



SOFTCAT plc

("Softcat", the "Company")

**Preliminary Results for the twelve months to 31 July 2016**

**Strong performance, £28m special dividend proposed**

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today publishes its first set of full year results to 31 July 2016. The results demonstrate strong revenue and profit growth during the period.

**Financial Summary**

	Twelve months ended		
	31 July	31 July	Growth
	2016	2015	
	£'000	£'000	%
Revenue	672,351	596,084	12.8
Gross profit	120,717	102,775	17.5
<b>Adjusted operating profit*</b>	<b>46,751</b>	<b>40,586</b>	<b>15.2</b>
Operating profit	42,190	39,582	6.6
Dividends paid	43,453	7,298	
<b>Proposed Final dividend (p)</b>	<b>3.6</b>		
<b>Proposed Special dividend (p)</b>	<b>14.2</b>		
<b>Adjusted diluted earnings per share** (p)</b>	<b>19.1</b>	<b>16.5</b>	<b>15.8</b>
<b>Diluted earnings per share (p)</b>	<b>16.9</b>	<b>16.0</b>	<b>5.6</b>

\*Adjusted operating profit is defined as operating profit before exceptional items and share-based payment charges.

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

**Highlights for the twelve months to 31 July 2016**

- Gross profit up 17.5% to £120.7m (2015: £102.8m)
- Gross profit margin up 0.8% pts to 18.0% (2015: 17.2%)
- Gross profit includes the benefit of a one-off procurement saving of £3.4m (2015: nil)
- Adjusted operating profit up 15.2% to £46.8m (2015: £40.6m)
- Cash conversion\* of 85.5%
- Net cash position at year end of £62.4m
- Adjusted diluted earnings per share up 15.8%
- Customer numbers up 7.5% on prior year (2015: 6.5%)
- Average headcount up 21%, driven by record sales and service staff recruitment
- Glasgow operation launched

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

**Martin Hellowell, Softcat CEO commented**

*"We are pleased to report continued strong organic growth at Softcat with 12.8% revenue growth, 17.5% growth in gross profit and 15.2% growth in adjusted operating profit, achieved against a backdrop of very modest growth in the UK economy which has equally been reflected in the IT market.*

*We have continued to win large numbers of new customers and earn increased spend from our existing customers. This has been achieved by our relentless focus on customer service, which is in turn driven by an excellent and engaged team of people at Softcat. We were delighted to be named as the UK's No.1 Best Workplace by the Great Places to Work Institute in April 2016.*

*Other recent notable highlights include entering the FTSE 250, the opening of our Glasgow branch, an incremental 133 people joining our organisation in the last financial year, and a plethora of industry awards including HP Enterprise Partner of the Year, Cisco UK&I Commercial Partner of the Year and Sophos UK&I Partner of the Year”*

### **Analyst meeting**

A results presentation for analysts and investors will be held today at the offices of FTI Consulting: 9<sup>th</sup> Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. Registration will open at 09.15 for an 09.30 start. Materials from this presentation will be available online at [www.softcat.com](http://www.softcat.com) from 09.00. A copy of this announcement will also be available online from 07.00.

### **Enquiries**

**Softcat plc:** +44 (0)1628 403 403  
Martin Hellowell, Chief Executive Officer  
Graham Charlton, Chief Financial Officer

**FTI Consulting LLP:** +44 (0)20 3727 1000  
Ed Bridges  
Dwight Burden

### **Forward-looking statements**

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

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

## Chief Executive Officer's Review

The Company continued to perform well and deliver growth significantly ahead of the market during the year. Gross profit, our key measure of growth, was up by 17.5% which demonstrates the business is still taking significant market share from competitors. Softcat has now delivered 44 consecutive quarters of revenue and profit growth. This includes both the third and fourth quarters of our financial year when demand from our customers remained solid despite the distraction of the referendum and subsequent political developments. In fact, the Company grew at an even faster rate during the second half.

We saw higher growth in the more complex solutions areas of security, networking and data centre infrastructure than in the more commodity workplace computing area of our business. This contributed to the increase in gross profit margin in the period from 17.2% to 18.0%. This growth in gross margin flowed through strongly to operating profit and cash generation despite the extra costs of running the business as a PLC. As a result, we are delighted to be recommending a special dividend of 14.2p per share, on top of a final dividend of 3.6p per share.

The simple but effective growth strategy laid out during the IPO has continued to serve us well and will remain the Company's focus during the coming year; to continue to build scale and develop our offering to drive increases in both customer numbers and gross profit per customer.

In 2016 Softcat grew both customer numbers and gross profit per customer by 7.5% and 9.2%, respectively, and further increases in those metrics will again be a target during 2017. We categorise our customers into three broad groups: commercial (SMB/mid-market), public sector and enterprise. All three segments grew strongly and in line with our expectations, with income from public sector expanding from 26% to 29% of total revenue. Our reliance on individual accounts remains very low, with our largest customer accounting for just 1% of revenue in 2016.

To build scale we have continued to recruit more people into sales, technical specialist and service roles to advise on, implement and support technology for customers. The business will continue to target people that share a strong work ethic, are team players, who exhibit passion and resilience and who, more than anything, are motivated to provide customers with the very best standards of service. Softcat was named No.1 Best Workplace by the Great Places to Work Institute this year and continues to recruit great people who will contribute to a proud tradition of a highly engaged workplace which we believe ultimately drives our success. After the opening of our Glasgow office in February 2016, we now have six branches all within the UK. From a nucleus of 6 existing staff, we now have a team of 29 in Glasgow following the September 2016 intake. All Softcat branches grew well in the last financial year and we are targeting further headcount growth in all offices this year.

The expansion of our offering has driven the investment in technical and service staff. The relevance and need for the role Softcat plays in the market is as strong as ever, with vendors increasingly looking to the channel to serve the core mid-market. Customers are faced with ever more complex technology choices and need to keep pace in a world where IT can increasingly deliver competitive advantage. Softcat's role as trusted advisor with both a deep and broad skill base positions us well, both now and for the future. This is reflected in the growth achieved across all three revenue streams of software, hardware and services detailed in the CFO review below. Revenue from services grew most strongly as a result of both our ability to work with and resell vendor services, as well as an increase in Softcat's own service capability, and now represents 15% of total income (2015: 14%).

Competition remains as fierce as ever. Despite the Company's long record of market share growth there is no room for complacency and Softcat will continue to develop its product and service offering with the aim of staying ahead of the pack in everything we do. This will include further development of our product and service offering for both on premise and cloud technologies.

This has been a busy year for Softcat. It hasn't been an easy year - it never is and never will be. We constantly need to prove our worth to existing and new customers in a very competitive market. As well as the IPO, we also had the lead up to the EU referendum and the aftermath to contend with. While it is always difficult to know exactly what is affecting demand in our industry, we did see some customers making slower decisions leading up to the vote. That meant we had to compete even

harder to achieve our goals, which we did. In the aftermath of the referendum, we have seen no obvious impact on trading in what remains a tough and fiercely competitive market. For many years we have demonstrated our ability to grow and gain market share in that environment and we look forward to the road ahead with confidence.

### **Outlook**

Trading during the first 10 weeks of FY17 has been satisfactory.

Our marketplace is highly competitive and following the EU referendum the business environment is uncertain. However, the Board believes the Company is well placed to grow its market share in 2017 and it will maintain its focus on delivering profitable growth and strong cash conversion.

## Chief Financial Officer's Review

<b>Financial Summary</b>	<b>FY16</b>	<b>FY15</b>	<b>Growth</b>
Revenue	£672.4m	£596.1m	12.8%
<u>Revenue split</u>			
Software	£320.0m	£287.5m	11.3%
Hardware	£250.7m	£223.8m	12.0%
Services	£101.7m	£84.8m	19.9%
Gross profit	£120.7m	£102.8m	17.5%
Gross profit margin	18.0%	17.2%	0.8% pts
Adjusted operating profit	£46.8m	£40.6m	15.2%
Adjusted operating profit margin	7.0%	6.8%	0.2% pts
Operating profit	£42.2m	£39.6m	6.6%
Cash conversion	85.5%	132.0%	(46.5% pts)

### Revenue and gross profit

Softcat achieved revenue growth of 12.8% during the year, up to £672.4m, with gross margin also rising to 18.0% (2015: 17.2%). As a result, gross profit grew strongly, up 17.5% to £120.7m (2015: £102.8m). This includes the impact of £3.4m non-recurring procurement savings within cost of sales. Excluding this impact, gross profit grew by 14.1% and gross margin was 17.4%, and this underlying performance reflects continued progress against the Company's strategic goals of winning new customers and growing income from existing customers.

Excluding the non-recurring savings, growth in gross profit margin was driven by the Company's ability to capitalise on customer demand for complex technology solutions, such as networking and security software and datacentre infrastructure. This was true across all customer segments and growth was evident in both public sector and corporate accounts. In keeping with recent years, income from public sector customers expanded as a proportion of total revenue to 29% (2015: 26%).

Revenue mix across technology categories (software, hardware and services) was largely unchanged. Services income expanded slightly as a proportion of the total from 14% to 15%, mainly reflecting strong growth in the resale of vendor service products as well as the expansion of the Company's internal services capability.

<b>Customer KPIs</b>	<b>FY16</b>	<b>FY15</b>	<b>Growth</b>
Customer numbers	12.2k	11.4k	7.5%
Gross profit per customer	£9.9k	£9.0k	9.2%

Customer numbers were up 7.5% (2015: 6.5%), reflecting the positive impact of the acceleration in new graduate hires into the sales force during the past 18 months.

Gross profit per customer rose by 9.2%, or 6.2% when the procurement saving impact is adjusted out (2015: 9.0%). The modest reduction in underlying gross profit per customer growth is expected during a period of high new customer additions due to dilution in average tenure. The Company typically sees close correlation between customer tenure (which is also closely tied to sales force tenure) and GP per customer.

Revenue remains well dispersed across the customer base, with the largest customer accounting for just 1% of total income.

#### Adjusted operating profit

Adjusted operating profit increased by 15.2% to £46.8m, including a net benefit of £2.6m from the one-off procurement savings (after commission costs). Excluding the one-off benefit adjusted operating profit grew by 8.9%. This reflects the rise in gross profit, partially offset by new costs of public company governance of £1.1m (2015: £0.2m). Excluding both the net impact of the one-off and the governance costs adjusted operating profit increased 11.0%. This is a strong result in the context of significant investments in the form of new graduate account managers as well as services and technical staff.

Adjusted operating profit margin of 7.0% (2015: 6.8%) was up slightly on prior year due to the rise in gross profit margin.

To support the Company's growth strategy a sixth office was opened during the year. The new location in Glasgow welcomed its first graduate recruits during the third financial quarter. Previous new openings in Bristol (2014) and Leeds (2015) both delivered good growth in 2016. In line with our existing operating model, the incremental non-staff costs of the Glasgow office do not represent a significant increase in the Company's cost base (<£0.3m p.a.).

#### Operating profit

Operating profit of £42.2m (2015: £39.6m) is 6.6% up on the prior period reflecting the growth in adjusted operating profit, counterbalanced by exceptional IPO costs of £3.7m (2015: £1.0m), and share-based payment charges of £0.9m (2015: £0.0m).

#### Corporation tax charge

The effective tax rate for 2016 was 21.8% (2015: 21.8%). This reflects the offsetting impacts of a reduction in the blended standard rate of UK corporation tax applicable to the period from 20.67% to 20.00%, set against the non-deductible nature of some expenses related to the IPO. The Company has a net deferred tax asset carried forward of £426k at the balance sheet date, mainly in respect of share-based payment reliefs which will be applied to future periods.

#### Cash and balance sheet

Cash conversion was strong at 85.5% (2015: 132%), reflecting the ongoing close management of working capital balances as the business continues to grow. Cash conversion was exceptionally strong during 2014-2015 due to improved debtor and creditor management in those years. In 2016 closing net assets, excluding cash, as a percentage of revenue was constant year on year at 3.7% (2015: 3.6%), demonstrating the maintenance of the lean position developed over the previous periods.

The Company's balance sheet reflects the nature of the business, being both simple and efficient. As a result of our partnerships with distributors and vendors, stock holdings are kept to an absolute minimum and the value of inventory recognised at year end mainly reflects goods in transit.

The Company closed the year with an aggregate cash balance of £62.4m and no debt, after the payment of pre-IPO and interim dividends in the year totalling £43.5m.

## Dividend

A final dividend of 3.6p per share has been recommended by the directors and if approved by shareholders will be paid on 16 December 2016. The record date will be 18 November and the shares will trade ex-dividend on 17 November.

In line with the Company's stated intention to return excess cash to shareholders over time, the Board has proposed a further special dividend payment of 14.2p per share. If approved by shareholders at the Company's AGM this would also be paid alongside the final dividend in December 2016, and would bring total cash returned to shareholders since IPO to £38.5m.

## **Principal Risks and Uncertainties**

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

<b>Risk</b>	<b>Potential impacts</b>	<b>Management &amp; mitigation</b>
<b>BUSINESS STRATEGY</b>		
Customer dissatisfaction	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Loss of competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Graduate training programme</li> <li>• Ongoing vendor training for sales staff</li> <li>• Annual customer survey with detailed follow-up on negative responses</li> <li>• Process for escalating cases of dissatisfaction to MD &amp; CEO</li> </ul>
Failure to evolve our technology offering with changing customer needs	<ul style="list-style-type: none"> <li>• Loss of customers</li> <li>• Reduced profit per customer</li> </ul>	<ul style="list-style-type: none"> <li>• Processes in place to act on customer feedback about new technologies</li> <li>• Training and development programme for all technical staff</li> <li>• Regular business reviews with all vendors</li> <li>• Sales specialist teams aligned to emerging technologies to support general account managers</li> <li>• Regular specialist and service offering reviews with senior management</li> </ul>
<b>OPERATIONAL</b>		
Cyber security	<ul style="list-style-type: none"> <li>• Inability to deliver customer services</li> <li>• Reputational damage</li> <li>• Financial loss</li> </ul>	<ul style="list-style-type: none"> <li>• Company-wide information security policy</li> <li>• Appropriate induction and training procedures for all staff</li> <li>• External penetration testing programme undertaken</li> <li>• ISO 27001 accreditation</li> </ul>
Disruption to Managed Services operations	<ul style="list-style-type: none"> <li>• Customer dissatisfaction</li> <li>• Business interruption</li> <li>• Reputational damage</li> <li>• Financial loss</li> </ul>	<ul style="list-style-type: none"> <li>• Operation of back-up operations centre and data centre platforms</li> <li>• Established processes to deal with incident management, change control, etc.</li> <li>• Continued investment in operations centre management and other resources</li> <li>• Ongoing upgrades to network</li> <li>• Regular testing of DR plans</li> </ul>
<b>FINANCIAL</b>		
Profit margin pressure including rebates	<ul style="list-style-type: none"> <li>• Reduced margins</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing training to sales and operations team to keep pace with new vendor programmes</li> <li>• Rebate programmes are industry standard and not specific to the Company</li> <li>• Rebates form an important but only minority element of total operating profits</li> </ul>

<b>PEOPLE</b>		
Culture change	<ul style="list-style-type: none"> <li>• Reduced staff engagement</li> <li>• Negative impact on customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Culture embedded in the organisation over a long history</li> <li>• Branch structure with empowered local management</li> <li>• Quarterly staff survey with feedback acted upon</li> <li>• Regular staff events and incentives</li> </ul>
Poor leadership	<ul style="list-style-type: none"> <li>• Lack of strategic direction</li> <li>• Deteriorating vendor relationships</li> <li>• Reduced staff engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Succession planning process</li> <li>• Experienced and broad senior management team</li> </ul>

### **Going Concern**

The financial position of the Company, its cash flows, and liquidity position are described in the Chief Financial Officer's Review above.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

### **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 profit or loss and other comprehensive income**  
**For the year ended 31 July 2016**

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
	<i>Note</i>		
<b>Revenue</b>	3	<b>672,351</b>	<b>596,084</b>
Cost of sales		<u>(551,634)</u>	<u>(493,309)</u>
<b>Gross profit</b>		<b>120,717</b>	<b>102,775</b>
Administrative expenses		<u>(78,527)</u>	<u>(63,193)</u>
<b>Operating profit</b>		<b>42,190</b>	<b>39,582</b>
<b>Adjusted operating profit</b>		<b>46,751</b>	<b>40,586</b>
Exceptional items	4	(3,673)	(999)
Share – based payments charge		(888)	(5)
Finance income		<u>213</u>	<u>195</u>
<b>Profit before taxation</b>		<b>42,403</b>	<b>39,777</b>
Income tax expense	5	<u>(9,245)</u>	<u>(8,660)</u>
<b>Profit for the year attributable to owners of the Company</b>		<b>33,158</b>	<b>31,117</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>33,158</b>	<b>31,117</b>
Basic earnings per Ordinary Share (pence)	9	16.9p	16.3p
Diluted earnings per Ordinary Share (pence)	9	16.9p	16.0p
Adjusted basic earnings per Ordinary Share (pence)	9	19.2p	16.7p
Adjusted diluted earnings per Ordinary Share (pence)	9	<u>19.1p</u>	<u>16.5p</u>

All results are derived from continuing operations.

**Statement of Financial Position**  
**As at 31 July 2016**

		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Assets</b>	<b>Note</b>		
<b>Non-current assets</b>			
Property, plant and equipment		6,391	6,997
Intangible assets		667	458
Deferred tax asset		426	678
		<u>7,484</u>	<u>8,133</u>
<b>Total non-current assets</b>		<b>7,484</b>	<b>8,133</b>
<b>Current assets</b>			
Inventories		4,611	2,652
Trade and other receivables	7	132,787	121,952
Cash and cash equivalents		62,361	74,642
		<u>199,759</u>	<u>199,246</u>
<b>Total current assets</b>		<b>199,759</b>	<b>199,246</b>
<b>Total assets</b>		<b>207,243</b>	<b>207,379</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	(115,527)	(108,053)
Income tax payable		(4,352)	(3,510)
		<u>(119,879)</u>	<u>(111,563)</u>
<b>Total current liabilities</b>		<b>(119,879)</b>	<b>(111,563)</b>
<b>Net assets</b>		<b>87,364</b>	<b>95,816</b>
<b>Equity</b>			
Issued share capital		99	98
Share premium account		4,454	3,942
Other reserves		(3,531)	(3,994)
Retained earnings		86,342	95,770
		<u>87,364</u>	<u>95,816</u>
<b>Total equity</b>		<b>87,364</b>	<b>95,816</b>

**Statement of Changes in Equity**  
**For the year ended 31 July 2016**

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for own shares</u>	<u>Retained earnings</u>	<u>Total equity</u>
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>98</b>	<b>3,942</b>	<b>(3,994)</b>	<b>95,770</b>	<b>95,816</b>
Total comprehensive income for the year	-	-	-	33,158	33,158
Share-based payment transactions	-	-	-	572	572
Dividends paid	-	-	-	(43,453)	(43,453)
Shares issued in year	1	512	-	-	513
Tax adjustments	-	-	-	295	295
Own share movement during the year	-	-	463	-	463
<b>Balance at 31 July 2016</b>	<b>99</b>	<b>4,454</b>	<b>(3,531)</b>	<b>86,342</b>	<b>87,364</b>
<b>Balance at 1 August 2014</b>	<b>95</b>	<b>2,865</b>	<b>(1,469)</b>	<b>70,808</b>	<b>72,299</b>
Total comprehensive income for the year	-	-	-	31,117	31,117
Share-based payment transactions	-	-	-	5	5
Dividends paid	-	-	-	(7,298)	(7,298)
Shares issued in year	3	1,077	-	-	1,080
Tax adjustments	-	-	-	1,234	1,234
Own share movement during the year	-	-	(2,525)	(96)	(2,621)
<b>Balance at 31 July 2015</b>	<b>98</b>	<b>3,942</b>	<b>(3,994)</b>	<b>95,770</b>	<b>95,816</b>

**Statement of Cash Flows**  
**For the year ended 31 July 2016**

		<u>2016</u>	<u>2015</u>
		£'000	£'000
	<i>Note</i>		
<b>Net cash generated from operating activities</b>	10	<b>29,925</b>	<b>47,411</b>
<b>Cash flows from investing activities</b>			
Finance income		213	195
Purchase of property, plant and equipment		(1,190)	(2,217)
Purchase of intangible assets		(536)	(288)
Proceeds from asset disposals		11	4
<b>Net cash used in investing activities</b>		<b>(1,502)</b>	<b>(2,306)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		513	977
Deferred purchase share proceeds		1,773	676
Dividends paid	6	(43,453)	(7,311)
Own share transactions		463	(2,525)
<b>Net cash generated used in financing activities</b>		<b>(40,704)</b>	<b>(8,183)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(12,281)</b>	<b>36,922</b>
Cash and cash equivalents at beginning of year		74,642	37,720
<b>Cash and cash equivalents at end of year</b>		<b><u>62,361</u></b>	<b><u>74,642</u></b>

## Notes to the Financial Information

### 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 2016 or 2015 but is based on, and consistent with, that in the audited financial statements for the year ended 31 July 2016, 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 unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

### 2. Accounting policies

#### 2.1 Basis of preparation

Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

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

#### Going concern

For reasons noted above, the financial information has been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of signing the financial statements. At the date of approving the financial statements, the Directors are not aware of any circumstances that could lead to the Company being unable to settle commitments as they fall due during the twelve months from the date of signing these financial statements.

#### Changes to accounting standards

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

#### Accounting policies

The preliminary announcement for the year ended 31 July 2016 has been prepared in accordance with the accounting policies as disclosed in Softcat plc's Annual Report and Accounts 2015, as updated to take effect of any new accounting standards applicable for the year.

#### *Exceptional items*

Items which are material either because of their size or their nature, or which are non-recurring, are presented within administrative expenses on the face of the statement of comprehensive income. These costs related to the Company's Listing on the premium main market of the London Stock Exchange in November 2015.

#### *Share based payment charges*

The share based payment charge includes a fair value charge of £572,156 (FY15: £5,000) and a charge for employer's national insurance contributions of £315,794 (FY15: £nil), which become payable on exercise of share options and long term incentive awards.

#### *Adjusted operating profit*

In arriving at adjusted operating profit, both exceptional items and share based payment charges are removed in order to help present a more accurate picture of the Company's underlying performance.

### 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 and results and assets for this one reportable segment can be determined by reference to the statement of comprehensive income and statement of financial position. An analysis of revenues by product, which form one reportable segment, is set out below:

#### Revenue by type

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Software	319,978	287,469
Hardware	250,692	223,845
Services	101,681	84,770
	<u>672,351</u>	<u>596,084</u>

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

### 4. Exceptional items

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
IPO costs	3,673	999

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

## 5. Taxation

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current Tax</b>		
Current income tax charge in the year	9,179	8,970
Adjustment in respect of current income tax in previous years	(7)	(6)
<b>Deferred Tax</b>		
Temporary timing differences	73	(304)
<b>Total tax charge for the year</b>	<b>9,245</b>	<b>8,660</b>

## 6. Ordinary Dividends

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Declared and paid during the year, prior to IPO and share reorganisation:</b>		
Ordinary dividend on ordinary shares	36,765	6,622
Ordinary dividend on 'MR' shares	864	240
Ordinary dividend on 'A' ordinary shares	2,469	449
	<u>40,098</u>	<u>7,311</u>
<b>Declared and paid during the year, post IPO and share reorganisation:</b>		
Ordinary dividend on ordinary shares	3,355	-
	<u>43,453</u>	<u>7,311</u>
Adjustment in respect of prior year	-	(13)
	<u>43,453</u>	<u>7,298</u>

The dividends paid in the six months ended 31 January 2016 were paid prior to the reorganisation of share capital, see note 11, and therefore are shown as dividends split between the pre reorganisation share classes.

An interim dividend of 1.7p per share, amounting to a total dividend of £3.36m was paid on 29 April 2016 to those on the share register on 1 April 2016.

The Board recommends a final dividend of 3.6p per ordinary share and a special dividend of 14.2p per ordinary share to be paid on 16 December 2016 to all ordinary shareholders who were on the register of members at the close of business on 18 November 2016. Shareholders will be asked to approve the final and special dividends at the AGM on 8 December 2016.

7. Trade and other receivables

	<u>2016</u>	<u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Trade and other receivables	123,833	112,943
Provision against receivables	<u>(1,265)</u>	<u>(1,008)</u>
<b>Net trade receivables</b>	<b>122,568</b>	<b>111,935</b>
Called up share capital not paid	-	1,783
Other debtors	59	49
Prepayments	4,764	3,785
Accrued Income	<u>5,396</u>	<u>4,400</u>
	<b>132,787</b>	<b>121,952</b>

8. Trade and other payables

	<u>2016</u>	<u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Trade payables	67,759	71,213
Other taxes and social security	11,778	9,209
Accruals	24,000	23,361
Deferred Income	<u>11,990</u>	<u>4,270</u>
	<b>115,527</b>	<b>108,053</b>

## 9. Earnings per share

	<u>2016</u>	<u>2015</u>
	Pence	Pence
<b>Earnings per share</b>		
Basic	16.9	16.3
Diluted	16.9	16.0
<b>Adjusted earnings per share</b>		
Basic	19.2	16.7
Diluted	19.1	16.5

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

	<u>2016</u>	<u>2015</u>
	£'000	£'000
<b>Earnings</b>		
Earnings for the purposes of earnings per share being profit for the year	<u>33,158</u>	<u>31,117</u>
<b>Adjusted Earnings</b>		
Profit for the year	33,158	31,117
Exceptional costs	3,673	999
Share based payment charge	888	5
Tax effect of adjusting items	<u>(97)</u>	<u>(57)</u>
Earnings for the purposes of adjusted earnings per share	<u>37,622</u>	<u>32,064</u>

The weighted average number of shares is given below:

	<u>2016</u>	<u>2015</u>
	000's	000's
Number of shares used for basic earnings per share	196,040	191,540
Number of shares deemed to be issued at nil consideration following exercise of share options	696	3,228
<b>Number of shares used for diluted earnings per share</b>	<u>196,736</u>	<u>194,768</u>

10. Notes to the cash flow statement

	<u>2016</u>	<u>2015</u>
	£'000	£'000
<b>Cash flow from operating activities</b>		
Operating profit	42,190	39,582
Depreciation of property, plant and equipment	1,796	1,794
Amortisation of intangibles	327	353
(Profit)/loss on disposal of fixed assets	(9)	28
Cost of equity settled employee share schemes	572	5
<b>Operating cash flow before movements in working capital</b>	<u><b>44,876</b></u>	<u><b>41,762</b></u>
(Increase)/decrease in inventories	(1,961)	1,830
Increase in trade and other receivables	(12,608)	(22,425)
Increase in trade and other payables	7,474	33,563
	<u>(7,095)</u>	<u>12,968</u>
<b>Cash generated from operations</b>	<b>37,781</b>	<b>54,730</b>
Income taxes paid	<u>(7,856)</u>	<u>(7,319)</u>
<b>Net cash generated from operating activities</b>	<u><b>29,925</b></u>	<u><b>47,411</b></u>

## 11. Share capital

	<b>2015</b>
	<b>£'000</b>
<b>Authorised</b>	
<i>Pre reorganisation</i>	
Ordinary shares of 1p each	112
'MR' shares of 1p each	2
'A' ordinary shares of 1p each	6
	<hr/> 120

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

	<b>2015</b>
	<b>£'000</b>
<b>Allotted and called up</b>	
<i>Pre reorganisation</i>	
Ordinary shares of 1p each	90
'MR' shares of 1p each	2
'A' ordinary shares of 1p each	6
	<hr/> 98

	<b>2016</b>
	<b>£'000</b>
<i>Post reorganisation</i>	
Ordinary shares of 0.05p each	99
Deferred shares* of 0.01p each	-
	<hr/> 99

\*At 31 July 2016 deferred shares had an aggregate nominal value of £189.33

On 12 November 2015, pursuant to special resolutions of the Company and conditional upon admission to the official list of the FCA (which took place on 18 November 2015), it was resolved that:

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

No issued ordinary shares of 0.0005p each were unpaid at 31 July 2016 (2015: 5,060,000 unpaid).

## 12. **Post balance sheet events**

### *Dividend*

The Board recommends a final dividend of 3.6p per ordinary share and a special dividend of 14.2p per ordinary share to be paid on 16 December 2016 to all ordinary shareholders who were on the register of members at the close of business on 18 November 2016. Shareholders will be asked to approve the final and special dividends at the AGM on 8 December 2016.

## **Corporate Information**

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

### **Directors**

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

### **Secretary**

Capita Company Secretarial Services Limited  
40 Dukes Place  
London  
EC3A 7NH

### **Company registration number**

02174990

### **Registered office**

Solar House  
Fieldhouse Lane  
Marlow  
Buckinghamshire  
SL7 1LW

### **Auditor**

Ernst & Young LLP  
1 More London  
London  
SE1 2AF