
Cash generated from operations	57,323	53,939	113,797
Purchase of property, plant and equipment	(1,242)	(2,060)	(2,265)
Purchase of intangible assets	(1,572)	(1,569)	(4,199)
Cash generated from operations, net of capital expenditure	54,509	50,310	107,233
Operating Profit	64,133	57,064	119,416
Cash conversion ratio	85.0%	88.2%	89.9%

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
	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Revenue by type			
Software	259,722	240,094	501,058
Hardware	451,510	289,170	556,472
Services	59,701	47,724	99,137
	770,933	576,988	1,156,667

Gross invoiced income by type

Software	552,183	461,633	1,109,198
Hardware	459,627	293,909	566,305
Services	146,531	115,274	262,937
	<u>1,158,341</u>	<u>870,816</u>	<u>1,938,440</u>

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000

Revenue by type of business

Small and medium	503,110	348,106	635,511
Enterprise	146,624	111,928	237,649
Public sector	121,199	116,954	283,507
	<u>770,933</u>	<u>576,988</u>	<u>1,156,667</u>

Gross invoiced income by type of business

Small and medium	643,312	446,680	839,398
Enterprise	206,495	155,481	336,013
Public sector	308,534	268,655	763,029
	<u>1,158,341</u>	<u>870,816</u>	<u>1,938,440</u>

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
	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Gross invoiced income	1,158,341	870,816	1,938,440
Income recognised as agent under IFRS 15	(387,408)	(293,828)	(781,773)
Revenue	<u>770,933</u>	<u>576,988</u>	<u>1,156,667</u>

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.

During the period, there was one direct customer (H1 2021: none) that individually accounted for greater than 10% of both the Company's total revenue and gross invoiced income, and a considerably lower proportion of Gross Profit. Gross invoiced income and revenue generated from this customer in H1 2022 was £184.4m and £167.3m, respectively (H1 2021: £78.6m and £72.5m).

4. Taxation

	Six months ended 31 January		Year ended 31 July
	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Current Tax			
Current period	12,232	10,849	22,909
Adjustment in respect of current income tax in previous years.	-	(138)	80
Deferred Tax			
Temporary differences	(51)	5	(207)
Total tax charge for the period	12,181	10,716	22,782

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 2022. On this basis, the Company's tax charge was £12.2m (H1 2021: £10.7m). The applicable statutory tax rate for the full year is 19.0% (H1 2021: 19.0%) following enacted government legislation. Following adjusting items which relate to client entertaining and non-qualifying depreciation, the effective tax rate is 19.0% (H1 2021: 18.8%).

5. Dividends

	Six months ended 31 January		Year ended 31 July
	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Declared and paid during the period			
Interim dividend	-	-	12,734
Final dividend	28,663	32,981	32,981
Special dividend	40,806	15,100	15,100
	69,469	48,081	60,815

An interim dividend of 7.3p per share, amounting to a total dividend of £14.5m, was declared post period end and is to be paid on 13 May 2022 to those on the share register on 8 April 2022.

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
	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Property leases			
Opening right-of-use asset	7,022	8,698	8,698
Additions	734	-	587
Depreciation	(1,206)	(1,126)	(2,263)

Closing right-of-use asset 6,550 7,572 7,022
 The weighted average incremental borrowing rate as used for the period is 2.7%.

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

Property leases	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Opening lease liability	8,302	9,839	9,839
Additions	734	-	588
Accretion of interest	126	138	291
Payments	(1,333)	(1,283)	(2,416)
Closing lease liability	<u>7,829</u>	<u>8,694</u>	<u>8,302</u>
Current lease liability	2,684	2,480	2,598
Non-current lease liability	5,145	6,214	5,704
	<u>7,829</u>	<u>8,694</u>	<u>8,302</u>

Softcat had no variable leases 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:

	Within five years £'000	More than five years £'000	Total £'000
As at 31 January 2022 (unaudited)			
Termination options expected to be exercised	3,802	1,854	5,656
	<u>3,802</u>	<u>1,845</u>	<u>5,656</u>
	Within five years £'000	More than five years £'000	Total £'000
As at 31 January 2021 (unaudited)			
Termination options expected to be exercised	2,833	3,051	5,884
	<u>2,833</u>	<u>3,051</u>	<u>5,884</u>

Lease charges related to low value and short-term leases recognised in the Statement of profit or loss and other comprehensive income for the period was £Nil.

7. Trade and other receivables

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade receivables	365,826	260,705	300,058
Allowance for expected credit losses	(3,514)	(2,929)	(3,415)
Net trade receivables	362,312	257,776	296,643
Unbilled receivables	18,951	6,561	10,500
Prepayments	4,540	2,534	3,584
Accrued income	8,641	8,238	8,171
Deferred costs	10,745	9,034	10,768
	405,189	284,143	329,666

8. Trade and other payables

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade payables	232,550	164,068	220,305
Other taxes and social security	22,483	18,036	12,378
Accruals	107,886	48,244	60,845
	362,919	230,348	293,528

9. Contract liabilities

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Deferred income	17,995	15,239	16,385
	17,995	15,239	16,385

Deferred income is split as:

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Current deferred income	14,907	11,509	12,759
Non-current deferred income	3,088	3,730	3,626
	17,995	15,239	16,385

Contract balances

Deferred income includes short-term and long-term 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 2022, £18.0m remains on the Statement of Financial Position as a contract liability. Softcat expects that £14.9m of the balance as at 31 January 2022 will be released in the following 12 months with the balance released within 2-5 years of the end of 31 January 2022. Of the existing balance as at 31 July 2021, £9.0m has been recognised in FY22.

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
	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000

Financial assets

The financial assets of the Company were as follows:

Cash at bank and in hand	74,283	71,245	80,139
Trade receivables, other debtors and accrued income	389,904	272,575	304,478
	464,187	343,820	384,617

Financial liabilities

The financial liabilities of the Company were as follows:

Trade payables	(232,550)	(164,068)	(198,171)
Accruals	(107,886)	(48,244)	(48,896)
Lease liabilities	(7,829)	(8,694)	(9,839)
	(348,265)	(221,006)	(252,906)

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)

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited	Unaudited	Audited
	Pence	Pence	Pence
Earnings per share			
Basic	26.2	23.3	48.4
Diluted	26.0	23.2	48.2

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

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000

Earnings

Earnings for the purposes of EPS being profit for the period 52,024 46,234 96,185
 The weighted average number of shares is given below:

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	Unaudited 000's	Unaudited 000's	Audited 000's
Number of shares used for basic earnings per share	198,873	198,423	198,559
Number of shares deemed to be issued at nil consideration following exercise of share options	844	978	884
Number of shares used for diluted earnings per share	199,717	199,401	199,443

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
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Operating profit	64,133	57,064	119,416
Depreciation of property, plant and equipment	1,182	1,174	2,332
Depreciation of right-of-use assets	1,206	1,126	2,263
Amortisation of intangibles	78	175	297
Loss on disposal of fixed assets	-	-	76
Dividend equivalents paid	(214)	(81)	(196)
Cost of equity-settled employee share schemes	1,416	1,113	2,267
Operating cash flow before movements in working capital	67,801	60,571	126,455
Increase in inventories	(5,956)	(1,839)	(26,667)
(Increase)/Decrease in trade and other receivables	(75,523)	29,979	(15,544)
Increase/(Decrease) in trade and other payables and contract liabilities	71,001	(34,772)	29,553
Cash generated from operations	57,323	53,939	113,797
Income taxes paid	(11,155)	(9,863)	(22,545)
Net cash generated from operating activities	46,168	44,076	91,252

13. Share capital

	Six months ended 31 January		Year ended 31 July
	2022	2021	2021
	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
	2022	2021	2021
	Unaudited £'000	Unaudited £'000	Audited £'000
M Hellawell	1,466	1,286	1,555
G Watt	12	-	-
G Charlton	29	12	17
R Perriss	5	4	5
V Murria	58	40	51
K Slatford	-	-	-
	1,570	1,342	1,628

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

15. Post balance sheet events

Dividend

An interim dividend of 7.3p per share, amounting to a total dividend of £14.5m was declared post period end and is to be paid on 13 May 2022 to those on the share register on 8 April 2022.

16. Seasonality of operations

Historically, revenue and profits 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 weighting in the second half of the year has traditionally resulted in higher operating profit in the second half of the financial year. Customer buying behaviour is again expected to follow these patterns in the current year.

INDEPENDENT REVIEW REPORT TO SOFTCAT PLC

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 2022 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 16. 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 2022 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 and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 note 1 and 2, the annual financial statements of the Company will be 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".

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.

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 is 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 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.

Ernst & Young LLP

London

21 March 2022

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

M Hellowell
G Watt
G Charlton
R Perriss
V Murria
K Slatford

Secretary

L Thomas

Company registration number

02174990

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Auditor

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