17 March 2020

SOFTCAT plc

("Softcat", the "Company")

Half Year Results for the six months to 31 January 2020

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today publishes its half year results for the six months to 31 January 2020 ("the period"). The results reflect another period of strong profit growth and excellent cash generation.

Financial Summary	Six months ended 31 January 2020[4]	Six months ended 31 January 2019	Growth
	£m	£m	%
Revenue[1]	524.1	434.0	20.8
Gross invoiced income[2]	727.7	607.8	19.7
Gross profit	111.7	94.7	18.0
Operating profit	40.5	33.9	19.5
Cash conversion[3]	100%	103%	n/a
Interim dividend (p)	5.4p	4.5p	20.0
Earnings per share (p)	16.7p	13.9p	20.1
Diluted earnings per share (p)	16.6p	13.8p	20.3

Highlights for the six months to 31 January 2020

- Strong performance year on year with both income and profits growing 18% or more
- Cash and profit generation remain closely aligned, with cash conversion including capital expenditure at 100% for the period
- Strategic progress demonstrated by successful expansion of our customer base (+4.2%) coupled with growth in average gross profit per customer (+12.2%)
- Investment in people continues with headcount up by 12.6% year-on-year, reflecting recruitment across all areas of the business
- The Company retains its simple balance sheet philosophy with no external bank borrowings and a cash balance of £49.4m
- Interim dividend of 5.4p per share, up 20.0%, to be paid on 15 May 2020 with the shares trading ex-dividend on 2 April 2020.

[1] Revenue is reported under IFRS 15, the international accounting standard for revenue for both FY19 and FY20. IFRS 15 requires finely balanced judgements be made to determine whether Softcat acts as principal or agent in certain trading transactions. The judgement inherent in the application of IFRS 15, coupled with slight variations of business model between IT Solutions Providers, means the impact of IFRS 15 across the peer group is not uniform. Income prior to the IFRS 15 adjustment is referred to as gross invoiced income.

[2] Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items.

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

[4] IFRS 16 has been adopted from 1 August 2019 using the modified retrospective approach. The impact of this transition has had an immaterial impact on the results in the current period.

Graeme Watt, Softcat CEO, commented:

We are pleased with the strong performance in the first half as we continue to drive share gains in a healthy market. Our focus as always rests on the provision of IT infrastructure solutions to SMB, enterprise and public sector organisations and in the past six months we have continued to establish new customer relationships at the same time as deepening partnerships with existing customers. We continue to invest in the business to extend our capabilities, driven and informed by customer demand, and to ensure we have the resources to execute on our current and future growth plans.

During the period our customer base grew by 4.2% and we expanded average gross profit per customer by 12.2%, with GP per customer growing for both new and existing customers. In September we opened a new office in Birmingham which is already home to over 20 employees and is making good progress. Overall headcount grew by 12.6% year on year through investment across all areas of the business, and we were pleased to be ranked 5th on Glassdoor's list of best places to work in the UK.

IT Infrastructure is a complex field with a ton of options and rapidly changing technology. In this market, customers are turning to us for advice across a broad range of technology and services where we have established a strong bench of expertise and experience. What makes Softcat stand out is our culture, not least the high energy and positive attitude of our people. Our people are our biggest and most important positive differentiator. We try to foster an environment which creates the highest levels of motivation and the teamwork that results enables us to deliver outstanding levels of customer satisfaction. I am very pleased with the fantastic contribution of the whole team at Softcat in delivering and meeting the challenges of continued high growth and expansion.

For our shareholders I am pleased to be able to report a 20.0% increase in our interim dividend, in line with our progressive dividend policy.

Outlook

The second half has started well and to date we have not seen a material impact from the ongoing Covid-19 outbreak, although this does create uncertainty for the remainder of our financial year. Given the strength of our business model, lack of any bank debt and a strong cash position, we will continue to invest in our business and are confident in our ability to continue to build market share and drive profitable growth over the longer-term.

Analyst and Investor call

The management team will host an investor and analyst conference call at 9.30am UK time, on Tuesday, 17 March 2020. To participate in the conference call, please use the following access details:

Dial in Details:

UK Toll Free:	0800 376 7922
UK Local:	+44 (0)20 7192 8000
Conference ID:	8664875

A live webcast of the presentation will be available at: https://edge.media-server.com/mmc/p/xpwhw5o2
Please register approximately 10 minutes prior to the start of the call.

The announcement and presentation will be available at www.softcat.com from 7.00am and 9.00am respectfully.

Enquiries

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Forward-looking statements

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

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

Chief Executive Officer's Review

It's been another strong performance for Softcat in the first half of the year where we were able to deliver further growth across all customer segments and technologies.

Our key financial metrics of 18.0% gross profit growth, 19.5% operating profit growth and 99.9% cash conversion result from additional gains in market share whilst delivering shareholder value and providing a foundation for further reinvestment in growth.

We operate in a market which remains very fragmented and despite our leadership position we believe our share of that market to be just c.3%, based on some new market analysis we have conducted (more details of which are included in the CFO report). This gives us a significant opportunity to grow further by both expanding our wallet share with existing customers and winning new customers. We are as excited as ever by this opportunity and believe that our strategy and business momentum position us well. Our purpose statement – we help customers use technology to succeed by putting our employees first – was created during the period and captures the company ethos of making sure Softcat remains a great place to work so that our customers benefit from the high energy and engagement levels we are able to generate as a team.

The market is growing and the demand for cybersecurity, software, mobility, workspace solutions and cloud, to name just some, are all drivers of that growth. When we look at our growth by customer segment, technology type, vendor, and regional offices it is broad-based, indicating our business is well diversified and additionally we are making good progress in our newer offices in Dublin and, most recently, Birmingham. Our multi-national local entity network continues to make progress and we anticipate establishing a fifth entity in the Netherlands very soon. These investments are a key element of our growth strategy to support our enterprise customers, our fastest growing customer segment in the first half.

Our headcount growth in the first half was impressive as we increased our workforce by 12.6% year on year (and since the start of the financial year by 12%). We continue to seek new talent right across our business and huge thanks must go to our recruitment team. They are pivotal in ensuring the quality of our new joiners remains as high as ever to expand our offering and fully meet the growing needs of our customers. Further headcount growth is planned for the second half.

It is always satisfying to see the Company receive recognition for the achievements of our people and the partnerships they work so hard to foster, so we are delighted to report on some of our recent award wins which demonstrate a range of qualities and capabilities:

- CRN Public Sector reseller of the year
- Canalys – Growth partner of the year EMEA for the second year in a row
- Dell EMC – UK transformational partner of the year
- PLC Awards – Company of the year
- Ingram Micro – Charitable partner of the year
- CRN Sales and Marketing Awards – Best graduate / apprentice scheme
- Palo Alto – Customer acquisition partner of the year

In addition, and perhaps most notably, we were ranked 5th on Glassdoor's 2020 best places to work in the UK – this is recognition for creating the incredible team spirit that we believe is an essential element of our purpose. Well done to everyone in Softcat for making that happen.

We continue to monitor the negotiations between the UK and the EU on their future trading relationship. We are committed to investing in our business to ensure we maximise the opportunities and mitigate any risks arising from the eventual outcome of these negotiations.

We are also monitoring the potential impact of the Covid-19 outbreak globally. Like all organisations, we recognise the important role the Company has to play in response to such events and our first regard is for the health and safety of the Softcat team. We are closely following and communicating the guidance from the government to all of our employees. Our wider business continuity plans include the capability for our employees to work remotely and these have been reviewed over the past few weeks to ensure they're fit for purpose. To date we have only seen a very minor impact on our supply chain and will continue to monitor the situation closely.

Board Committee Composition

The Board has reviewed the composition of the Nomination Committee to further strengthen good governance and has unanimously agreed to appoint Vin Murria, Independent Non-executive Director, as Chair of the Nomination Committee with immediate effect. Following this appointment, the Nomination Committee comprises Vin Murria (Chair), Martin Hellawell, Robyn Perriss and Karen Slatford.

Chief Financial Officer's Review

Financial Summary	H1 FY20	H1 FY19	Growth
Revenue split			
Software	£252.9m	£200.9m	25.9%
Hardware	£218.8m	£195.0m	12.2%
Services	£52.4m	£38.1m	37.5%
Total Revenue	**£524.1m**	**£434.0m**	**20.8%**
Gross invoiced income split			
Software	£409.7m	£328.4m	24.8%
Hardware	£224.2m	£201.7m	11.2%
Services	£93.8m	£77.7m	20.7%
Total gross invoiced income	**£727.7m**	**£607.8m**	**19.7%**
Gross profit	£111.7m	£94.7m	18.0%
Operating profit	£40.5m	£33.9m	19.5%
OP:GP margin	36.2%	35.8%	0.4% pts
Cash conversion	99.9%	103.4%	(3.5%) pts

Gross profit, revenue and gross invoiced income

Gross profit grew by 18.0% to £111.7m, maintaining strong momentum from the previous financial year. The period contained no unusually large individual transactions or one-off impacts, so the growth is reflective of the strength of the market and the effectiveness of our strategy to continue to gain share.

Gross profit margin of 15.3% (2019: 15.6%), when measured against gross invoiced income (GII), was broadly in line with the prior period. This reflects a largely stable mix of income from across our three customer segments - SMB, enterprise and public sector – each of which grew GII in excess of 15% during the period. Revenue (GII netted down for IFRS 15 adjustments related to cloud-based software and certain other income streams) growth of 20.8% is slightly ahead of GP and GII growth. This differential predominantly relates to an increase in the proportion of internal professional services transacted and a change in mix of cloud hosted versus non-cloud hosted software sold.

GII mix by technology type was also relatively stable, with double-digit growth from each of datacentre & cloud, workplace and networking & security.

Customer Metrics	H1 FY20	H1 FY19	Growth
Customer base (rolling 12 month basis)	9.5k	9.1k	4.2%
Gross profit per customer (rolling 12 month basis)	£24.1k	£21.5k	12.2%

Customer KPIs have been updated to improve upon the insight they provide to the reader. The changes from previous definitions can be summarised as follows:

- For half year reporting, rather than include information on just the 6 month period, both the customer base and the GP per customer are calculated on a 12 month rolling basis. This better reflects the development of our business over a cycle more closely aligned to customer budget cycles
- Customer base is a new measure and differs from previously disclosed 'customer numbers', being defined as the number of customers who have transacted with Softcat in *both* of the preceding twelve-month periods. Customer numbers was previously defined simply as the number of unique entities transacting with Softcat during the reporting period.

Calculating customer KPIs on a 12-month rolling basis provides better insight to the number and value of substantive customer relationships developed by our account managers, and excludes short-term, potentially transient interactions with customers which may never develop into a meaningful long-term relationship. Transient interactions are a characteristic of both our model and the highly fragmented and competitive market in which we operate. Whilst the GP per customer calculation does include gross profit derived from newer relationships as well, in both the current and prior periods 94% of gross profit was derived from the customer base.

During the period, the customer base expanded by 4.2% to 9.5k (H1 2019: 9.1k), and gross profit per customer grew by 12.2% to an annualised £24.1k (H1 2019: £21.5k). The combination of these effects has driven the gross profit growth of 18.0% seen during the period, and our strategy remains focussed on growing both of these metrics over the long term.

In addition to the refresh of our customer KPIs, we have also carried out new analysis on the size and make-up of our addressable market in the UK. Using a combination of Company calculations and Gartner research we estimate that our addressable UK market is worth c.£46bn annually. On that basis, our share of that market stands at around 3% and our average share of wallet of our customer base is c.15%. As a result, we believe that the addressable opportunity is significant and that our tried and tested strategy, including continuous investment in new capabilities and scale, can continue to deliver long-term sustainable income and profit growth.

<u>Operating profit</u>

Operating profit of £40.5m (H1 2019: £33.9m) grew by 19.5%, reflecting the expansion of gross profit. As a result, our key measure of operating efficiency, the ratio of operating profit to gross profit, was broadly stable at 36.2% (H1 2019: 35.8%).

<u>Corporation tax charge</u>

The interim tax charge of £7.5m reflects an effective tax rate (ETR) of 18.5% (2019: 19.2%). The ETR varied from the statutory rate in both periods due to the impact of non-deductible expenses. The effective statutory rate of 18.3% (2019: 19%) is a blended tax rate being 19% for the 8 months to 31 March 2020 and 17% for the 4 months to 31 July 2020, in line with government legislation at the balance sheet date.

<u>Cash flow and cash conversion</u>

The Company entered the year with a cash balance of £79.3m and paid an aggregate final and special dividend of £52.3m on 13 December 2019. The Company has no external bank borrowings and closed the period with a cash balance of £49.4m.

Operating cash flow after capital expenditure was strong during the reporting period at £40.4m, representing a conversion rate of 99.9% of operating profit, in line with historic performance and slightly ahead of the Company target for the year.

The Company continues to target sustainable full year operating cash conversion (after capital expenditure) in the range of 90-95% of operating profits, although full year outcome in 2020 is expected to be slightly below this due to capital expenditure on implementation of the new finance system and major refit and expansion of the Marlow and Manchester offices.

Dividend

The Board is pleased to declare an interim dividend of 5.4p per share (2019: 4.5p), amounting in total to £10.7m. The interim dividend will be payable on 15 May 2020 to shareholders on the register at the close of business on 3 April 2020. Shares in the Company will be quoted ex dividend on 2 April 2020. The dividend reinvestment plan ("DRIP") election date is 24 April 2020.

Principal Risks and Uncertainties

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

In assessing the Company's likely financial performance for the second half of the current financial year, these risks and uncertainties should be considered in addition to the matters referred to regarding seasonality in note 15 to the Condensed Interim Financial Statements, and the comments made under the heading "outlook" in the Chief Executive's Review.

Risk	Potential impacts	Management & mitigation
BUSINESS STRATEGY		
Customer dissatisfaction	• Reputational damage • Loss of competitive advantage	• Graduate training programme • Ongoing vendor training for sales staff • Annual customer survey with detailed follow-up on negative responses • Process for escalating cases of dissatisfaction to MD & CEO
Failure to evolve our technology offering with changing customer needs	• Loss of customers • Reduced profit per customer	• Processes in place to act on customer feedback about new technologies • Training and development programme for all technical staff • Regular business reviews with all vendors • Sales specialist teams aligned to emerging technologies to support general account managers • Regular specialist and service offering reviews with senior management
OPERATIONAL		
Cyber and data security, including GDPR compliance	• Inability to deliver customer services • Reputational damage • Financial loss	• Company-wide information security policy • Appropriate induction and training procedures for all staff • External penetration testing programme undertaken • ISO 27001 accreditation • In-house technical expertise
Business interruption, including the Covid-19 outbreak	• Customer dissatisfaction • Business interruption • Reputational damage • Financial loss	• Operation of back-up operations centre and data centre platforms • Established processes to deal with incident management, change control, etc. • Continued investment in operations centre management and other resources • Ongoing upgrades to network • Regular testing of disaster recovery and business continuity plans

Macro-economic factors including Brexit and the Covid-19 outbreak	• Short term supply chain disruption • Reduced margins • Reduced customer demand • Reduced profit per customer	• Close dialogue with supply chain partners to ensure all potential Brexit scenarios are planned for • Customer-centric culture • Breadth of proposition and customer base
FINANCIAL		
Profit margin pressure including rebates	• Reduced margins	• Ongoing training to sales and operations team to keep pace with new vendor programmes • Rebate programmes are industry standard and not specific to the Company • Rebates form an important but only minority element of total operating profits
PEOPLE		
Culture change	• Reduced staff engagement • Negative impact on customer service	• Culture embedded in the organisation over a long history • Branch structure with empowered local management • Quarterly staff survey with feedback acted upon • Regular staff events and incentives
Poor leadership	• Lack of strategic direction • Deteriorating vendor relationships • Reduced staff engagement	• Succession planning process • Experienced and broad senior management team

These risks and uncertainties have not changed significantly since 31 July 2019. The Company continues to monitor the impact of Covid-19, as discussed within the Chief Executive's review, above. Further information on the risks can be found on pages 26 to 29 of Softcat's 2019 Annual Report and Accounts, which is available at https://www.softcat.com/investors/results-centre

Going Concern

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

Cautionary Statement

This report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. The Interim Management Report should not be relied on by any other party or for any other purpose.

In making this report, the Company is not seeking to encourage any investor to either buy or sell shares in the Company. Any investor in any doubt about what action to take is recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- the unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of relates parties' transactions and changes therein).

Neither the Company nor the Directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Graeme Watt	Graham Charlton
Chief Executive Officer	Chief Financial Officer
16 March 2020	16 March 2020

Condensed Statement of profit or loss and other comprehensive income
For the six months ended 31 January 2020

	Note	Six months ended 31 January 2020 Unaudited £'000	Six months ended 31 January 2019 Unaudited £'000	Year ended 31 July 2019 Audited £'000
Revenue	3	**524,148**	**433,970**	**991,849**
Cost of sales		(412,476)	(339,298)	(780,706)
Gross profit		**111,672**	**94,672**	**211,143**
Administrative expenses		(71,194)	(60,818)	(126,657)
Operating profit		**40,478**	**33,854**	**84,486**
Finance income		154	110	333
Finance cost	6	(109)	-	-
Profit before taxation		**40,523**	**33,964**	**84,819**
Income tax expense	4	(7,487)	(6,514)	(16,358)
Profit and total comprehensive income for the period		**33,036**	**27,450**	**68,461**
Profit attributable to:				
Owners of the Company		**33,036**	**27,450**	**68,461**
Basic earnings per Ordinary Share (pence)	10	16.7	13.9	34.6
Diluted earnings per Ordinary Share (pence)	10	16.6	13.8	34.4

All results are derived from continuing operations.

Condensed Statement of Financial Position
As at 31 January 2020

	Note	31 January 2020 Unaudited £'000	31 January 2019 Unaudited £'000	31 July 2019 Audited £'000
Non-current assets				
Property, plant and equipment		6,585	5,488	5,761
Right-of-use assets	*6*	6,145	-	-
Intangible assets		701	346	240
Deferred tax asset		2,759	1,563	2,485
		16,190	7,397	8,486
Current assets				
Inventories		16,381	35,001	11,084
Trade and other receivables	*7*	284,166	240,805	285,307
Cash and cash equivalents		49,433	52,774	79,263
Income tax receivable		2,186	-	-
		352,166	328,580	375,654
Total assets		368,356	335,977	384,140
Current liabilities				
Trade and other payables	*8*	(262,547)	(247,506)	(259,633)
Income tax payable		-	(6,524)	(9,115)
Lease liabilities		(2,338)	-	-
		(264,885)	(254,030)	(268,748)
Non-current liabilities				
Lease liabilities	6	(5,254)	-	-
Net assets		98,217	81,947	115,392
Equity				
Issued share capital	*12*	99	99	99
Share premium account		4,979	4,979	4,979
Reserves for own shares		-	-	-
Retained earnings		93,139	76,869	110,314
Total equity		98,217	81,947	115,392

Condensed Statement of Changes in Equity

	Share capital	Share premium	Reserves for own shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2019	**99**	**4,979**	**-**	**110,314**	**115,392**
Effect of adoption of IFRS 16	-	-	-	(179)	(179)
Balance at 1 August 2019 (adjusted)	**99**	**4,979**	**-**	**110,135**	**115,213**
Total comprehensive income for the period	-	-	-	33,036	33,036
Share-based payment transactions	-	-	-	971	971
Dividends paid	-	-	-	(52,338)	(52,338)
Dividend equivalents paid	-	-	-	(259)	(259)
Tax adjustments	-	-	-	1,594	1,594
Balance at 31 January 2020	**99**	**4,979**	**-**	**93,139**	**98,217**
Balance at 1 August 2018	**99**	**4,979**	**-**	**95,738**	**100,816**
Total comprehensive income for the period	-	-	-	27,450	27,450
Share-based payment transactions	-	-	-	898	898
Dividends paid	-	-	-	(47,310)	(47,310)
Dividend equivalents paid	-	-	-	(287)	(287)
Tax adjustments	-	-	-	380	380
Balance at 31 January 2019	**99**	**4,979**	**-**	**76,869**	**81,947**

Condensed Statement of Cash Flows
For the six months ended 31 January 2020

	Note	Six months ended 31 January 2020 Unaudited £'000	Six months ended 31 January 2019 Unaudited £'000	Year ended 31 July 2019 Audited £'000
Net cash generated from operating activities	*11*	**24,962**	**28,463**	**64,659**
Investing activities				
Finance income		154	110	333
Purchase of property, plant and equipment		(1,484)	(1,175)	(2,168)
Purchase of intangible assets		(530)	(145)	(161)
Net cash used in investing activities		**(1,860)**	**(1,210)**	**(1,996)**
Financing activities				
Issue of share capital		-	-	-
Dividends paid	*5*	(52,338)	(47,310)	(56,231)
Payment of principal portion of lease liabilities		(485)	-	-
Payment of interest portion of lease liabilities		(109)	-	-
Net cash used in financing activities		**(52,932)**	**(47,310)**	**(56,231)**
Net decrease in cash and cash equivalents		**(29,830)**	**(20,057)**	**6,432**
Cash and cash equivalents at beginning of period		79,263	72,831	72,831
Cash and cash equivalents at end of period		**49,433**	**52,774**	**79,263**

Notes to the Financial Information

1. General information

The Directors of Softcat plc (the "Company") present their Interim Report and the unaudited Condensed Interim Financial Statements for the six months ended 31 January 2020 ("Condensed Interim Financial Statements").

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

The Condensed Interim Financial Statements have been reviewed, but not audited, by Ernst & Young LLP and were approved by the Board of Directors on 16 March 2020. The financial information contained in this report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Condensed Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 July 2019, which were prepared in accordance with European Union endorsed International Financial Reporting Standards ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for the year ended 31 July 2019 were approved by the Board of Directors on 23 October 2019 and delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation

These Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The Condensed Interim Financial Statements are presented in Pounds Sterling, rounded to the nearest thousand ('£'000'), unless otherwise stated. They were prepared under the historical cost convention.

The accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those applied in the preparation of the Company's Financial Statements for the year ended 31 July 2019 except where the Company has made changes in respect of IFRS 16 discussed below.

Going concern

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

Critical accounting judgements and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make several key judgements involving estimates and assumptions concerning the future. Key judgements management have made are those which have the most significant effect on the amounts recognised in the financial statements. Key sources of estimation uncertainty are those assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key judgements and sources of estimation uncertainty reported in the financial statements for the year ended 31 July 2019 are still relevant. Following the adoption of IFRS 16, discussed below, the following additional significant judgements are applicable:

Judgements

Determining the lease term of contracts with renewal and termination options
Softcat determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Softcat has several property leases that include termination options and Softcat applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, that Softcat considers all relevant factors that create an economic incentive to exercise either the renewal or termination option. Factors in considering extension or termination options include, but are not limited to, capacity constraints and growth plans, budgets and forecasts, trading relationships as well as current state of property. After the commencement date, Softcat reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not exercise the relevant option available.

Changes to accounting standards

Softcat has adopted the following standards and amendments for the first time in the year commencing 1 August 2019:

IFRS 16 Leases

Softcat applies IFRS 16 Leases for the first time for the period ended 31 January 2020, commencing 1 August 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Softcat adopted IFRS 16 using the modified retrospective approach, with an initial date of application of 1 August 2019. Though lessor accounting is substantially unchanged under IFRS 16, Softcat is not a lessor in any arrangements and therefore no impact noted. Softcat is a lessee under IFRS 16 and has measured the right-of-use assets at the amount as if the standard applied from the commencement date but discounted using the incremental borrowing rate (IBR) at the transition date. Softcat elected to use the transition practical expedient to not reassess if a contract is, or contains, a lease at 1 August 2019. Instead, Softcat applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Softcat have elected to use the recognition exemptions for short term and low value assets as stated in the lease accounting policy. Softcat has also taken the expedient under IFRS 16 to use a single discount rate to a portfolio of leases with reasonably similar characteristics.

A summary of the effects of adopting IFRS 16 Leases as at 1 August 2019 is, as follows:

	Property leases £'000
Right-of-use asset	7,024
Lease liability	(8,077)
Accruals brought forward de-recognised	874
Retained earnings brought forward	179

Upon adoption of IFRS 16, the following changes have been made:

- Right-of-use assets of £7,024,436 were recognised upon transition and presented separately in the notes to the statement of financial position.

- Lease liabilities of £8,076,564 were recognised on transition and presented in the statement of financial position.
- The net effect of these transition entries to the right-of-use asset and lease liability adjusted to opening retained earnings is a debit of £1,052,128.
- Accruals of £873,612 related to previous operating leases were derecognised.
- The overall net effect of all transition entries to opening reserves is a debit of £178,516 and the associated impact on deferred tax is immaterial.

For the period ended 31 January 2020:

- Depreciation expense increased because of the depreciation of right-of-use assets recognised. This resulted in additional depreciation of £879,595 for the 6 months ended 31 January 2020.
- If IAS 17 had continued to apply rent expense included in administrative expenses, relating to previous operating leases would have been £1,113,399.
- The net effect to administrative expenses for the 6 months ended 31 January 2020 was a reduction of £233,803.
- Finance costs increased by £109,034 relating to the interest expense on lease liabilities.

Accordingly, the Company has modified its accounting policies and methods as follows:

Leases

i) Right of use assets

Softcat recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property lease assets – 3 - 10 years

The right-of-use assets are also subject to impairment reviews.

ii) Lease liabilities

At the commencement date of the lease, Softcat recognises lease liabilities measured at the present value of lease payments to be made over the lease term adjusted for any termination options. The lease payments include fixed payments, less variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Payments to be made under the reasonably certain extension option are also included.

In calculating the present value of the lease payments, Softcat uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, and change in the lease term, a change in the lease payments from a change in index or rate, or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low value assets

Softcat will apply the short-term lease recognition exemption to any short-term leases it may enter in to (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Softcat also applies the lease of low-value assets recognition exemption to leases that are considered to be low value and under

£5,000. Lease payments on low-value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

IFRIC 23 Uncertainty over income tax treatment

Softcat applies IFRIC 23 Uncertainty over income tax treatment for the first time for the period ended 31 January 2020. IFRIC 23 requires an entity to assess whether it is probable a taxation authority will accept an uncertain tax treatment.

Softcat applies judgement in identifying uncertainties over income tax treatments and has assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, Softcat considered whether it has any uncertain tax positions and determined that it is highly probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the interim statements.

3. Segmental information

The information reported to the Company's Chief Executive Officer, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Company. The Company has therefore determined that it has only one reportable segment under IFRS 8, which is that of "value-added IT reseller and IT infrastructure solutions provider". The Company's revenue, results and assets for this one reportable segment can be determined by reference to the statement of comprehensive income and statement of financial position. An analysis of revenues by product, which form one reportable segment, is set out below:

	Six months ended 31 January		Year ended
			31 July
	2020	2019	2019
	£'000	£'000	£'000
Revenue by type			
Software	252,927	200,930	476,461
Hardware	218,856	194,970	430,933
Services	52,365	38,070	84,455
	524,148	**433,970**	**991,849**
Gross invoiced income by type			
Software	409,675	328,355	788,903
Hardware	224,222	201,719	452,971
Services	93,825	77,682	172,190
	727,722	**607,756**	**1,414,064**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. Softcat reports gross invoiced income as an alternative financial KPI as this measure allows a better understanding of business performance and position. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

Reconciliation of gross invoiced income to revenue

	Six months ended 31 January		Year ended
			31 July
	2020	2019	2019
	£'000	£'000	£'000
Gross invoiced income	727,722	607,756	1,414,064
Income recognised as agent under IFRS15	(203,574)	(173,786)	(422,215)
Revenue	**524,148**	**433,970**	**991,849**

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

4. **Taxation**

	Six months ended 31 January		Year ended 31 July
	2020	2019	2020
	£'000	£'000	£'000
Current Tax			
Current period	6,785	6,514	16,801
Adjustment in respect of current income tax in previous years.	-	-	10
Deferred Tax			
Temporary differences	702	-	(453)
Total tax charge for the period	**7,487**	**6,514**	**16,358**

The income tax expense was recognised based on management's best estimate of the annual income tax rate expected for the full financial year, applied to the profit before tax for the half year ended 31 January 2020. On this basis, the Company's tax charge was £7.5m (H1 2019: £6.5m). The applicable blended statutory tax rate for the full year is 18.3% (H1 2019: 19.0%) which represents 8 months at 19% and 4 months at 17%. Following adjusting items which relate to client entertaining and non-qualifying depreciation, the effective tax rate is 18.5% (H1 2019: 19.2%).

5. **Dividends**

	Six months ended 31 January		Year ended 31 July
	2020	2019	2019
	£'000	£'000	£'000
Declared and paid during the period			
Interim dividend	-	-	8,921
Final dividend	20,618	17,419	17,419
Special dividend	31,720	29,891	29,891
	52,338	**47,310**	**56,231**

An interim dividend of 5.4p per share, amounting to a total dividend of £10.7m, was declared post period end and is to be paid on 15 May 2020 to those on the share register on 3 April 2020.

6. **Right-of-use assets and lease liabilities**

Leases - as a lessee

Softcat has lease contracts for various properties and offices across the country used for its operations. Property leases generally have lease terms of between 3 and 10 years. A number of these contracts include extension and termination options which are discussed below.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the period:

	Property leases £'000
As at 1 August 2019	7,024
Additions	-
Depreciation	(879)
As at 31 January 2020	6,145

The weighted average incremental borrowing rate as used for the period is 2.7%.

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

	Property leases £'000
As at 1 August 2019	8,077
Additions	-
Accretion of interest	109
Payments	(594)
As at 31 January 2020	7,592

The table below summarises the maturity profile of Softcat's financial liabilities based on contractual undiscounted payments:

As at 31 January 2020	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Lease liabilities	2,320	2,250	3,509	-	8,079
	2,320	**2,250**	**3,509**	**-**	**8,079**

Softcat had no variable leases expenses or income from sub-leases charged to the statement of profit or loss and other comprehensive income, nor any sale and leaseback transactions.

Softcat has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio to align to business needs. Management exercise significant judgement in determining whether these options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in lease term:

As at 31 January 2020	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	1,587	4,277	5,864
	1,587	**4,277**	**5,864**

Reconciliation of opening lease commitments under IAS 17 to opening lease liability under IFRS 16:

	Property leases £'000
Operating lease commitment as at 31 July 2019 under IAS 17	7,997
Weighted average incremental borrowing rate as at 1 August 2019	2.70%
Discounted operating lease commitments as at 1 August 2019	7,395
Lease payments and commitments relating to renewal periods not included in operating lease commitments as at 1 August 2019	682
Opening lease liability as at 1 August 2019 under IFRS 16	8,077

7. Trade and other receivables

	Six months ended 31 January 2020	2019	Year ended 31 July 2019
	£'000	£'000	£'000
Trade receivables	259,142	222,953	260,272
Allowance for expected credit losses	(2,171)	(2,030)	(2,199)
Net trade receivables	**256,971**	**220,923**	**258,073**
Unbilled receivables	6,236	2,609	1,939
Prepayments	4,401	3,603	4,361
Accrued income	9,451	8,871	12,013
Deferred costs	7,107	4,799	8,921
	284,166	**240,805**	**285,307**

8. Trade and other payables

	Six months ended 31 January 2020	2019	Year ended 31 July 2019
	£'000	£'000	£'000
Trade payables	188,322	164,489	185,384
Other taxes and social security	16,167	13,049	17,328
Accruals	47,653	40,001	41,756
Deferred Income	10,405	29,967	15,165
	262,547	**247,506**	**259,633**

9. **Financial instruments**

The Company's principal financial liabilities comprise trade and other payables including lease liabilities. The primary purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables and cash that derive directly from its operations.

	Six months ended 31 January		Year ended
	2020	2019	31 July 2019*
	£'000	£'000	£'000
Financial assets			
The financial assets of the Company were as follows:			
Cash at bank and in hand	49,433	52,774	79,263
Trade receivables, other debtors and accrued income	272,658	232,403	272,025
	322,091	**285,177**	**351,288**
Financial liabilities			
The financial liabilities of the Company were as follows:			
Trade payables	(188,322)	(164,489)	(185,384)
Accruals	(47,653)	(40,001)	(41,756)
Lease liabilities	(7,592)	-	-
	(243,567)	**(204,490)**	**(227,140)**

*The full year 2019 trade and other receivables balance has been restated to exclude deferred costs amounting to £8.9m.

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

10. **Earnings per share**

	Six months ended 31 January		Year ended
	2020	2019	31 July 2019
	Pence	Pence	Pence
Earnings per share			
Basic	16.7	13.9	34.6
Diluted	16.6	13.8	34.4

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

	Six months ended 31 January		Year ended
	2020	2019	31 July 2019
	£'000	£'000	£'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	33,036	27,450	68,461

The weighted average number of shares is given below:

	Six months ended 31 January 2020	Six months ended 31 January 2019	Year ended 31 July 2019
	000's	000's	000's
Number of shares used for basic earnings per share	197,957	197,523	197,643
Number of shares deemed to be issued at nil consideration following exercise of share options	1,091	1,255	1,209
Number of shares used for diluted earnings per share	**199,048**	**198,778**	**198,852**

11. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 31 January 2020	Six months ended 31 January 2019	Year ended 31 July 2019
	£'000	£'000	£'000
Operating profit	40,478	33,854	84,486
Depreciation of property, plant and equipment	1,539	646	1,275
Amortisation of intangibles	69	121	245
Loss on disposal of fixed assets	-	77	188
Dividend equivalents paid	(259)	(287)	(287)
Cost of equity-settled employee share schemes	971	898	1,732
Operating cash flow before movements in working capital	**42,798**	**35,309**	**87,639**
Increase in inventories	(5,296)	(26,370)	(2,453)
Decrease/(Increase) in trade and other receivables	1,141	(34,848)	(79,350)
Increase in trade and other payables	3,789	62,241	74,369
Cash generated from operations	**42,432**	**36,332**	**80,205**
Income taxes paid	(17,470)	(7,869)	(15,546)
Net cash generated from operating activities	**24,962**	**28,463**	**64,659**

12. Share capital

	Six months ended 31 January 2020	Six months ended 31 January 2019	Year ended 31 July 2019
	£'000	£'000	£'000
Ordinary shares of 0.05p each	99	99	99
Deferred shares of 1p each	-	-	-
	99	**99**	**99**

13. **Related party transactions**

Dividends to Directors

The following Directors, who served as Directors for either the whole or part of the interim period, were paid the following dividends:

	Six months ended 31 January		Year ended 31 July
	2020	2019	2019
	£'000	£'000	£'000
M Hellawell	1,691	2,335	2,623
G Watt	-	-	-
G Charlton	16	-	3
R Perriss	-	-	-
L Ginsberg (resigned on 30 June 2019)	-	5	6
V Murria	78	71	84
P Ventress	8	12	13
K Slatford	-	-	-
	1,793	2,423	2,729

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

14. **Post balance sheet events**

Dividend

An interim dividend of 5.4p per share, amounting to a total dividend of £10.7m was declared post period end and is to be paid on 15 May 2020 to those on the share register on 3 April 2020.

15. **Seasonality of operations**

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

INDEPENDENT REVIEW REPORT TO SOFTCAT PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended January 31 2020, which comprises the condensed statement of financial position as at January 31 2020 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended and explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
1 More London Riverside, London
SE1 2AF
16 March 2020

Corporate Information

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

Directors
M Hellawell
G Watt
G Charlton
R Perriss
V Murria
K Slatford

Secretary
L Thomas

Company registration number
02174990

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