SOFTCAT plc
("Softcat", the "Company")

Preliminary results for the year ended 31 July 2023

Another year of strong organic growth, profitability and cash generation

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today announces its full year results to 31 July 2023. The results demonstrate continued strong growth enabling both sustained investment to support our future ambitions and the proposal of a progressive ordinary dividend and a special dividend.

Financial Summary	**Year ended**		
	31 July 2023	**31 July 2022**	**Change**
	£m	**£m**	
Revenue[a]	**985.3**	**1,077.9**	**(8.6%)**
Gross invoiced income[b]	**2,563.3**	**2,507.5**	**2.2%**
Gross profit	**373.8**	**327.2**	**14.2%**
Operating profit	**140.9**	**136.1**	**3.5%**
Cash conversion %[c]	**93.2%**	**76.2%**	
Total ordinary dividend (p)	**25.0p**	**23.9p**	
Final dividend (p)	**17.0p**	**16.6p**	
Special dividend (p)	**12.6p**	**12.6p**	
Basic earnings per share (p)	**56.2p**	**55.5p**	**1.3%**

Highlights for the year ended 31 July 2023

- Strong performance across both halves of the year, extending our record of unbroken organic year-on-year growth in gross invoiced income, gross profit and operating profit.
- Double-digit gross profit per customer growth, while also attracting new customers, driving further growth in the customer base.
- Continued investment across all areas of the business, including headcount growth of 20.5%.
- A final dividend of 17.0p, resulting in a full year total ordinary dividend of 25.0p, up 4.6%, and the special dividend maintained at 12.6p.
- Strong balance sheet position with cash conversion of 93.2% (FY2022: 76.2%) with cash and cash equivalents of £122.6m (FY2022: £97.3m).
- Outlook: Double digit gross profit growth anticipated to continue. Expectations[d] for operating profit for FY2024 unchanged, with growth second half weighted.

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

[b] 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 Report on page 7.

[c] Cash conversion is defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to the CFO Report on page 7.

[d] Market expectations refers to the mean Analyst consensus operating profit estimate as at the 23rd October 2023, available at https://www.softcat.com/about-us/investor-centre.

Graham Charlton, Softcat CEO, commented,

"I am pleased to report on our FY2023 results which represent another record year for Softcat. Our unique culture and relentless dedication to delivering the best customer service in the industry continue to serve us well.

We once again made progress on both selling deeper into existing customers, with double-digit gross profit per customer growth, while also attracting new customers, delivering 1.9% growth in the customer base.

We continued our investments for future growth, growing headcount by 20.5% to 2,315, by investing across all departments. We are evolving our customer offering in response to the changing technology landscape, keeping pace with emerging customer needs. The rate of change in our industry, with respect to the technology we are selling, the channels through which it is sold and the way it is consumed, is significant. However, the customers' need for advice and support in navigating this increasing complexity and the need to deploy the right technology for their circumstances to remain competitive, is constant. This gives organisations like Softcat an exciting opportunity to take a bigger share of an ever-growing market.

The Company remains in a very strong financial position, and we have great confidence in our long-term growth and cash generation. In recognition of this, we are again recommending the payment of a special dividend.

A huge thank you to all the fantastic people at Softcat for their incredible dedication to each other and our customers, their efforts and attitude continue to be the bedrock of our success. I'd also like to thank our partners for their support and look forward to another exciting year ahead."

Outlook

The Company is well positioned to continue to deliver double-digit gross profit growth through the year, driving further market share gains. We expect full year FY2024 operating profit to be in line with market expectations.

We expect the operating profit growth to be second half weighted, with modest growth in the first half of the year principally reflecting the strong gross profit performance in the comparative period in the first half.

We see significant and expanding opportunity in our market and will continue to invest to capitalise on this exciting growth potential.

Analyst and investor call

The management team will host an investor and analyst briefing at 9.30am UK time, on Tuesday 24 October 2023. To join the briefing, please use the following access details:

Webcast Link:
https://www.investis-live.com/softcat/651bcb2537a2c50c0033265b/vavaa

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

For further information, please contact:

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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

Sales Strategy and Execution

Our sales strategy remains unchanged: we continue to look to acquire new customers and gain an ever greater share of wallet with existing customers.

Gross profit growth, our primary measure of income, grew by 14.2% despite very strong comparative figures, and our annual customer engagement survey, completed by a larger set of customers than ever before, delivered very positive results with an NPS of 62 (FY2022: 55) showing improvements across every category.

Our customer base grew by 1.9%, passing through 10,000. We continue to benefit from their insight and feedback on where they are taking their technology in the years to come and the problems they are trying to solve. Gross profit per customer also grew strongly, up 12.2% in the year, as we retained our focus on delivering high quality service and solutions for both existing and new customers.

The opportunity we have across all segments of our customer base for further wallet share gains in the years to come, capitalising on the full breadth and depth of our technology proposition across software, hardware and services, and within datacentre, security networking and workplace technologies, is as exciting as ever.

We estimate that our share of the addressable UK market is around 5%. While conditions were challenging during the second half of the year, with customers noticeably slowing their rate of investment and some larger, more complex deals being delayed or subject to more stringent procurement processes, we remain as positive as ever about the medium- and long-term prospects for our industry. We have the largest commercial team in the UK market and will continue to invest with intent across all functions as we build capacity and new capabilities to maintain our relevance in a market evolving at pace.

We will also maintain our position as a key partner to both established and emerging technology vendors, evolving our skills around the ever-changing portfolios of services and products coming to market.

People and Culture

Our culture remains as strong as ever as evidenced by the results of our annual employee satisfaction survey which showed an employee NPS of 63 (as surveyed in October 2022 (FY2022: 52)). Despite our growth in headcount, we continue to not only preserve our strong culture but also evolve it as society adjusts to the world of hybrid working. Having a highly motivated and engaged workforce was the founding principle of Softcat 30 years ago and remains our number one priority, allowing us to attract and retain talented people with an outstanding attitude. Our employees reported that they were particularly happy with our stance on remote working and inclusivity.

Hybrid working at Softcat has settled into a healthy and natural rhythm – staff have the freedom to choose a formula that works for them and we have worked hard to foster an understanding that circumstances are different for everyone and that there isn't an easily prescribed formula that can be mandated across the business. At the same time, it is clear that as an organisation we benefit from as much time as possible spent together and it has been highly encouraging to see our people's response to that. Our offices are vibrant during the middle of the week when teams interact and our partners visit, but also purposefully populated by those who need the space at either end of the working week.

Our annual Kick Off event was hosted face to face in September 2023 for the second time since the pandemic, proving to be a bigger success than ever based on employee feedback and very motivating for the 2,100 employees who attended. Our partner forum and charity ball were also hosted in person and it's terrific to see how both Softcat people and our partners enjoy coming together as a single team.

The labour market eased during the year and we were able to increase headcount by 20.5%. This represents rapid expansion of our sales team (up 24.1%) as well as strong growth in supporting specialist and technical teams (up 13.5%). Expansion of the business operations teams was slower (up

11.3%) following very significant investment during FY2022 in those teams to support the new finance system implementation and other developments.

Our learning and development initiatives continue to bear fruit and we are delighted with the number of employees going through our various programmes including the Sales Development Programme, the Specialist Acceleration Programme, our Tech Starter programme and other initiatives including inclusivity, sustainability and cyber security training.

Our leadership transition was completed smoothly during the summer of 2023 as previously communicated. Katy Mecklenburgh joined us as CFO on 19 June and has settled excellently into the Softcat culture. I'd like to formally welcome her to the Company and am very confident she has a big role to play in our future success.

Ease of doing business

During the previous year we implemented a new finance system, alongside which we developed new data management processes and integration layers. This has established a modern system architecture which we are now augmenting with external data feeds, creating exciting new possibilities for analytics and reporting. This in turn can form the basis for new ways of working and, potentially, the application of AI technology to advance our operating model in significant ways. For example, enabling automated lead generation, enhancing the efficiency of our account managers to navigate the enormity and complexity of our customer proposition, and significantly more effective resource allocation.

We also continue to invest in developing the skills and digital platforms necessary to embrace new distribution and consumption models. This includes the adoption of the various marketplaces released by the public cloud providers and distributors, as well as the growing number of subscription-based hardware offerings. Demand for these innovations is variable but developing and we have the plans in place to ensure we are best placed to support both customers and vendors as they reach maturity.

Addressable market

Along with the trends discussed above that we are seeing in the distribution and consumption of IT infrastructure, the market is also witnessing rapid introduction of new and exciting technologies.

Hybrid models of compute and storage, placing data and workloads in the most appropriate and cost-effective location for the task, are producing more thoughtful approaches from customers on the design of their environments and that plays strongly into our design and advice capabilities.

The impact of AI is building rapidly. Datacentres, wherever they are located, are beginning to be designed around the need to handle the demands of this new technology and we only see this increasing. Datacentres are already created for specific needs, but we expect even greater differentiation around specific tasks to be increasingly factored into design choices. Perhaps the most significant impact from AI in the short term comes from its deployment in mainstream desktop applications. This will have immediate implications for the cost of those applications, the technology being expensive to run, but also promises exciting new productivity gains and possibly even the transformation of some elements of the operating model for certain customers. Apart from the licensing of AI-enabled applications, customers will also need to think about where they are hosted and the devices they are deployed upon. Operating systems will need to be refreshed and end-user device estates re-evaluated. Cyber security continues to be a major concern for customers and while AI is already being deployed within security software, its application will also transform the threat landscape. As a result, we expect to see continued innovation in this space which will mean the constant upgrading of organisation's defences will only become a greater necessity.

Our UK customers continue to ask for our support in their overseas operations, and so we have invested further in our multinational operation across Europe, APAC and the US. We now have 9 people operating out of our US branch and a desire to add more resource as that business grows. This presence in the US will enable us to better understand that market, providing insights that will benefit our wider operations and inform future strategy.

Diversity, Inclusion and Sustainability

Our word of the year in FY2023 was 'Connect' and it has been great to see the Company settle well into a productive hybrid working pattern this year, evidenced by a strong employee NPS score mentioned of 63. We were also featured in the top 50 Great Places to Work in Europe.

Our community networks have once again played a strong role in developing the organisation towards being a more inclusive place to work. This has included raising awareness across the Company of minority groups through our ongoing allyship programme, and we have continued to support The Technology Channel for Racial Equality to improve racial equality across our industry. 17% of Softcat employees are now from ethnic minority backgrounds.

From a gender diversity perspective, we have met our first target of 35% women in the business, well ahead of schedule, and this includes now having 36% female representation on our senior leadership team. We were pleased to be recognised by Great Places to Work in the following categories:

- 1st in the UK's Best Workplaces in Tech
- 6th in the UK's Best Workplace for Women

We were also pleased to be awarded the Bronze Award by Stonewall for the progress we have made for our LGBTQ+ community and were ranked 124th in the UK Workplace Equality Index. We have collated data for the first time on our employees sexual orientation, disability, neurodiversity, and socio-economic background to better inform company policy in a number of areas in the future.

We were delighted to be able to host our Charity Ball again during last financial year, for the first time since the pandemic, and in total, across the year, raised £470,000 for charitable causes.

During the year we received more recognition for the strides we are making with our carbon reduction plans. We were awarded five-star status by HP in their partner programme and were named Lenovo ESG Partner of the Year.

We continue to work through key industry bodies and contribute to thought leadership in this space and were involved with CRN, Canalys, GTDC, and PWC to influence change across the channel with respect to product data, circular economy and other sustainability initiatives.

The development of Enexo, our in-house sustainability reporting and action planning platform, is ongoing. During the year we have seen more uptake from customers, suppliers and partners to measure and manage the impact of scopes 1-3 in our value chain.

Company-wide training has also been carried out, reaching 98% adoption during our first round of carbon literacy coaching.

We have also worked hard to improve our compliance with TCFD reporting requirements – satisfying 9 of the 11 recommended disclosures.

A huge thank you again to the very special team we have at Softcat for their efforts during the past year. The Company is in great health and perfectly positioned for future growth.

Board composition and succession planning

Lynne Weedall was appointed as interim Chair of the Nomination Committee and interim Senior Independent Director (SID) in January 2023 following the resignation of Karen Slatford on health grounds. Following a review of Board composition, the Board is pleased to confirm with immediate effect that Lynne is appointed as Chair of the Nomination Committee on a permanent basis. The Company announced in August 2023 that Jacqui Ferguson will join the Board as a Non-Executive Director in January 2024. The Board has agreed that Lynne will retain the role of interim SID, which will transition to Jacqui on a permanent basis at some point in 2024.

Chief Financial Officer's Review

Financial Summary	FY2023	FY2022	Change
Revenue	£985.3m	£1,077.9m	(8.6%)
Revenue split			
Software	£188.8m	£150.0m	25.9%
Hardware	£610.6m	£797.9m	(23.5%)
Services	£185.9m	£130.0m	42.9%
Gross invoiced income (GII) [1]	£2,563.3m	£2,507.5m	2.2%
GII split			
Software	£1,543.5m	£1,365.3m	13.0%
Hardware	£617.8m	£810.2m	(23.7%)
Services	£402.0m	£332.0m	21.1%
Gross profit (GP)	£373.8m	£327.2m	14.2%
Gross profit margin	37.9%	30.4%	7.5%
Operating profit	£140.9m	£136.1m	3.5%
Operating profit margin	14.3%	12.6%	1.7%
Gross profit per customer[2]	£37.0k	£33.0k	12.2%
Customer base[3]	10.1k	9.9k	1.9%
Cash conversion[4]	93.2%	76.2%	17.0%

Gross profit, revenue and gross invoiced income

Softcat operates in a fast-growing and constantly changing market, catering to the IT infrastructure requirements of corporate entities and public sector organisations across the UK and Ireland. Our strategy is to provide a comprehensive range of technology solutions (spanning workplace, datacentre, cloud, networking and security solutions) across software, hardware and services, delivered through highly engaged employees who provide exceptional customer service, to attract new customers and increase sales to our existing customer base.

[1] Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information on this, please refer to the CFO Report on page 7.

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

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

[4] Cash conversion ratio is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to the CFO Report on page 9.

Our FY2023 results reflect our ability to continue to deliver against this strategy. Gross profit (GP), our primary measure of income, grew by 14.2% to £373.8m, in line with expectations, against a tough FY2022 comparable in which a mid-market customer accounted for marginally more than 10% of our Gross Invoiced Income (GII), primarily driven by one-off, low-margin datacentre hardware sales.

Excluding these FY2022 one-off transactions, GP growth was broad based and underlying software, services and hardware GP all grew double-digit. Hardware sales were also impacted by soft market demand for client devices but this was offset by strong underlying growth in networking and datacentre solutions. After adjusting for the one-off transactions, all technology areas also grew double-digit with particularly strong growth in networking, as supply chain issues receded during the year, and in security, which continues to be an area of focus for our customers. Growth was also strong across all customer segments, with double-digit underlying growth across enterprise, mid-market and public sector, demonstrating our continued relevance across our target markets.

In the second half of the year GP grew by 11.2%, following a very strong first half performance of 17.9%, with growth impacted by customers delaying some discretionary spend and large projects being slower to close as customers applied stricter procurement processes.

FY2023 revenue declined by (8.6)%, driven by a (23.7)% decline in hardware GII. This decline in hardware GII, which is reported on a gross basis within the revenue number (unlike software and some services revenue which are netted down), was driven by the one-off transactions in the base year as mentioned above. Excluding these one-off transactions hardware GII increased marginally compared to the prior year.

GII growth of 2.2% was driven by strong growth in both software and services, up by 13.0% and 21.1% respectively, largely offset by the decline in hardware sales mentioned above. GII grew more slowly than GP in the period, with GP as a percentage of GII expanding by 1.5%. Margin expansion was driven by the FY2022 one-off transactions, which diluted the comparative gross margin and several positive mix effects, with the year-on- year decline in lower margin client devices, and strong growth in higher margin datacentre, networking and security solutions driving a positive margin impact.

Customer KPIs

During the year average GP per customer grew by 12.2% to £37.0k (2022: £33.0k) and the customer base increased to 10,100, up 1.9% on the prior year. We won new customers from a broad range of industries with initial sales balanced across our core business lines, consistent with sales to existing customers as described above.

Despite this further strong progress and being confirmed again as the largest reseller in the UK by CRN, our industry remains highly fragmented. Our latest estimates, based on multiple industry sources including CRN and Gartner, suggest we have around 5% of total addressable market value. This comprises a trading relationship with c.20% of potential customers with whom we have an average share of wallet of c.20% – 25%. As a result, we continue to have a fantastic opportunity for future growth by continuing to concentrate on our simple strategy of seeking to sell deeper into existing accounts by building trust and loyalty over time, while gradually expanding our customer base year on year.

Operating profitability and investment in future growth

Operating profit of £140.9m (FY2022: £136.1m) increased by 3.5% year-on-year reflecting the 14.2% increase in GP offset by a 21.9% rise in operating costs. Cost growth was in line with expectations, driven by increased commissions due to higher GP, alongside a 19.8% increase in average headcount, investments in pay and IT and a return to pre COVID-19 levels of staff events and travel.

The investment in headcount was across all areas of the business including sales operations, technical capabilities, and core support functions to ensure we are appropriately resourced to support future growth. Average salary costs increased by 7.5% over the year, driven by inflationary pay awards across existing staff and an increase in new hire salaries reflecting the current inflationary environment and ensuring we remain competitive within the market.

Cost growth decelerated in H2 to 12.7% compared to 32.4% in H1. This was driven by several factors: firstly lower GP growth resulted in lower commissions in H2 compared to H1; secondly the phasing of the new ERP system implementation costs, with more impacting H2 than H1 in FY2022; thirdly travel and entertainment costs which remained constrained in H1 FY2022 due to COVID-19 but returned to normal in H2 with in person customer meetings and incentive trips back to pre-pandemic levels; and lastly, while the full year cost was broadly in-line, bad debt write-offs year-on-year were more front half weighted in FY2023.

As a result of the investments in headcount, wages and salaries, IT and travel and entertaining our operating to GP margin decreased to 37.7**%** (2022: 41.6%) as forecast and previously communicated.

Corporation tax charge

The effective tax rate for 2023 was 21.0% (2022: 18.9%), reflecting the increase in the UK statutory rate to 25.0% from 19.0% in April 2023 together with the relatively marginal impact of non-deductible expenses and share-based payment transactions. Our tax strategy continues to be focused on paying the right amount of tax in the right jurisdiction, at the right time.

Cash and balance sheet

Cash conversion, defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit, was 93.2% (2022: 76.2%). The improvement on prior year reflects a return to normal levels of year-end receivables following a temporary expansion last year following the implementation of a new finance system and is towards the top of the target range of 85%-95%.

Cash at the FY2023 balance sheet date was £122.6m (FY2022: £97.3m) and the company remains debt free.

Under our capital allocation framework the first priority is to invest behind future organic growth and our second priority is to deliver on our progressive ordinary dividend policy. Additional excess capital is then either allocated to strategic investments or returned to shareholders. In FY2023, as outlined above we have continued to invest in people costs and IT to further drive organic growth and the proposed ordinary dividend is an increase of 4.6% vs. FY2022, while excess cash will be returned to shareholders via a special dividend.

Dividend

A final ordinary dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9 November 2023. The last day for dividend reinvestment plan ('DRIP') elections to be received is 28 November 2023.

In line with the Company's stated intention to return excess cash to shareholders a further special dividend payment of 12.6p has been proposed. This has been calculated taking into account an increase in the minimum cash holding from £60m to £75m, reflecting the continued growth of the business. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend. This will bring the total amount returned to shareholders since becoming a public company to £476.2m.

Alternative Performance Measures

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

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

1. **Gross invoiced income** is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to gross invoiced income is provided within Note 2 of the financial statements.
2. **Cash conversion ratio** is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. Cash conversion is an indicator of the Company's ability to convert profits into available cash. A reconciliation to the adjusted measure for cash conversion is provided below:

	2023	2022
	£'000	£'000
Net cash generated from operating activities	**104,802**	**83,644**
Income taxes paid	29,793	25,344
Cash generated from operations	**134,595**	**108,988**
Purchase of property, plant and equipment	(2,544)	(1,890)
Purchase of intangible assets	(701)	(3,334)
Cash generated from operations, net of capital expenditure	**131,350**	**103,764**
Operating Profit	**140,898**	**136,145**
Cash conversion ratio	**93.2%**	**76.2%**

Softcat

Principal Risks and Uncertainties

The principal and emerging risks facing the Company have been identified and evaluated by the Board. In summary, principal risks include:

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

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

Climate change

In our consideration of emerging risks, climate change continues as an area requiring greater analysis. During the year, in line with the approach recommended by the Task Force on Climate-related Financial Disclosures ('TCFD'), we conducted a formal assessment of the potential impact of climate change to our business and supply chain. Climate change is already a component of the risk of failure to respond to market changes when considering the needs of our customers and how products, services and solutions might be affected by the drive towards carbon neutrality. We also have robust business interruption plans in the event of a disruption to our business. Our current analysis concluded that no other climate change-related risk is a principal risk which needs to be incorporated into the list of principal risks shown.

Going Concern

Please refer to note 2.1 under 'Basis of preparation'.

Cautionary Statement

This preliminary announcement 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 preliminary announcement should not be relied on by any other party or for any other purpose.

In making this preliminary announcement, 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.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with UK-adopted international accounting standards ('IFRSs').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Fair and balanced reporting
Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Responsibility statement pursuant to FCA's Disclosure Guidance and Transparency Rule 4 (DTR 4)

Each Director of the Company confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position, performance, business model and strategy.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
Revenue	*3*	**985,300**	**1,077,946**
Cost of sales		(611,466)	(750,736)
Gross profit		**373,834**	**327,210**
Administrative expenses		(232,936)	(191,065)
Operating profit		**140,898**	**136,145**
Finance income		1,171	252
Finance cost		(205)	(253)
Profit before taxation		**141,864**	**136,144**
Income tax expense	*4*	(29,835)	(25,739)
Profit for the year		**112,029**	**110,405**
Foreign exchange differences on translation of foreign branches		(204)	3,562
Net gain/(loss) on cash flow hedge		(799)	-
		(1,003)	3,562
Total comprehensive income for the year		111,026	113,967
Profit attributable to:			
Owners of the Company		112,029	110,405
Total comprehensive income attributable to:			
Owners of the Company		111,026	113,967
Basic earnings per ordinary share (pence)	*10*	56.2	55.5
Diluted earnings per ordinary share (pence)	*10*	56.0	55.3

All results are derived from continuing operations.

Statement of Financial Position
As at 31 July 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment		11,348	11,270
Right-of-use-assets		9,969	6,162
Intangible assets		7,155	7,978
Deferred tax asset		2,997	2,508
		31,469	**27,918**
Current assets			
Inventories	*6*	3,591	5,104
Trade and other receivables	*7*	490,041	541,424
Income tax receivable		-	296
Cash and cash equivalents		122,621	97,316
		616,253	**644,140**
Total assets		**647,722**	**672,058**
Current liabilities			
Trade and other payables	*8*	(359,627)	(419,108)
Contract liabilities	*9*	(23,851)	(31,564)
Lease liabilities		(2,734)	(2,716)
Income tax payable		(6)	-
		(386,218)	**(453,388)**
Non-current liabilities			
Contract liabilities	*9*	(3,032)	(3,620)
Lease liabilities		(7,027)	(3,950)
		(10,059)	(7,570)
Total liabilities		**(396,277)**	**(460,958)**
Net assets		**251,445**	**211,100**
Equity			
Issued share capital	*12*	100	100
Share premium account		4,979	4,979
Cash flow hedge reserve		(799)	-
Reserves for own shares		-	-
Foreign exchange translation reserve		3,358	3,562
Retained earnings		243,807	202,459
Total equity		**251,445**	**211,100**

Statement of Changes in Equity
For the year ended 31 July 2023

	Share capital £'000	Share premium £'000	Cash flow hedge reserve £'000	Transl-ation reserve £'000	Reserves for own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 August 2021	**100**	**4,979**	-	**-**	**-**	**174,065**	**179,144**
Profit for the period	-	-	-	**-**	**-**	110,405	110,405
Impact of foreign exchange reserves	-	-	-	3,562	**-**	-	3,652
Total comprehensive income for the year	-	-	-	**3,562**	**-**	**110,405**	**113,967**
Share-based payment transactions	-	-	-	-	-	2,541	2,541
Dividends paid	-	-	-	-	-	(84,020)	(84,020)
Dividend equivalents paid	-	-	-	-	-	(215)	(215)
Tax adjustments	-	-	-	-	-	(317)	(317)
Balance at 31 July 2022	**100**	**4,979**	**-**	**3,562**	**-**	**202,459**	**211,100**
Balance at 1 August 2022	**100**	**4,979**	**-**	**3,562**	**-**	**202,459**	**211,100**
Profit for the period	-	-	-	**-**	**-**	112,029	112,029
Impact of foreign exchange reserves	-	-	-	(204)	**-**	-	(204)
Net (loss) on cash flow hedge	-	-	(799)	**-**	**-**	-	(799)
Total comprehensive income for the year	-	-	**(799)**	**(204)**	**-**	**112,029**	**111,026**
Share-based payment transactions	-	-	-	-	-	3,330	3,330
Dividends paid	-	-	-	-	-	(74,175)	(74,175)
Dividend equivalents paid	-	-	-	-	-	(66)	(66)
Tax adjustments	-	-	-	-	-	230	230
Balance at 31 July 2023	**100**	**4,979**	**(799)**	**3,358**	**-**	**243,807**	**251,445**

Statement of Cash Flows
For the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	*11*	**104,802**	**83,644**
Cash flows from investing activities			
Finance income		1,171	252
Purchase of property, plant and equipment		(2,544)	(1,890)
Purchase of intangible assets		(701)	(3,334)
Net cash used in investing activities		**(2,074)**	**(4,972)**
Cash flows from financing activities			
Issue of share capital		-	-
Dividends paid	*5*	(74,175)	(84,020)
Payment of principal portion of lease liabilities		(2,839)	(2,369)
Payment of interest portion of lease liabilities		(205)	(253)
Net cash used in financing activities		**(77,219)**	**(86,642)**
Net increase/(decrease) in cash and cash equivalents		**25,509**	**(7,970)**
Exchange (losses)/gains on cash and cash equivalents		**(204)**	**3,562**
Cash and cash equivalents at beginning of year		97,316	101,724
Cash and cash equivalents at end of year		**122,621**	**97,316**

Notes to the Financial Information

1.1 General information

Softcat plc (the "Company") is a public limited company, incorporated and domiciled in the UK. Its registered address is Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1LW.

The annual financial information presented in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 July 2023 or 2022 but is based on, and consistent with, that in the audited financial statements for the year ended 31 July 2023, and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report on those financial statements was unmodified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

2. **Accounting policies**

2.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards (IFRS) in accordance with the requirements of the Companies Act 2006. IFRS includes the application of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee ('IFRIC') interpretations.

These financial statements have been prepared under the historical cost convention and are presented in the Company's presentational and functional currency of Pounds Sterling and all values are rounded to the nearest thousand ('£'000'), except when otherwise stated.

The Company applied all standards and interpretations issued by the IASB that were effective as at 1 August 2022. The accounting policies set out below have, unless otherwise stated (see below), been applied consistently to all periods presented in these financial statements.

The potential climate change-related risks and opportunities to which the Company is exposed, as identified by management, are disclosed in the Company's TCFD disclosures in the Annual Report. Management has assessed the potential financial impacts relating to the identified risks and exercised judgement in concluding that there are no material financial impacts of the Company's climate related risks and opportunities on the financial statements. These judgements will be kept under review by management as the future impacts of climate change depend on environmental, regulatory and other factors outside of the Company's control which are not all currently known.

Going Concern

Overview
In considering the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 28 to 31) and Chief Financial Officer's review sections (see pages 34 to 35]) of this Annual Report. Given the current macro-economic environment and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

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

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

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

The Directors have reviewed detailed financial forecasts for a thirteen-month period from the date of this report (the going concern period) until 30 November 2024. All the forecasts reflect the payment of the FY2023 dividend of £59.0m which will be paid in December 2023 subject to approval at the AGM.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to gain competitive advantage in an increasingly digital age. Public Sector, a large and fast-growing area of the business, continues to invest in technology to provide efficient services to the public and this has continued apace despite the pandemic and recent turbulence in the UK economy. The Company strategy remains unchanged and will continue to focus on increasing the customer base and spend per customer during the going concern period.

Liquidity and financing position
At 31 July 2023, the Company held instantly accessible cash and cash equivalents of £122.6m, with net current assets of £230.0m. Note 21 to the financial statements in the Annual Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £75.0m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Challenging economic environment
Management have, in all three scenarios, considered the principal challenges to short term business performance which are expected to be;

- An economic downturn in the UK economy, aided by high broad-based inflation and increasing interest rates; and
- Higher risk of credit losses

Despite the challenging economic environment, the Company has traded well, delivering double-digit year-on-year growth in gross profit and operating profit growth in line with expectations, following an expected rebound in travel and entertainment costs, following periods of reduced spend due to the COVID-19 pandemic. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case
The base case, which was approved by the Board in October 2023, takes into account the FY2024 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2023. The key inputs and assumptions in the base case include:

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

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. Year to date trading to the end of September 2023 is consistent with the base case forecast.

Severe but plausible case
Given the current economic challenges facing our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is below any historic trend and more severe than experienced during the height of the

pandemic. Further impacts of this scenario such as reduced margins and greater credit losses have also been considered.

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

- an average 7.5% reduction in revenue,
- reduced gross profit margins of 1% in the period;
- additional bad debt write offs of £5m across the forecast period;
- extending the debtor days from historic levels achieved and no change to historic supplier payment days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- both commission cost and rebate income adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

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

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £21m cost reduction on an annualised basis and additional annual working capital savings of £30m. The actions which if implemented would offset the reduced activity:

- bonus costs scaled back in line with performance;
- no interim dividend in H2 of FY2024;
- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

Reverse stress test

The Directors have performed a reverse stress test exercise to assess the impact on liquidity, should a scenario more extreme than the severe but plausible scenario occur. The impact of these conditions, when combined, would place a strain on liquidity and raise short term concerns to the business, however, would not result in cash falling below a nil position. The conditions go significantly further than the severe but plausible scenario and reflect a scenario that the business consider remote.

The four combined stresses modelled, compared to the base case, are as follows:

- reduction of 15% in Gross invoiced income, compared to the base case;
- reduced achievable gross margin by 3%;
- additional bad debt write offs of £10m per year across the forecast period; and
- extending the debtor days by three days from historic levels achieved and no change to historic supplier payment days.

All four inputs are greater than the business has ever experienced in its history. In the modelled scenario, prior to mitigations, cash may not be sufficient for day to day operations.

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

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has sufficient liquidity headroom to continue in operational existence for the thirteen-month period from the date of this report (the going concern period) until 30 November 2024. Accordingly, at the October 2023 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. Should the impact of these conditions be even more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

Accounting policies

The preliminary announcement for the year ended 31 July 2023 has been prepared in accordance with the accounting policies as disclosed in Softcat plc’s Annual Report and Accounts 2023, as updated to take effect of any new accounting standards applicable for the year.

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 profit or loss and other comprehensive income and statement of financial position. An analysis of revenues and gross invoiced income by product, which form one reportable segment, is set out below:

Revenue by type

	2023 £’000	2022 £’000
Software	188,797	150,000
Hardware	610,638	797,897
Services	185,865	130,049
	985,300	**1,077,946**

Gross invoiced income by type

	2023 £’000	2023 £’000
Software	1,543,501	1,365,343
Hardware	617,844	810,241
Services	401,963	331,953
	2,563,308	**2,507,537**

Revenue and gross invoiced income can also be disaggregated by type of business:

Revenue by type of business

	2023 £'000	2022 £'000
Small and medium	555,541	535,823
Enterprise	253,229	222,064
Public sector	176,530	320,059
	985,300	**1,077,946**

Gross invoiced income by type of business

	2023 £'000	2022 £'000
Small and medium	1,103,851	1,169,255
Enterprise	512,839	427,249
Public sector	946,618	911,033
	2,563,308	**2,507,537**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items and is consistent with our previous application of IAS 18. Softcat will continue to report gross invoiced income as an alternative financial KPI as this 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. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

During the year there was no direct customer (FY2022: one) 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 FY2022 was £251.3m and £227.5m respectively.

Reconciliation of gross invoiced income to revenue

	2023 £'000	2022 £'000
Gross invoiced income	2,563,308	2,507,537
Income to be recognised as agent under IFRS 15	(1,578,008)	(1,429,573)
Revenue	**985,300**	**1,077,964**

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

4. Taxation

	2023 £'000	2022 £'000
Current Tax		
Current income tax charge in the year	30,414	25,979
Adjustment in respect of current income tax in previous years	(160)	52
Foreign tax effects	-	1
Deferred Tax		
Temporary differences	(419)	(293)
Total tax charge for the year	**29,835**	**25,739**

5. **Dividends**

	2023 £'000	2022 £'000
Declared and paid during the year:		
Special dividend on ordinary shares (12.6p per share (2022: 20.5p))	25,122	40,806
Final dividend on ordinary shares (16.6p per share (2022: 14.4p))	33,098	28,663
Interim dividend on ordinary shares (8.0p per share (2022: 7.3p))	15,955	14,551
	74,175	**84,020**

A final dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9 November 2023. The dividend reinvestment plan ('DRIP') election date is 28 November 2023.

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 12.6p has been proposed. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend.

The Board recommends the final and special dividend for shareholders' approval.

6. **Inventories**

	2023 £'000	2022 £'000
Finished goods and goods for resale	3,591	5,104

The amount of any write down of inventory recognised as an expense in the year was £nil in both years.

7. **Trade and other receivables**

	2023 £'000	2022 £'000
Trade and other receivables	429,569	497,308
Provision against receivables	(3,920)	(4,958)
Net trade receivables	**425,649**	**492,350**
Unbilled receivables	34,508	26,192
Prepayments	6,344	4,338
Accrued income	9,270	10,534
Deferred costs	14,270	8,010
	490,041	**541,424**

8. Trade and other payables

	2023 £'000	2023 £'000
Trade payables	254,907	280,769
Other taxes and social security	13,699	23,078
Accruals	90,222	115,261
Other creditors	799	-
	359,627	**419,108**

9. Contract liabilities

Contract liabilities are comprised of:

	2023 £'000	2022 £'000
Deferred income	26,883	35,184
Deferred income is further broken down as:		
Short term deferred income	23,851	31,564
Long term deferred income	3,032	3,620
	26,883	**35,184**

10. Earnings per share

	2023 Pence	2022 Pence
Earnings per share		
Basic	56.2	55.5
Diluted	56.0	55.3

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

	2023 £'000	2022 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	112,029	110,405

The weighted average number of shares is given below:

	2023 000's	2022 000's
Number of shares used for basic earnings per share	199,237	198,976
Number of shares expected to be issued at nil consideration following exercise of share options	922	656
Number of shares used for diluted earnings per share	**200,159**	**199,632**

11. **Notes to the cash flow statement**

	2023 £'000	2022 £'000
Cash flow from operating activities		
Operating profit	140,898	136,145
Depreciation of property, plant and equipment	2,466	2,373
Depreciation of right-of-use assets	2,127	1,594
Amortisation of intangibles	1,525	558
Loss on disposal of fixed assets	-	-
Dividend equivalents paid	(66)	(215)
Cost of equity settled employee share schemes	3,330	2,541
Operating cash flow before movements in working capital	**150,280**	**142,996**
Decrease in inventories	1,513	33,307
(Increase)/decrease in trade and other receivables	51,383	(211,694)
(Decrease)/increase in trade and other payables	(68,581)	144,379
Cash generated from operations	**134,595**	**108,988**
Income taxes paid	(29,793)	(25,344)
Net cash generated from operating activities	**104,802**	**83,644**

12. **Share capital**

	2023 £'000	2022 £'000
Allotted and called up		
Ordinary shares of 0.05p each	100	100
Deferred shares* of 1p each	-	-
	100	**100**

*At 31 July 2023 deferred shares had an aggregate nominal value of £189.33 (2022: £189.33).

Deferred shares do not have rights to dividends and do not carry voting rights.

13. **Post balance sheet events**

Dividend

A final dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9 November 2023. The dividend reinvestment plan ('DRIP') election date is 28 November 2023.

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 12.6p has been proposed. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend.

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.

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G Watt
G Charlton
K Mecklenburgh
R Perriss
V Murria
L Weedall
M Prakash

Secretary
Luke Thomas

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