

Company Registration No 2174990 (England and Wales)

SOFTCAT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006



Faulkner House
Victoria Street
St Albans
AL1 3SE

Rayner Essex
Chartered Accountants

SOFTCAT LIMITED

COMPANY INFORMATION

Directors

P D J Kelly
W J Kenny
D Fawell
D E Simpson
J A S Nash
J J Paish
M J Hellowell (Appointed 24 March 2006)

Secretary

W J Kenny

Company number

2174990

Registered office

Morton House
Thames Valley Industrial Park
Marlow
Bucks
SL7 1TB

Auditors

Rayner Essex
Faulkner House
Victoria Street
St Albans
AL1 3SE

SOFTCAT LIMITED

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SOFTCAT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2006

The directors present their report and financial statements for the year ended 31 July 2006

Principal activities and review of the business

The principal activity of the company continued to be that of value added IT reseller to the corporate market

Softcat Limited provides IT procurement services to the SMB market, sales being predominately within the UK

The directors are pleased to report another very successful year for 2006

Turnover

Turnover for the year under review amounted to £67.3 million. This represents an 18% increase over the same period to 31 July 2005. This was broadly in line with expectations (£67.9 million) with each of the four sales divisions (Software, Hardware, Security and IT Services) all performing well, with particularly strong growth noted in Security and IT Services divisions.

Operating profit

Operating profit increased by 45% from £1.1 million in 2005 to £1.66 million in 2006. This exceeded budget (£1.47 million) and was achieved by the strong growth in the higher margin divisions of Security and IT Services.

Profit before tax

Profit before tax increased by 43% to £1.73 million, representing 2.6% of turnover (2005: 2.1%).

During 2006, Softcat Limited made two key management appointments. In February 2006, Martin Hellawell was appointed Managing Director and in May 2006, the company announced an internal promotion, appointing David Ridgway to Sales Director.

The company is positive about the forthcoming year, building on the results of the current year and the successful appointment of the two new directors to the board.

The directors use a number of measures, both financial and non-financial by which to monitor and benchmark performance. As well as the key financial indicators mentioned above, they also regard the following as important:

Staff numbers and recruitment

Staff retention rates are monitored and the company continues to focus on graduate recruitment. During the year, average staff numbers fell from 127 to 125. However, post year end staff numbers have increased to 151.

Debtor days

Debtor days are regularly monitored. As at 31 July 2006, debtor days were 46 (2005: 43).

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

Principal activities and review of the business (continued)

Customer satisfaction

The company constantly requests feedback from its customers on service levels and overall customer satisfaction. Below is a brief summary of the results of the latest survey of 550 customers.

Very satisfied	400	72.7%
Satisfied	140	25.5%
Dissatisfied	2	0.4%
Very dissatisfied	1	0.2%
Blank	7	1.3%
Total	550	100.0%

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 August 2005.

P D J Kelly
W J Kenny
D Fawell
D E Simpson
J A S Nash
J J Paish
M J Hellawell

(Appointed 24 March 2006)

Directors' interests

The directors' interests in the shares of the company were as stated below.

	'MR' shares of 1p each		Ordinary shares of 1p each	
	31 July 2006	1 August 2005	31 July 2006	1 August 2005
P D J Kelly	188,500	188,500	4,356,955	4,356,955
W J Kenny	-	-	312,691	312,691
D Fawell	-	-	312,691	312,691
D E Simpson	-	-	312,691	312,691
J A S Nash	-	-	1,170,191	1,170,191
J J Paish	-	-	-	-
M J Hellawell	-	-	-	-

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

Directors' interests in share options

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors

At the balance sheet date the directors had interests in the following share options -

	Options held as at 1 August 2005	Options granted during year	Options exercised during year	Options held as at 31 July 2006	Exercise price (pence)	Date from which exercisable	Expiry date
W J Kenny							
EMISOS (i)	5,452	-	-	5,452	47	May 2005	April 2013
EMISOS (i)	5,594	-	-	5,594	220	July 2007	June 2015
EMISOS (i)	-	6,374	-	6,374	120	June 2008	May 2016
D Fawell							
EMISOS (i)	5,291	-	-	5,291	47	May 2005	April 2013
EMISOS (i)	5,433	-	-	5,433	220	July 2007	June 2015
EMISOS (i)	-	6,587	-	6,587	120	June 2008	May 2016
D E Simpson							
EMISOS (i)	5,284	-	-	5,284	47	May 2005	April 2013
EMISOS (i)	5,426	-	-	5,426	220	July 2007	June 2015
EMISOS (i)	-	6,587	-	6,587	120	June 2008	May 2016
J J Paish							
EMISOS (i)	18,487	-	-	18,487	47	May 2005	April 2013
EMISOS (i)	38,800	-	-	38,800	220	July 2007	June 2015
EMISOS (i)	-	7,012	-	7,012	120	June 2008	May 2016
M J Hellawell							
EMISOS (i)	-	74,074	-	74,074	135	Aug 2007	Jan 2016
Other options (ii)	-	128,565	-	128,565	135	Aug 2007	Jan 2016
	89,767	229,199	-	318,966			

(i) Enterprise Management Incentive Share Option Scheme (EMISOS)

Options were granted to the directors under the terms of the EMISOS on 1 May 2003, 9 September 2004, 1 February and 23 June 2006

(ii) Shares were issued in an unapproved share option scheme on 1 February 2006

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

Charitable donations	2006 £	2005 £
During the year the company made the following payments		
Charitable donations	1,876	485

Financial risk management

The company uses financial instruments comprising bank overdrafts and cash, together with various items such as trade debtors and trade creditors that arise directly from its operations

The main risks arising from the financial instruments are credit risk, interest rate risk and liquidity risk. The company reviews and agrees policies for managing these risks as detailed below

Credit risk

The company credit checks all new accounts before shipping goods, consistently reviews all debtors to ensure they do not fall outside the agreed terms, insures all debts through a reputable credit insurer

Interest rate risk

The company finances its operations through bank overdrafts. The company accepts the risk attached to interest rate fluctuations as interest remains a low proportion of operating profits

Liquidity risk

Bank balances are structured so as to enable cash to be available when required. Most are in instant access accounts. Excess facilities are also in place and readily available for future use. No transactions in derivatives are undertaken

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Rayner Essex be reappointed as auditors of the company will be put to the Annual General Meeting

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

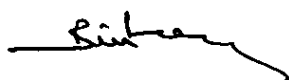
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



W J Kenny

Director

17/5/07

SOFTCAT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOFTCAT LIMITED

We have audited the financial statements of Softcat Limited for the year ended 31 July 2006 set out on pages 8 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SOFTCAT LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SOFTCAT LIMITED

Opinion

In our opinion the financial statements

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended ,
- the information given in the directors' report is consistent with the financial statements, and
- have been properly prepared in accordance with the Companies Act 1985

Rayner Essex

22/5/07

Chartered Accountants
Registered Auditor

Faulkner House
Victoria Street
St Albans
AL1 3SE

SOFTCAT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2006

		2006 £	2005 £
	Notes		
Turnover	2	67,277,880	57,104,958
Cost of sales		(56,419,194)	(48,542,505)
Gross profit		10,858,686	8,562,453
Administrative expenses		(9,202,610)	(7,415,324)
Operating profit	3	1,656,076	1,147,129
Other interest receivable and similar income	4	76,939	82,200
Interest payable and similar charges	5	(30,599)	(15,901)
Profit on ordinary activities before taxation		1,702,416	1,213,428
Tax on profit on ordinary activities	6	(550,824)	(394,277)
Profit for the year	15	1,151,592	819,151

The profit and loss account has been prepared on the basis that all operations are continuing operations

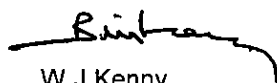
There are no recognised gains and losses other than those passing through the profit and loss account

SOFTCAT LIMITED

BALANCE SHEET AS AT 31 JULY 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	7	393,904		612,972	
Investments	8	67,757		67,757	
		<u>461,661</u>		<u>680,729</u>	
Current assets					
Stocks	9	171,166		250,696	
Debtors	10	15,766,052		13,646,055	
Cash at bank and in hand		2,326		2,052,517	
		<u>15,939,544</u>		<u>15,949,268</u>	
Creditors' amounts falling due within one year	11	(12,100,166)		(13,451,715)	
Net current assets		<u>3,839,378</u>		<u>2,497,553</u>	
Total assets less current liabilities		<u>4,301,039</u>		<u>3,178,282</u>	
Provisions for liabilities	12	-		(29,442)	
		<u>4,301,039</u>		<u>3,148,840</u>	
Capital and reserves					
Called up share capital	14	61,050		61,037	
Share premium account	15	57,393		56,799	
Other reserves	15	(2,412,106)		(2,412,106)	
Profit and loss account	15	6,594,702		5,443,110	
Shareholders' funds	16	<u>4,301,039</u>		<u>3,148,840</u>	

Approved by the Board and authorised for issue on 17/5/07.


W J Kenny
Director


P D J Kelly
Director

SOFTCAT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2006

		2006	2005
	£	£	£
Net cash outflow from operating activities		416,616	(2,864,891)
Returns on investments and servicing of finance			
Interest received	76,939	82,200	
Interest paid	(30,599)	(15,901)	
Net cash inflow for returns on investments and servicing of finance		46,340	66,299
Taxation		(364,920)	(642,384)
Capital expenditure			
Payments to acquire tangible assets	(104,352)	(259,970)	
Receipts from sales of tangible assets	153,313	129,800	
Net cash inflow/(outflow) for capital expenditure		48,961	(130,170)
Net cash inflow/(outflow) before management of liquid resources and financing		146,997	(3,571,146)
Financing			
Issue of ordinary share capital	607	58,631	
Net cash inflow from financing		607	58,631
Increase/(decrease) in cash in the year		147,604	(3,512,515)

SOFTCAT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2006

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2006	2005
		£	£
	Operating profit	1,656,076	1,147,129
	Depreciation of tangible assets	173,344	215,922
	Profit on disposal of tangible assets	(3,237)	(11,395)
	Decrease/(increase) in stocks	79,530	(5,532)
	(Increase)/decrease in debtors	(2,168,706)	(2,321,718)
	Increase/(decrease) in creditors within one year	679,609	(1,889,297)
	Net cash inflow/(outflow) from operating activities	416,616	(2,864,891)

2	Analysis of net debt	1 August 2005	Cash flow	Other non-cash changes	31 July 2006
		£	£	£	£
	Net cash				
	Cash at bank and in hand	2,052,517	(2,050,191)	-	2,326
	Bank overdrafts	(3,773,544)	2,197,795	-	(1,575,749)
		<u>(1,721,027)</u>	<u>147,604</u>	<u>-</u>	<u>(1,573,423)</u>
	Bank deposits	-	-	-	-
	Net debt	<u>(1,721,027)</u>	<u>147,604</u>	<u>-</u>	<u>(1,573,423)</u>

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	Increase/(decrease) in cash in the year	147,604	(3,512,515)
	Movement in net debt in the year	147,604	(3,512,515)
	Opening net (debt)/funds	(1,721,027)	1,791,488
	Closing net debt	<u>(1,573,423)</u>	<u>(1,721,027)</u>

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computer equipment	3 years straight line
Fixtures, fittings & equipment	6 years straight line
Motor vehicles	3 years straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.7 Stock

Stock is valued at the lower of cost and net realisable value

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17

1.9 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

1 Accounting policies (continued)

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company's subsidiary undertakings have remained dormant throughout the year. Their aggregate capital and reserves are negligible. The company has therefore taken advantage of the exemptions provided by section 229 of the Companies Act 1985 not to prepare group accounts, on the grounds of immateriality.

1.12 Employee share schemes

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors. Share options are valued at their fair value on the date of grant. Any difference between this and the consideration paid by the participants are recognised as a charge in the profit and loss on a straight line basis from the date of the grant to the date the participant is entitled to exercise the option.

The company also operates an employee benefit trust for the benefit of eligible employees. In accordance with UITF 32, the company recognises the assets and liabilities for the trust as its own until such assets held vest unconditionally in identified beneficiaries. The company meets all costs incurred by the trust.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2006 £	2005 £
Operating profit is stated after charging		
Depreciation of tangible assets	173,344	215,922
Loss on foreign exchange transactions	933	3,678
Operating lease rentals	240,000	276,808
Auditors' remuneration	15,000	12,000
Remuneration of auditors for non-audit work	14,574	9,324
and after crediting		
Profit on disposal of tangible assets	(3,237)	(11,395)

4 Investment income	2006 £	2005 £
Bank interest	76,939	82,200

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

5	Interest payable	2006 £	2005 £
	On bank loans and overdrafts	5,519	2,159
	On overdue tax	25,080	13,742
		<u>30,599</u>	<u>15,901</u>
 6	 Taxation	 2006 £	 2005 £
	Domestic current year tax		
	U K corporation tax	583,000	380,000
	Adjustment for prior years	(2,734)	-
		<u>580,266</u>	<u>380,000</u>
	Current tax charge		
	Deferred tax		
	Deferred tax charge/credit current year	(29,442)	14,277
		<u>550,824</u>	<u>394,277</u>
	 Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>1,702,416</u>	<u>1,213,428</u>
	 Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	 <u>510,725</u>	 <u>364,028</u>
	Effects of		
	Non deductible expenses	66,142	27,700
	Depreciation add back	51,032	61,358
	Capital allowances	(45,298)	(75,820)
	Adjustments to previous periods	(2,734)	-
	Other tax adjustments	399	2,734
		<u>69,541</u>	<u>15,972</u>
	Current tax charge	<u>580,266</u>	<u>380,000</u>

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

7 Tangible fixed assets

	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 August 2005	820,538	529,654	44,555	1,394,747
Additions	38,715	8,291	57,346	104,352
Disposals	(413,933)	(246,581)	(24,629)	(685,143)
At 31 July 2006	445,320	291,364	77,272	813,956
Depreciation				
At 1 August 2005	518,554	230,799	32,422	781,775
On disposals	(331,138)	(186,955)	(16,974)	(535,067)
Charge for the year	118,752	38,848	15,744	173,344
At 31 July 2006	306,168	82,692	31,192	420,052
Net book value				
At 31 July 2006	139,152	208,672	46,080	393,904
At 31 July 2005	301,984	298,855	12,133	612,972

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 August 2005 & at 31 July 2006	1,324,067
Provisions for diminution in value	
At 1 August 2005 & at 31 July 2006	1,256,310
Net book value	
At 31 July 2006	67,757
At 31 July 2005	67,757

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Software Catalogue Plc	England	Ordinary	100
Software Licensing Ltd	England	Ordinary	100
Softcat Services Ltd	England	Ordinary	100
Skills-Online Ltd	England	Ordinary	100
Sequireit Ltd	England	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves 2006 £	Profit for the year 2006 £
Software Catalogue Plc	67,752	-
Software Licensing Ltd	2	-
Softcat Services Ltd	1	-
Skills-Online Ltd	1	-
Sequireit Ltd	1	-

All companies remained dormant throughout the year

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

9	Stocks	2006 £	2005 £
	Finished goods and goods for resale	<u>171,166</u>	<u>250,696</u>
10	Debtors	2006 £	2005 £
	Trade debtors	14,918,566	12,644,933
	Corporation tax	-	48,709
	Called up share capital not paid	9,600	9,600
	Other debtors	461,548	523,618
	Prepayments and accrued income	<u>376,338</u>	<u>419,195</u>
		<u>15,766,052</u>	<u>13,646,055</u>
11	Creditors. amounts falling due within one year	2006 £	2005 £
	Bank loans and overdrafts	1,575,749	3,773,544
	Trade creditors	6,134,476	6,264,745
	Amounts owed to subsidiary undertakings	67,752	67,752
	Corporation tax	570,266	403,629
	Other taxes and social security costs	967,925	886,270
	Accruals and deferred income	<u>2,783,998</u>	<u>2,055,775</u>
		<u>12,100,166</u>	<u>13,451,715</u>

Bank loans and overdrafts are secured by way of a fixed and floating charge over all assets of the company dated 20 January 2002 in favour of the company's bankers

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

12 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 August 2005	29,442
Profit and loss account	(29,442)
	<hr/>
Balance at 31 July 2006	-
	<hr/>

Deferred taxation movements in the financial statements are as follows.

	2006 £	2005 £
Decelerated capital allowances	-	29,442
	<hr/>	<hr/>

13 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2006 £	2005 £
Contributions payable by the company for the year	65,903	67,144
	<hr/>	<hr/>

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

14 Share capital	2006 £	2005 £
Authorised		
11,811,500 Ordinary shares of 1p each	118,115	118,115
188,500 'MR' shares of 1p each	1,885	1,885
	<u>120,000</u>	<u>120,000</u>
 Allotted, called up and fully paid		
5,916,415 ordinary shares of 1p each	59,165	59,152
188,500 'MR' shares of 1p each	1,885	1,885
	<u>61,050</u>	<u>61,037</u>

Options over 1,291 ordinary £0.01 shares were exercised during the current year under the Enterprise Management Incentive Share Option Scheme at the grant price of £0.47 each

Shares rank pari passu in all respect save that in respect of dividends

The share capital consists of 8,729,015 issued ordinary shares of £0.01 each, of which 4,979,015 are allotted, called up and fully paid and 3,750,000 are allotted, called up and quarter paid. In addition, 188,500 ordinary 'MR' shares of £0.01 each are allotted, called up and fully paid.

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors.

Options outstanding at the year end are as follows -

172,953 £0.01 ordinary shares, exercisable from May 2005 at a price of £0.47 per share, expiring April 2013

255,873 £0.01 ordinary shares, exercisable from July 2007 at a price of £2.20, expiring June 2015

234,998 £0.01 ordinary shares, exercisable from June 2008 at a price of £1.20 per share, expiring May 2016

202,639 £0.01 ordinary shares, exercisable from August 2007 at a price of £1.35 per share, expiring January 2016

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

15 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 August 2005	56,799	(2,412,106)	5,443,110
Profit for the year	-	-	1,151,592
Premium on shares issued during the year	594	-	-
Balance at 31 July 2006	<u>57,393</u>	<u>(2,412,106)</u>	<u>6,594,702</u>

Other reserves

Reserves for own shares

Balance at 1 August 2005 & at 31 July 2006	(2,412,106)
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16 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	1,151,592	819,151
Proceeds from issue of shares	607	58,631
Movements on other reserves	-	(2,412,106)
Net addition to/(depletion in) shareholders' funds	<u>1,152,199</u>	<u>(1,534,324)</u>
Opening shareholders' funds	<u>3,148,840</u>	<u>4,683,164</u>
Closing shareholders' funds	<u>4,301,039</u>	<u>3,148,840</u>

17 Financial commitments

At 31 July 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 July 2007

	Land and buildings 2006 £	2005 £
Operating leases which expire Between two and five years	<u>329,138</u>	<u>315,229</u>

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

18 Directors' emoluments	2006 £	2005 £
Emoluments for qualifying services	748,034	641,660
Company pension contributions to money purchase schemes	12,605	11,700
	<u>760,639</u>	<u>653,360</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2005 - 5)

The number of directors who exercised share options during the year was 0 (2005 - 4)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 4 (2005 - 4)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	176,750	179,169
Company pension contributions to money purchase schemes	<u>3,000</u>	<u>1,500</u>

19 Transactions with directors

The following directors had interest free loans during the year The movement on these loans are as follows

	Amount outstanding		Maximum
	2006	2005	in year
	£	£	£
P D J Kelly	<u>10,274</u>	<u>194,836</u>	<u>204,788</u>

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Management	9	8
Administration	23	24
Sales	93	95
	<u>125</u>	<u>127</u>

Employment costs

	2006 £	2005 £
Wages and salaries	3,593,585	2,987,647
Social security costs	713,155	536,831
Other pension costs	65,903	67,144
	<u>4,372,643</u>	<u>3,591,622</u>

21 Control

The ultimate controlling party is Mr P D J Kelly, a director, by virtue of his shareholding

22 Related party transactions

During the year, Softcat Limited provided administrative services of £28,235 (2005 £60,996), in the normal course of business, to Mac Recruitment Limited, a company controlled by Mr P D J Kelly, a common director. Softcat Limited also received recruitment services of £14,100 (2005 £81,000) from the same company.

As at 31 July 2006, Mac Recruitment Limited owed Softcat Limited £370,813 (2005 £295,613)

As at 31 July 2006, Softcat Limited owed Software Catalogue plc £67,752 (2005 £67,752)