

24 March 2021

SOFTCAT plc

("Softcat", the "Company")

Half Year Results for the six months to 31 January 2021

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 2021 ("the period"). The results reflect another period of strong profit growth and cash generation.

Financial Summary

	Six months ended		Growth %
	31 January 2021	31 January 2020	
	£m	£m	
Revenue ¹	577.0	524.1	10.1
Gross invoiced income ²	870.8	727.7	19.7
Gross profit	134.5	111.7	20.4
Operating profit	57.1	40.5	41.0
Cash conversion ³	88%	100%	n/a
Interim dividend (p) ⁴	6.4p	5.4p	18.5
Earnings per share (p)	23.3p	16.7p	39.5
Diluted earnings per share (p)	23.2p	16.6p	39.8

Highlights for the six months to 31 January 2021

- Strong double-digit income growth:
 - Gross profit, our key measure of income, grew 20%
 - Gross invoiced income (GII) also up 20%
 - Revenue up 10%
- Operating profit increased by 41% reflecting the strong top line performance combined with Covid-related operating cost savings.
- Continued investment in our people and technical proposition throughout the pandemic has driven double-digit growth in average gross profit per customer from both new and existing customers.
- The customer base rose 1.5% to 9,600 despite the ongoing challenges of remote working.
- Headcount increased to 1,658 at the end of the period; a rise of 177 (12%) over the past 12 months.
- Cash conversion and debt collection remain strong.
- An interim dividend of 6.4p per share, up 18.5%, will be paid on 14 May 2021 with the shares trading ex-dividend on 31 March 2021.
- **Outlook:** the second half has begun well and the Board is confident the Company will deliver a full year result significantly ahead of its previous expectations.

¹ Revenue is reported under IFRS 15, the international accounting standard for revenue for both FY20 and FY21. IFRS 15 requires finely balanced judgements be made to determine whether Softcat acts as principal or agent in certain trading transactions. The judgement inherent in the application of IFRS 15, 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 (GII) reflects gross income billed to customers adjusted for deferred and accrued revenue items.

³ Cash conversion is defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit.

⁴ The interim dividend of 5.4p, declared but subsequently cancelled in March 2020, was reinstated as part of the prior year final dividend of 16.6p.

Graeme Watt, Softcat CEO, commented:

We are pleased with the strong performance in the first half of the financial year in which we continued to grow and take share in a market that has remained relatively resilient during the pandemic. We did see a reduction in income from some corporate customers during the last quarter of our previous financial year, but during the current period that effect has gradually diminished. In addition, the business has benefitted from a temporary reduction to some elements of the cost base, although we expect this to normalise as the second half develops. The Company has taken no form of government support during the pandemic nor made any headcount reductions and we expect that to continue to be the case. We have been delighted to be able to put part of our Marlow head office to good use as a Covid vaccination centre over the past few months and this will continue into the summer.

We have a great culture at Softcat that gives us a cutting edge in the good times and has served us extremely well throughout these recent turbulent times. We have been able to lean on this culture and use it as a source of great strength to deal with the personal and business challenges of the pandemic. I am however very much looking forward to working in person again with the team, our customers and our partners just as soon as we safely can.

We have continued to invest in staff, internal systems and tools to support current growth which puts us in a strong position to deliver on future opportunities. Headcount increased by 12% on the same period in the prior year as we continued to recruit across all functions.

We continue to engage actively with our customers and employees and this was reflected in the feedback to our annual satisfaction and engagement surveys. Customer net promoter score (NPS) rose from 60 to 66 and our employee NPS increased from 53 to 58. I am delighted with this feedback and for the second year in a row we were ranked 5th on Glassdoor's list of best places to work in the UK.

A huge thank you must go to the entire team. None of this performance could have been achieved without their fantastic support and care for our customers, partners and each other.

Outlook

Investment in our growth strategy has continued unabated throughout the pandemic and we now carry good momentum into the second half of our financial year. Cost savings related to Covid restrictions are expected to dissipate over the next six months but we are optimistic about the growth opportunity in our market. The Board is confident the Company will deliver a full year result significantly ahead of its previous expectations.

Analyst and Investor call

The management team will host an investor and analyst conference call at 9.30am UK time, on Wednesday, 24 March 2021. 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: 2149568

A live webcast of the presentation will be available at: <https://edge.media-server.com/mmc/p/byf35odi>
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 respectfully.

Enquiries

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Forward-looking statements

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

Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the 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.

This announcement has been determined to contain inside information.

Chief Executive Officer's Review

We are delighted with the strong performance we are reporting for the first half in which we delivered gross invoiced income (GII) and gross profit growth of 20%, with operating profit up 41%. Revenue, which is gross income netted down to just the margin element for cloud-based software and some other income streams, was up 10%.

We have benefitted enormously from the way the Softcat team have reacted to the challenges of the pandemic. The breadth and depth of our technology solutions and the diversity of our customer base have also served us well. These factors have been key contributors to our performance in the first half of the year. Our public sector business remained strong and corporate demand has continued to gradually recover. In particular we have seen a strong recovery in our datacentre category and mid-market segment as businesses begin to look to the future. We delivered double digit growth in hardware (+31% GII), software (+13% GII) and services (+23% GII) in the period.

We grew GII in our mid-market and public sector segments by 32% and 23%, respectively, but gross income from enterprise customers declined by 9%. Mid-market growth benefitted from some of our largest ever deals while enterprise demand has remained mixed with the more challenged verticals such as non-essential retail, travel, entertainment and events unsurprisingly taking longer to get back to pre-pandemic spend levels.

Technology has continued to be a focus for investment for many organisations as they have looked to accelerate the security of their operations, manage distributed workforces and migrate to the Cloud as part of a hybrid infrastructure. These technologies were already in focus but the pandemic has accelerated the pace of transformation. Customers have worked hard to adapt their infrastructure models towards remote working. They seek to deliver enhanced employee and customer experiences and drive productivity and efficiency improvements whilst protecting their data. These drivers and trends play straight into our portfolio of infrastructure solutions.

As we look forward we are focused on driving further growth through the addition of new customers and selling deeper into our existing accounts. Despite our market-beating growth, our share is still relatively small at c.3.5% and industry commentators predict more market growth in the years ahead.

We are also pleased to be able to share the progress we have made in other areas too. By opening an office in Birmingham during the last financial year we filled what was an obvious gap in our UK coverage and we are delighted that the team there are off to a very strong start. We have prepared well for the UK's exit from the EU and see it as an opportunity to provide service levels ahead of the competition. Our branch in the Netherlands has provided a platform for growth in our multi-national business by affording local assistance in the EU to our UK and Irish customers. We have also made strong progress with our multi-national business generally and particularly in the US.

We continue to invest in our tools and technical offering as well. Our Cloud proposition is being enhanced through significant initiatives with both Microsoft Azure and AWS, whilst the upgrade to our financial systems is progressing well.

We have taken deliberate steps to continue with investment to drive long-term growth and increased headcount by 12% year on year across all areas of the business including sales, specialists, support, technical and business operations. The recruitment team take great credit for adapting brilliantly to the challenges of the pandemic and they have kept our business moving forward, both in terms of delivering our strategy but also driving our efforts to increase diversity.

Our focused network groups representing Women in Business, BAME, Pride, ex-Armed Forces, Family and Faith have been as active as ever in building awareness and understanding of different challenges and perspectives. We have clear plans and goals in place to improve gender and ethnicity balance within the organisation through the actions set out in our gender and ethnicity pay gap report. Over time our aim is that our gender and ethnicity representation is the same at Management level as our company demographics. I am also pleased we have established clear sustainability goals and actions

that demonstrate leadership in this area and we are working hard with our customer and vendor partners to find ways to achieve more.

During the early stages of the pandemic, when our performance was noticeably impacted and visibility was at its lowest, we took the precautionary steps of cancelling our interim dividend as well as the annual pay review for the majority of staff. As time progressed, the Company's cashflow proved to be robust and the interim dividend was reinstated alongside the ordinary and special dividend and paid in December. Income growth accelerated following the start to the new financial year and so we also took the decision in January 2021 to reinstate and back-date the annual staff pay review for this financial year.

The pandemic has placed a lot of pressure and strain on our team and society more generally across a number of issues ranging from loneliness, physical and mental health, to caring for those of all ages in care homes, home schooling and isolation from friends and family. I would like to take a moment to thank key workers who continue to work tirelessly to support businesses and communities. I would also like to thank the Softcat team for continuing to be so positive and taking ownership for the personal and business challenges that have been presented. They have been amazing not just inside the Company but outside too. Together we have contributed to the donation of devices for children's home schooling, volunteered to help those in need and it has been a great pleasure to see part of our Marlow office turned into a Covid-19 vaccination centre.

Board Committee Composition

Following a review of the composition of the Board's committees, the Board has agreed that Karen Slatford will assume the Chair of the Nomination Committee, from Vin Murria, with effect from 24 March 2021. Following this change, the Nomination Committee comprises Karen Slatford (Chair), Vin Murria, Martin Hellowell and Robyn Perriss.

Chief Financial Officer's Review

<u>Financial Summary</u>	H1 FY21	H1 FY20	Growth
<u>Revenue split</u>			
Software	£240.1m	£252.9m	(5.1%)
Hardware	£289.2m	£218.8m	32.2%
Services	£47.7m	£52.4m	(9.0%)
Total Revenue	£577.0m	£524.1m	10.1%
<u>Gross invoiced income split</u>			
Software	£461.6m	£409.7m	12.7%
Hardware	£293.9m	£224.2m	31.1%
Services	£115.3m	£93.8m	22.9%
Total gross invoiced income	£870.8m	£727.7m	19.7%
Gross profit	£134.5m	£111.7m	20.4%
Operating profit	£57.1m	£40.5m	41.0%
OP:GP margin	42.4%	36.2%	6.2% pts
Cash conversion	88%	100%	n/a

Gross profit, revenue and gross invoiced income

Gross profit continues to be our primary income KPI and grew in the period by 20.4% to £134.5m, reflecting the recovery in spending seen across the customer base as the Covid-19 pandemic moved beyond its initial phase and segments of the UK economy reopened. The first half saw a number of customers catching up on projects placed on hold during the early stages of Covid-19, notably the last quarter of our previous financial year, and growth in the second quarter of this financial year in particular was augmented by a handful of very large deals. While difficult to isolate and quantify, some elements of some of these larger deals, contributing approximately 6-8% gross profit growth in the period, were one-off in nature, and as such will result in tough H1 comparative figures next financial year. As a result, customer concentration was slightly higher than in previous periods with the top 5 customers accounting for 16% of GII (typically c.8-10% in H1). Overall GII growth was 19.7%, driven by double-digit increases across all technology areas.

Revenue growth lagged GII expansion due mainly to the continued shift towards cloud-based software. Cloud-based solutions and third party services are recognised net of product costs under IFRS 15 and this shift in mix accounts for the difference in growth rates between GII and GAAP revenue. We expect this trend to continue in future periods. The company continues to report on GII as well as GAAP revenue since the former is considered by the directors to be the most appropriate indicator of the performance of the business and year on year trends and relates most closely to working capital movements. 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 15.4% was broadly in line with the prior period (H1 2020: 15.3%). This reflects a largely stable mix of gross income across technology areas and customer segments.

Customer Metrics¹	H1 FY21	H1 FY20	Growth
Customer base (rolling 12 month basis)	9.6k	9.5k	1.5%
Gross profit per customer (rolling 12 month basis)	£26.9k	£24.1k	11.5%

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, the customer base expanded by 1.5% to 9.6k (H1 2020: 9.5k), and gross profit per customer grew by 11.5% to an annualised £26.9k (H1 2020: £24.1k). The combination of these effects has driven the gross profit growth of 20.4% seen during the period. Our strategy remains focused on growing both of these metrics over the long term.

Company analysis, using data from a number of sources (including Gartner, CRN and IDC), suggests our market share by value grew from c.3% to c.3.5% during the past twelve months. Our analysis also shows that we currently serve only around 1 in 5 target customers, with an average share of wallet in existing accounts of 15-20%. Therefore, the future opportunity is enormous despite our long track record of entirely organic growth.

Operating costs and operating profit

Operating profit of £57.1m (H1 2020: £40.5m) grew by 41.0%, reflecting the expansion of gross profit coupled with Covid-19 related cost savings. Headcount growth of 12% year on year, which is in line with our historic run rate of investment, would typically drive operating cost growth of c.15-18%. Actual cost growth for the period was just 8.7%, due to reduced expenditure on travel and staff events (incentive trips etc.) as a result of Covid-19 restrictions. Consequently, the conversion of gross profit to operating profit increased from 36.2% in the prior period to 42.4%. It is expected that this rate of conversion will normalise as the pandemic is increasingly brought under control by vaccination and especially during the 2022 financial year.

Headcount growth reflects investment across all areas of the business. We have continued to expand our sales teams despite the challenges of recruitment and onboarding in recent times. Average tenure of the sales force during the period was up by 20% on the comparative period driven by recruitment activity and reduced attrition.

Corporation tax charge

The interim tax charge of £10.7m reflects an effective tax rate (ETR) of 19.2% (2020: 18.5%). The ETR varied from the statutory rate in both periods due to the impact of non-deductible expenses. The effective statutory rate of 19.0% (2020: 18.3%) 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 £80.1m and paid an aggregate final and special dividend of £48.1m in December 2020. The Company has no external bank borrowings and closed the period with a cash balance of £71.2m.

Operating cash flow after capital expenditure was strong during the reporting period at £50.3m, representing a conversion rate of 88.2% 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 6.4p per share (2020: 5.4p), amounting in total to £12.7m. The interim dividend will be payable on 14 May 2021 to shareholders on the register at the close of business on 1 April 2021. Shares in the Company will be quoted ex-dividend on 31 March 2021. The dividend reinvestment plan (“DRIP”) election date is 23 April 2021.

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 15 to the Condensed Interim Financial Statements, and the comments made under the heading “outlook” in the Chief Executive’s Review.

Risk	Potential impacts	Management & mitigation
BUSINESS STRATEGY		
Customer dissatisfaction	<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	<ul style="list-style-type: none"> • Loss of customers • Reduced profit per customer <p>Covid-19 consideration(s):</p> <ul style="list-style-type: none"> • Potential increase in the rate of change in customer needs 	<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	<ul style="list-style-type: none"> • Inability to deliver customer services • Reputational damage • Financial loss <p>Covid-19 consideration(s):</p> <ul style="list-style-type: none"> • Increase in risk due to number of employees working remotely 	<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 • Action plan to issue all employees with corporate devices and address network access risks as a result of increased home working
Business interruption	<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

		<ul style="list-style-type: none"> • Ongoing upgrades to network • Regular testing of disaster recovery and business continuity plans
Macro-economic factors including Brexit	<ul style="list-style-type: none"> • Short-term supply chain disruption • Reduced margins • Reduced customer demand • Reduced profit per customer <p>Covid-19 consideration(s):</p> <ul style="list-style-type: none"> • Increase in risk due to the uncertainty and economic disruption 	<ul style="list-style-type: none"> • Close dialogue with supply-chain partners on all Brexit scenarios • Customer-centric culture • Breadth of proposition and customer base • Additional customer credit review processes introduced in response to Covid-19 • No change in cash receipts and conversion to date • Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure
FINANCIAL		
Profit margin pressure including rebates	<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	<ul style="list-style-type: none"> • Reduced staff engagement • Negative impact on customer service • Loss of talent <p>Covid-19 consideration(s):</p> <ul style="list-style-type: none"> • Slight increase in risk due to remote working practices 	<ul style="list-style-type: none"> • Culture embedded in the organisation over a long history • Branch structure with empowered local management • Quarterly staff survey with feedback acted upon • Regular staff events and incentives • Enhanced internal communication processes and events during the pandemic
Poor leadership	<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

These risks and uncertainties have not changed significantly since those published in the 31 July 2020 Annual Report in October 2020. The Company continues to monitor the impact of Covid-19, as discussed within the Chief Executive's review, above. Further information on the risks can be found on pages 32 to 37 of Softcat's 2020 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 2022.

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 2022; 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 of market recovery as vaccinations continue in the UK. Softcat operates in a resilient industry. Softcat's 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. Public Sector, a large and fast-growing area of the business, has shown no significant negative sensitivity to Covid-19 so far.

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 2022 and beyond are as follows:

- Revenue and GII growth to be in line with the first two quarters of FY21 adjusting for large deals augmenting the FY21 interim results and a return to normal growth levels in FY22;
- 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 increase throughout Q3 and Q4 FY21 as government restrictions ease and returning to normal budgeted values in FY22; and
- Other operating costs to broadly follow patterns experienced over the last 12 months.

Severe but plausible

Softcat recognises that the government has supported a lot of businesses during the pandemic, and the gradual removal of this support may result in a general economic downturn, an increase in bad debt and debtor days. Softcat has modelled the downside of this expectation and analysed remedial action required under this scenario 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 is able to continue operationally and maintains 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.

Liquidity and financing position

At 31 January 2021, the Company held instantly accessible cash and cash equivalents of £71.2m, while net current assets were £124.8m. The Company has access to a Revolving Credit Facility (RCF) of £50m up to April 2021. No drawdown has been made on this facility and Management have decided not to renew the facility. 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 2022. Accordingly, at the March 2021 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 long-term impact of Covid-19 is uncertain, and the impact will continue to be monitored.

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 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
23 March 2021

Graham Charlton
Chief Financial Officer
23 March 2021

Condensed Statement of profit or loss and other comprehensive income
For the six months ended 31 January 2021

	<i>Note</i>	Six months ended 31 January		Year ended 31 July 2020
		2021	2020	Audited
		Unaudited	Unaudited	
		£'000	£'000	£'000
Revenue	3	576,988	524,148	1,077,127
Cost of sales		(442,524)	(412,476)	(841,422)
Gross profit		<u>134,464</u>	<u>111,672</u>	<u>235,705</u>
Administrative expenses		(77,400)	(71,194)	(141,972)
Operating profit		<u>57,064</u>	<u>40,478</u>	<u>93,733</u>
Finance income		24	154	200
Finance cost	6	(138)	(109)	(316)
Profit before taxation		<u>56,950</u>	<u>40,523</u>	<u>93,617</u>
Income tax expense	4	(10,716)	(7,487)	(17,953)
Profit and total comprehensive income for the period		<u>46,234</u>	<u>33,036</u>	<u>75,664</u>
Profit attributable to:				
Owners of the Company		<u>46,234</u>	<u>33,036</u>	<u>75,664</u>
Basic earnings per Ordinary Share (pence)	11	23.3	16.7	38.2
Diluted earnings per Ordinary Share (pence)	11	23.2	16.6	38.0

All results are derived from continuing operations.

Condensed Statement of Financial Position⁵
As at 31 January 2021

		31 January		31 July
		2021	2020	2020
		Unaudited	Unaudited	Audited
	<i>Note</i>	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		12,783	6,585	11,897
Right-of-use assets	6	7,572	6,145	8,698
Intangible assets		2,696	701	1,301
Deferred tax asset		2,516	2,759	2,408
		<u>25,567</u>	<u>16,190</u>	<u>24,304</u>
Current assets				
Inventories		13,583	16,381	11,744
Trade and other receivables	7	284,143	284,166	314,123
Cash and cash equivalents		71,245	49,433	80,139
Income tax receivable		148	2,186	636
		<u>369,119</u>	<u>352,166</u>	<u>406,642</u>
Total assets		<u>394,686</u>	<u>368,356</u>	<u>430,946</u>
Current liabilities				
Trade and other payables	8	(230,348)	(252,142)	(263,866)
Contract liabilities	9	(11,509)	(10,405)	(13,929)
Lease liabilities	6	(2,480)	(2,338)	(1,867)
		<u>(244,337)</u>	<u>(264,885)</u>	<u>(279,662)</u>
Non-current liabilities				
Contract liabilities	9	(3,730)	-	(2,565)
Lease liabilities	6	(6,214)	(5,254)	(7,972)
		<u>(9,944)</u>	<u>(5,254)</u>	<u>(10,537)</u>
Net assets		<u>140,405</u>	<u>98,217</u>	<u>140,747</u>
Equity				
Issued share capital	13	100	99	100
Share premium account		4,979	4,979	4,979
Reserves for own shares		-	-	-
Retained earnings		135,326	93,139	135,668
Total equity		<u>140,405</u>	<u>98,217</u>	<u>140,747</u>

⁵ The 31 January 2020 'Deferred income' balance of £10.4m has been reclassified to 'Contract liabilities' from 'Trade and other payables'. Refer to note 9 for further detail.

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 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)	(19)
Balance at 31 January 2021	100	4,979	-	135,326	140,405
Balance at 1 August 2019	99	4,979	-	110,135	115,213
Total comprehensive income for the period	-	-	-	33,036	33,036
Share-based payment transactions	-	-	-	971	971
Dividends paid	-	-	-	(52,338)	(52,338)
Dividend equivalents paid	-	-	-	(259)	(259)
Tax adjustments	-	-	-	1,594	1,594
Balance at 31 January 2020	99	4,979	-	93,139	98,217

Condensed Statement of Cash Flows
For the six months ended 31 January 2021

		Six months ended 31 January		Year ended 31 July 2020
		2021	2020	2020
		Unaudited	Unaudited	Audited
	<i>Note</i>	£'000	£'000	£'000
Net cash generated from operating activities	12	44,076	24,962	64,170
Investing activities				
Finance income		24	154	200
Purchase of property, plant and equipment		(2,060)	(1,484)	(7,664)
Purchase of intangible assets		(1,569)	(530)	(1,293)
Net cash used in investing activities		(3,605)	(1,860)	(8,757)
Financing activities				
Issue of share capital		-	-	(1)
Dividends paid	5	(48,081)	(52,338)	(52,338)
Payment of principal portion of lease liabilities		(1,146)	(485)	(1,882)
Payment of interest portion of lease liabilities		(138)	(109)	(316)
Net cash used in financing activities		(49,365)	(52,932)	(54,537)
Net (decrease)/increase in cash and cash equivalents		(8,894)	(29,830)	876
Cash and cash equivalents at beginning of period		80,139	79,263	79,263
Cash and cash equivalents at end of period		71,245	49,433	80,139

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 2021 (“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 23 March 2021. 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 2020, 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 2020 were approved by the Board of Directors on 19 October 2020 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 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.

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 2020.

Presentation

Consistent with the reclassification published in the 31 July 2020 Annual Report and Financial Statements, “Deferred income and contract liabilities” of £10.4m, included within “Trade and other payables” at 31 January 2020, have now been separately disclosed on the face of the statement of financial position as “Contract Liabilities” as required by IFRS 15 “Revenue from Contracts with Customers”.

This reclassification had no impact on the Company’s net assets, income statement or net cash flow from operating activities reported in 2020.

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 2022.

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 2022; 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 of market recovery as vaccinations continue in the UK. Softcat operates in a resilient industry. Softcat's 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. Public Sector, a large and fast-growing area of the business, has shown no significant negative sensitivity to Covid-19 so far.

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 2022 and beyond are as follows:

- Revenue and GII growth to be in line with the first two quarters of FY21 adjusting for large deals augmenting the FY21 interim results and a return to normal growth levels in FY22;
- 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 increase throughout Q3 and Q4 FY21 as government restrictions ease and returning to normal budgeted values in FY22; and
- Other operating costs to broadly follow patterns experienced over the last 12 months.

Severe but plausible

Softcat recognises that the government has supported a lot of businesses during the pandemic, and the gradual removal of this support may result in a general economic downturn, an increase in bad debt and debtor days. Softcat has modelled the downside of this expectation and analysed remedial action required under this scenario 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 is able to continue operationally and maintains 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.

Liquidity and financing position

At 31 January 2021, the Company held instantly accessible cash and cash equivalents of £71.2m, while net current assets were £124.8m. The Company has access to a Revolving Credit Facility (RCF) of £50m up to April 2021. No drawdown has been made on this facility and Management have decided not to renew the facility. 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 2022. Accordingly, at the March 2021 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 long-term impact of Covid-19 is uncertain, and the impact will continue to be monitored.

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 2020 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 2021, nor in the months to the date of publication of this interim report.

Changes to accounting standards

There have been no new standards effective in the period to 31 January 2021, that materially affect Softcat. There has also been no change that will materially affect Softcat based on existing standards.

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
	2021	2020	31 July 2020
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue by type			
Software	240,094	252,927	519,520
Hardware	289,170	218,856	442,349
Services	47,724	52,365	115,258
	<u>576,988</u>	<u>524,148</u>	<u>1,077,127</u>
Gross invoiced income by type			
Software	461,633	409,675	964,280
Hardware	293,909	224,222	458,297
Services	115,274	93,825	223,614
	<u>870,816</u>	<u>727,722</u>	<u>1,646,191</u>
	Six months ended 31 January		Year ended
	2021	2020	31 July 2020
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue by type of business			
Small and medium	348,106	272,037	530,573
Enterprise	111,928	140,848	257,478
Public sector	116,954	111,263	289,076
	<u>576,988</u>	<u>524,148</u>	<u>1,077,127</u>

Gross invoiced income by type of business

Small and medium	446,680	337,472	669,607
Enterprise	155,481	171,420	338,312
Public sector	268,655	218,830	638,272
	<u>870,816</u>	<u>727,722</u>	<u>1,646,191</u>

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. Softcat reports gross invoiced income as an alternative financial KPI as this measure allows a better understanding of business performance, position and correlation to cash flows. 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
	2021	2020	2020
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Gross invoiced income	870,816	727,722	1,646,191
Income recognised as agent under IFRS 15	(293,828)	(203,574)	(569,064)
Revenue	<u>576,988</u>	<u>524,148</u>	<u>1,077,127</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.

4. Taxation

	Six months ended 31 January		Year ended 31 July
	2021	2020	2020
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Current Tax			
Current period	10,849	6,785	18,154
Adjustment in respect of current income tax in previous years.	(138)	-	(36)
Foreign tax relief/other relief	-	-	(58)
Foreign tax suffered	-	-	64
Deferred Tax			
Temporary differences	5	702	(171)
Total tax charge for the period	<u>10,716</u>	<u>7,487</u>	<u>17,953</u>

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 2021. On this basis, the Company's tax charge was £10.7m (H1 2020: £7.5m). The applicable statutory tax rate for the full year is 19.0% (H1 2020: 18.3%) following enacted government legislation. Following adjusting items which relate to client entertaining and non-qualifying depreciation, the effective tax rate is 19.2% (H1 2020: 18.5%).

5. Dividends

	Six months ended 31 January		Year ended 31 July
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Declared and paid during the period			
Interim dividend	-	-	-
Final dividend	32,981	20,618	20,618
Special dividend	15,100	31,720	31,720
	48,081	52,338	52,338

An interim dividend of 6.4p per share, amounting to a total dividend of £12.7m, was declared post period end and is to be paid on 14 May 2021 to those on the share register on 1 April 2021.

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
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Property leases			
Opening right-of-use asset	8,698	7,024	7,024
Additions	-	-	3,644
Depreciation	(1,126)	(879)	(1,970)
Closing right-of-use asset	7,572	6,145	8,698

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:

	Six months ended 31 January		Year ended 31 July
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Property leases			
Opening lease liability	9,839	8,077	8,077
Additions	-	-	3,644
Accretion of interest	138	109	316
Payments	(1,283)	(594)	(2,198)
Closing lease liability	8,694	7,592	9,839
Current lease liability	2,480	2,338	1,867
Non-current lease liability	6,214	5,254	7,972
	8,694	7,592	9,839

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 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>
	Within five years £'000	More than five years £'000	Total £'000
As at 31 January 2020 (unaudited)			
Termination options expected to be exercised	1,587	4,277	5,864
	<u>1,587</u>	<u>4,277</u>	<u>5,864</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 2020
	2021	2020	
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade receivables	260,705	259,142	296,286
Allowance for expected credit losses	(2,929)	(2,171)	(2,863)
Net trade receivables	257,776	256,971	293,423
Unbilled receivables	6,561	6,236	5,104
Prepayments	2,534	4,401	2,700
Accrued income	8,238	9,451	5,951
Deferred costs	9,034	7,107	6,945
	<u>284,143</u>	<u>284,166</u>	<u>314,123</u>

8. Trade and other payables

	Six months ended 31 January		Year ended 31 July 2020
	2021	2020	
	Unaudited £'000	Unaudited £'000	Audited £'000
Trade payables	164,068	188,322	198,171
Other taxes and social security	18,036	16,167	16,799
Accruals	48,244	47,653	48,896
	<u>230,348</u>	<u>252,142</u>	<u>263,866</u>

9. **Contract liabilities**

	Six months ended 31 January		Year ended 31 July 2020
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Deferred income	15,239	10,405	16,494
	<u>15,239</u>	<u>10,405</u>	<u>16,494</u>

Deferred income is split as:

	Six months ended 31 January		Year ended 31 July 2020
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Current deferred income	11,509	10,405	13,929
Non-current deferred income	3,730	-	2,565
	<u>15,239</u>	<u>10,405</u>	<u>16,494</u>

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. During the current year, £8.715m has been recognised in revenue resulting from these contract liabilities existing as at 31 July 2020. As at 31 January 2021, £15.239m remains on the Statement of Financial Position as a contract liability. Softcat expects that £11.509m of the balance as at 31 July 2020 will be released in FY21 with the balance released within 2-5 years of the end of FY21.

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 2020
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000

Financial assets

The financial assets of the Company were as follows:

Cash at bank and in hand	71,245	49,433	80,139
Trade receivables, other debtors and accrued income	272,575	272,658	304,478
	<u>343,820</u>	<u>322,091</u>	<u>384,617</u>

Financial liabilities

The financial liabilities of the Company were as follows:

Trade payables	(164,068)	(188,322)	(198,171)
Accruals	(48,244)	(47,653)	(48,896)
Lease liabilities	(8,694)	(7,592)	(9,839)
	<u>(221,006)</u>	<u>(243,567)</u>	<u>(252,906)</u>

The Directors consider that the carrying amount 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 2020
	2021	2020	
	Unaudited Pence	Unaudited Pence	Audited Pence
Earnings per share			
Basic	23.3	16.7	38.2
Diluted	23.2	16.6	38.0

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 2020
	2021	2020	
	Unaudited £'000	Unaudited £'000	Audited £'000
Earnings			
Earnings for the purposes of EPS being profit for the period	46,234	33,036	75,664

The weighted average number of shares is given below:

	Six months ended 31 January		Year ended 31 July 2020
	2021	2020	
	Unaudited 000's	Unaudited 000's	Audited 000's
Number of shares used for basic earnings per share	198,423	197,957	198,127
Number of shares deemed to be issued at nil consideration following exercise of share options	978	1,091	1,007
Number of shares used for diluted earnings per share	199,401	199,048	199,134

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 2020
	2021	2020	
	Unaudited £'000	Unaudited £'000	Audited £'000
Operating profit	57,064	40,478	93,733
Depreciation of property, plant and equipment	1,174	582	1,382
Depreciation of right-of-use assets	1,126	957	1,970
Amortisation of intangibles	175	69	232
Loss on disposal of fixed assets	-	-	146
Dividend equivalents paid	(81)	(259)	(259)
Cost of equity-settled employee share schemes	1,113	971	1,958
Operating cash flow before movements in working capital	60,571	42,798	99,162
Increase in inventories	(1,839)	(5,296)	(660)
Decrease/(Increase) in trade and other receivables	29,979	1,141	(28,816)
Increase in trade and other payables	(34,772)	3,789	21,601
Cash generated from operations	53,939	42,432	91,287
Income taxes paid	(9,863)	(17,470)	(27,117)
Net cash generated from operating activities	44,076	24,962	64,170

13. **Share capital**

	Six months ended 31 January		Year ended 31 July 2020
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
Ordinary shares of 0.05p each	100	99	100
Deferred shares of 1p each	-	-	-
	<u>100</u>	<u>99</u>	<u>100</u>

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 2020
	2021	2020	2020
	Unaudited £'000	Unaudited £'000	Audited £'000
M Hellawell	1,286	1,691	1,382
G Watt	-	-	-
G Charlton	12	16	16
R Perriss	4	-	-
V Murria	40	78	78
P Ventress ⁶	-	8	8
K Slatford	-	-	-
	<u>1,342</u>	<u>1,793</u>	<u>1,484</u>

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

15. **Post balance sheet events**

Dividend

An interim dividend of 6.4p per share, amounting to a total dividend of £12.7m was declared post period end and is to be paid on 14 May 2021 to those on the share register on 1 April 2021.

New leases

After the reporting date of these interim results, Softcat committed to a new lease on an existing property. This new lease will create a right-of-use asset and matching liability to the value of £219k.

16. **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 of the financial year. Customer buying behaviour is again expected to follow these patterns with the exception of the handful of large deals in these H1 results.

⁶ Peter Ventress resigned from the Board on 31 December 2019.

Introduction

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 2021, which comprises the Condensed Statement of Financial Position as at 31 January 2021 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 Guidance 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 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 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.

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 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

23 March 2021

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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