

Company Registration No. 02174990 (England and Wales)

SOFTCAT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

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Softcat Limited

Company Information

For the year ended 31 July 2014

Directors	P D J Kelly M J Hellowell B Wallace C W Brown R A Lecoutre
Secretary	W J Kenny
Company number	02174990
Registered office	Solar House Fieldhouse Lane Marlow Buckinghamshire SL7 1LW
Auditor	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

Softcat Limited

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For the year ended 31 July 2014

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Softcat Limited

Strategic report

For the year ended 31 July 2014

The Directors present their Strategic report for the year ended 31 July 2014.

COMPANY OVERVIEW

Our aim is simple – to be the leading company in our sector in terms of employee engagement, customer satisfaction and financial performance.

Softcat is a leading provider of IT infrastructure to corporate and public sector organisations. In short, we provide their core IT platforms. This includes client computing, data centre infrastructure, security and networking, software licensing as well as the services required to design, implement, support and manage these solutions either on premise, in the cloud or a combination of both.

We do not develop bespoke software applications for organisations or specialise in any industry specific, vertical application but can partner with third-party organisations for these requirements. Our strength is in providing the IT infrastructure and services that keep these applications performing, highly available, and secure – allowing our customers to concentrate on the systems that provide differentiation to their businesses.

Our offering is totally flexible. We have some customers who just buy products from us; we have others for whom we run their full IT platform from Softcat's own data centres; and every combination is available between those two extremes.

We work with hundreds of different hardware and software vendors to bring the best and largest range of technology to our customers as well as a number of specialist service providers to complement the services that are provided by our in-house teams.

Softcat benefits from a very diverse customer base in all sectors of the market. The Company traditionally served the Small and Mid-sized Business ('SMB') customer space but as the Company has expanded we are pleased to be trading with a growing number of large organisations including some of the very largest enterprise organisations in the UK. Softcat also enjoys a fast growing public sector business which has been particularly successful in health, education and local government. Another important customer sector for Softcat is service providers. Over many years, Softcat has built a very large customer base in this arena initially as a market leader in Service Provider Licensing Agreement ('SPLA') licensing and more latterly with the addition of infrastructure solutions.

Each customer is served by one of our 320 named account managers. These people are generally office based but frequently attend face to face meetings. The named account manager is supported by specialists in their various fields, technical teams, sales assistants and an online portal over which approximately 20% of all customer orders are now placed.

The Company's headquarters are in Marlow, Buckinghamshire with branch offices in Manchester, London and Bristol. The Company has announced plans to open an office in Leeds in 2015. Support operations run 24/7 from our locations. We also employ a number of staff from home and can service customers nationwide. Softcat predominantly trades with organisations in the UK but can also service customers internationally through a combination of export and local partner based agreements. In addition to our offices we have two Softcat data centres located in world class third-party facilities in London and Manchester, enabling us to provide cloud and managed services to those clients who choose to consume their IT in that manner.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

BUSINESS MODEL

Softcat's business model is very simple. Four key interlinked fundamental pillars have determined and will continue to determine our success.

1. Recruit the right people

The first pillar for success is to recruit great people with outstanding potential. To fuel and support the growth of the business, Softcat's single largest investment has been bringing in new talent into the organisation. Over the last five years net headcount has increased from 246 to 673 which represents a significant recruitment drive. Unlike the vast majority of our competitors, Softcat recruits most of its talent direct from university, or recruits those who did not follow higher education at the early stages of their careers. Our main driver for opening regional offices has been to increase the potential catchment area for talent to join the organisation.

We work with all the universities across the country, hold recruitment open days every single week and see thousands of candidates each year before selecting those that are right for Softcat. More than anything, we look for exceptional people with the right attitude and the ability to play in a team. Every two months a new group of trainees joins the Company and are put through a month of intensive training. That training and development continues throughout their Softcat careers. This recruitment programme gives us a steady stream of exceptional and well trained talent to develop the business in both sales and technical disciplines.

2. Be a great place to work

The second, and in our opinion, the most important pillar in our business model is that we strive to be a great place to work. We have an extremely open and vibrant culture. Nobody has an office; everyone has a desk in the same open space. We communicate constantly within the organisation to ensure everyone knows what we are doing, why we are doing it and to ensure employees ideas are listened to and acted upon.

People are rewarded for success and a large number of employees are shareholders of the organisation. We offer lots of training and development opportunities and our social programmes, whether that be staff parties, sports teams, charity events or incentive trips are extremely extensive. In 2010 we became the Sunday Times No.1 Best Company to Work For in our category and in 2014 were named as the No.2 Best Workplace in the UK and No.6 in the whole of Europe for large organisations. Being a great place to work was the main priority for our founder Peter Kelly when setting up the business and remains so today. We also firmly believe that happy, engaged, enthusiastic, motivated staff do a great job for our customers.

3. Provide outstanding levels of customer service

The third pillar of our business model is to provide outstanding levels of service to our customers and we believe that is a direct function of the talent we recruit, the training we give them and the level of engagement our employees have with the Company. We are proud of the Softcat offering, of the vendors we represent and of the services we provide. However at least on paper, there is little difference between what we and a handful of other competitors do in the market. The difference lies in our people – they are highly skilled, passionate about their work and great ambassadors for Softcat. This is why we do it better. That is why we think we have made such market share gains in recent years. In 2014 from a sample of 1,100 customers, we recorded customer satisfaction results of 77% very satisfied, 22% satisfied and recorded a world class Net Promoter Score ('NPS') of 67.

With highly engaged staff and a loyal, highly satisfied customer base, we have the basic platforms required to expand the business further, which leads us on to the fourth pillar of our operating model.

4. Constantly develop our offering and the customers and markets we serve

In simple terms we sell more to existing customers and win significant numbers of new customers. Ten years ago Softcat was ostensibly a Microsoft software licensing provider to the SMB community but has been transformed since then. We have a strong track record of developing new businesses and becoming market leaders with them. Our businesses in client computing, in data centre infrastructure, in IT services, in cloud, in security and networking would all be good examples of that. The business mix is now resilient with no over-dependence on any single

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

BUSINESS MODEL (continued)

4. Constantly develop our offering and the customers and markets we serve (continued)

vendor, client, vertical market or offering. The business mix will evolve with the changing requirements of our customers. We are not pioneers but we are fast to move as the market evolves and quick to maximise new opportunities which constantly present themselves.

Similarly, we develop the customer base. While we have become a market leader, our market share is still low and there is plenty of opportunity in the UK market alone. Just in the last financial year we traded with 3,000 brand new customers and we will look to maintain these customers and expand the range of services we provide them over many years to come. We have built a strong track record of entering new markets such as the public sector market, the service provider market and the large account market and establishing a leadership position. New business acquisition and growth in new market segments remain a key focus of the organisation.

We believe these four simple interlinked pillars of our business – recruiting great talent, having highly engaged staff, providing outstanding customer service and constantly developing our offering and the markets we serve are the key reasons for our success and the results we produce. It is a very simple model and success would not have followed without the rigorous and systematic execution of it. The business model has produced excellent financial results allowing us to constantly reinvest in the business for further growth. We believe this is a sustainable business model well into the future.

OUR HISTORY

Softcat was incorporated as the Software Catalogue in 1993. 20 years later we are one of the UK's leading IT infrastructure providers with revenues in excess of £500m.

Software Catalogue was founded in 1993 by Peter Kelly, who is still the majority shareholder and a Non-Executive Board member of the Company.

Disenchanted with corporate life, Peter wanted to establish a company where employees felt truly valued and came to work with a smile on their faces. After creating a successful recruitment business Peter spotted an opportunity in the IT market and more specifically the software market. As the name suggests, the Company created a catalogue of software products from many of the world's most popular IT vendors and mailed it to thousands of small and medium sized businesses. The phones started ringing and the Company never looked back.

Later in the nineties, the leading software vendors introduced software licensing – the right to use software across a company rather than having to buy the physical boxed product by the unit. This was initially aimed at the large enterprise customers. Softcat spotted an opportunity to take software licensing and notably Microsoft software licensing into the small and medium business sector. This fuelled the second stage of Softcat's growth and the Company became Microsoft's leading provider in this space. In 2005, the Company expanded into the security arena and then in 2006 Softcat made a strategic decision to become an all-round IT infrastructure provider and developed strong partnerships and world class know-how in areas such as client computing, data centre infrastructure, IT services, networking, connectivity, unified communications, cloud computing and managed services. In parallel the Company significantly expanded its target market, successfully entering both the large account and public sector markets.

In the last four financial years alone, Softcat's turnover has grown from £146m to £505m. This has been achieved entirely organically. The Company is privately owned. Softcat's founder Peter Kelly is the major shareholder, one private individual has a minority holding and the remainder of the shares are held by Softcat employees. The Company has no debt and a very healthy balance sheet.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

MARKET OVERVIEW

As demand for IT to allow companies to deliver competitive advantage has taken centre stage, so has the need for quality independent IT providers to deliver outstanding levels of service on infrastructure.

The requirement for IT in businesses and public sector organisations is stronger than ever. IT departments strive to focus more on areas of competitive advantage and differentiation. Many wish therefore to lean increasingly on trusted partners such as Softcat to provide not only the products that together make up an organisation's infrastructure, but the design, implementation, support and management of that infrastructure whether that be on premise, in the cloud, or more likely a combination of both. By doing this, scarce internal resource can then be focused on developing IT for competitive advantage for their organisation rather than the traditional tasks of keeping the core infrastructure running.

All organisations need and will continue to need to procure IT, physically or virtually, on premise or in the cloud, and as such Softcat will continue to focus on and develop the traditional role of providing technology from the world's leading hardware and software vendors to customers. This is the reseller role and very much part of our offering. We continue to see the requirement for organisations to be able to turn to one or a small number of independent providers for these requirements.

We believe those who will succeed in this area are those who:

- can offer best advice and guidance particularly for the more complex solutions
- consistently provide outstanding levels of customer service
- provide a full range of complementary professional services
- enjoy the scale to have the highest level of vendor relationships, accreditations and best commercial terms
- cover a broad and constantly evolving range of vendors and technologies

As the provision of technology is increasingly linked to the provision of ongoing service, the independent provider's own solid financial standing and sustainability is of paramount importance.

A customer's infrastructure is invariably made up of best of breed component parts from many manufacturers and software publishers. We believe the role of an intermediary between the customer and the technology providers continues to play a vital role both for the customer who is looking to reduce the burden and complexities of dealing with multiple suppliers and for the vendors who do not have the customer reach, relationships or cost-effectiveness to sell to customers directly. Web-based procurement can assist companies in this process and indeed Softcat embraces this with our eCat tool, but this does not replace the human intellectual capital required to provide complex infrastructure solutions effectively.

Infrastructure is increasingly provided from cloud based solutions and that evolving trend is expected to continue. But it is increasingly clear that one cloud will not fit all. Different types of customers will have different requirements but we expect the 'hybrid cloud' to prevail.

Certain workloads will continue to be provided from infrastructure on premise, perhaps in an on-premise private cloud environment; other workloads will be provided off-premise perhaps by a third-party infrastructure or services provider with a private cloud service; and other workloads will be provided from the public cloud.

The customer's challenge will be to integrate these environments and select the best platform for their needs. That challenge will include having a common management platform across these different environments, migration of data from one cloud to another, business continuity in the case of any unforeseen outages, networking and connectivity requirements in a world relying heavily on bandwidth, and most importantly of all the complex security and data integrity issues such environments will inevitably raise.

On top of these more technical issues, there are many business issues to solve such as software license compliance on multiple platforms and multiple access devices, a common and transparent billing platform to provide clarity to customers on what they have been charged for from where, and of course turning current capital investment expenditure into more flexible off balance sheet 'as a service' or utility computing expenditure.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

MARKET OVERVIEW (continued)

The role of the infrastructure provider is to help customers find solutions to these questions and provide the cloud services or a gateway to cloud services for elements of IT a customer may not wish to provide for themselves. The cloud environment, as with many technological developments, represents a significant opportunity for the infrastructure provider and in our opinion accentuates the requirement for the independent 'trusted adviser' role.

The technology market is constantly evolving and constantly presenting new opportunities. The winners in our part of the market will continually scour the technology world for the new developments, stay close to customers and the realities of the market and constantly evolve their offerings and business models to maximise the myriad of opportunities that present themselves. Whilst having attained significant scale in our market, we pride ourselves on maintaining the agility and customer intimacy of a much smaller organisation – and this will enable us to stay on top of the market as it continues to develop.

CHAIRMAN'S STATEMENT

The opportunity the IT market represents is extremely significant and growing – providing strong prospects for Softcat.

I am delighted to have been appointed as Non-Executive Chairman of Softcat from 1 August 2014, following my appointment as a Non-Executive Director of the Company in November 2011.

This new role is part of Softcat's ongoing process to adopt best practice in line with modern corporate governance. As part of this process the number of Board members was reduced during the year, with four Executive Directors resigning from the main Board but continuing to serve as members of the Executive Leadership Team.

The new Board is now composed of myself, Peter Kelly, founder and Non-Executive Director; Martin Hellawell, CEO; Colin Brown, Managing Director; Richard Lecoutre, Finance Director. In addition Bill Kenny acts as Company Secretary to the Board. The Company expects to make further non-executive appointments to add incremental skills and experience to the Board.

The Company continues to deliver strong performance well above average market growth rates as explained in the Chief Executive's Report. The opportunity the IT market represents is extremely significant and growing. We are excited by the role Softcat can play in that market and the key areas of development for the Company.

Softcat prides itself on its people. In my tenure at Softcat I have had the privilege of working with an outstandingly talented and enthusiastic group of individuals as well as witnessing first-hand the extraordinary and somewhat unique culture and team spirit the Company enjoys.

I would like to take this opportunity to thank the staff of Softcat for their hard work, dedication and commitment which has been the driving force behind our results.

The Board has declared a full year dividend of 74 pence per share to be paid on 30 November to those on the share register on 15 November 2014.

CHIEF EXECUTIVES STATEMENT

The strength of the Company's balance sheet is seen as more important than ever and is now directly providing competitive advantage for Softcat.

I am delighted to report on our financial year to 31 July 2014. This was another year of strong progress across all areas of the Company. All growth has been achieved entirely organically. With the economy having moved back in the right direction and a resultant increase in IT investment, the market experienced reasonable expansion in the UK but we estimate market growth was limited to single digit percentage growth. Softcat achieved significant market share gains to produce the following results:

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

CHIEF EXECUTIVES STATEMENT (continued)

Turnover increased 28% to £504.8m up from £395.8m the previous year. Gross profit improved 26% to £88.5m and operating profit increased 30% to £35.5m. EBITDA improved 31% to £37.3m.

In the last four financial years, turnover has increased from £146m to £505m and operating profit has grown from £10.0m to £35.5m. The Company has now delivered 36 consecutive quarters of year-on-year growth.

All areas of the business enjoyed strong growth. The last financial year saw a marked increase in demand for client device projects, partially due to migrations from Windows XP as Microsoft withdrew technical support for this platform. With the nature of security threats becoming increasingly sophisticated, coupled with IT environments that have become more heterogeneous and complex to manage, our security business continued to grow strongly. We continued to assist customers move to, and manage, a hybrid cloud model where workloads are shared between on premise, private cloud and public cloud environments. This, combined with a major development of our capability in the services arena and a shift in our customers IT departments to transition focus from internal operations to IT for competitive advantage, fuelled the significant growth in our services business.

Softcat continued to invest in its own cloud infrastructure and support teams to ensure the Company is well placed to maximise the significant opportunity this area of our business represents.

The three main Softcat offices in Marlow, London and Manchester all produced double digit revenue and margin growth. A new office in Bristol started trading in February 2014. The Company has also announced its intention to open a Leeds office in early 2015.

The service provider segment, both traditional managed service and cloud, is a key vertical market for Softcat. The Company has built on its traditional Microsoft Service Provider Licensing business in this area and now successfully sells a wide range of software, hardware infrastructure and services into this market. This business produced strong growth in the financial year.

Softcat continued to grow its commercial small and mid market customer base and won a number of significant new accounts in the large enterprise customer segment. The Company traded with a record 3,000 brand new accounts in the financial year, due in part to the increased investment in new business activities. The number of Softcat accounts spending over £1m in the year showed particularly strong progress in the year.

A key part of Softcat's strategy is to recruit exceptional talent particularly directly from university and then motivate that talent by providing a stimulating, rewarding and highly engaged workplace. In the last financial year we increased our number of team members to a total of 673 at year end, up an incremental 115 on the previous year. In our annual employee satisfaction survey conducted in December 2013, 72% of employees rated Softcat very positively as an employer and 26% positively. Entered in the large company category for the first time, Softcat was named as second in the UK Great Place to Work rankings and sixth in the European Great Place to Work Rankings. Softcat were also named as the outright winner for 'Delivering Excellence in Leadership'.

We believe that by having an exceptionally talented, well trained and highly engaged workforce, our employees are equipped and motivated to provide outstanding levels of service to customers. This engenders high degrees of customer satisfaction, customer loyalty and leads to higher levels of customer spend across an ever developing portfolio of offerings from Softcat. In our annual customer survey conducted in June 2014, we produced record results with 77% of customers declaring themselves very satisfied and 22% satisfied. The Company recorded a world class Net Promoter Score of 67 in the survey. Approximately half our growth in the financial year came from new customer acquisitions. The other half was from existing customers spending more with Softcat largely as a result of them expanding the range of products and services they acquire from the Company. Softcat was named as the Large Supplier of the Year for the second year in succession at the UK IT Industry Awards.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

CHIEF EXECUTIVES STATEMENT (continued)

Softcat enjoys particularly strong partnerships with its key vendors. We work hard to position ourselves as the partner of choice for our chosen vendors which include all the world's leading providers of hardware and software. Our top ten partners for this financial year were Apple, Cisco, Citrix, Dell, HP, Lenovo, Microsoft, Mimecast, Symantec and VMware. One particular highlight in 2014 was Meg Whitman, Chairman and CEO of HP, becoming HP's Executive Sponsor for Softcat. Over the last 12 months we have won partner of the year awards from many of our vendors including Microsoft, HP, Mimecast, Checkpoint, Dell, Sophos, Veeam and Citrix.

Following a number of highly leveraged competitors facing business failures over recent years, the strength of the Company's balance sheet is seen as more important than ever and is now directly providing competitive advantage for Softcat. This is particularly true when entering into long-term agreements with customers for mission critical IT services. We have no debt and at the end of the year cash increased to £37.7m. The Company has increased its focus on cash conversion. Debtor days have improved to 48 days and our cash conversion ratio has improved from 72% for the previous financial year to 123% for this financial year.

Partially due to its organic growth, Softcat's structure and operations are very simple. We have one company with no active subsidiaries, holding companies or overseas operations. We have one core IT and reporting system. But most importantly, we very much have one culture and one common relentless focus – to be best in our sector in terms of employee satisfaction, customer service and shareholder return.

I would like to take this opportunity to thank the Softcat employees for their outstanding contribution, the customers of Softcat for their business and for continually presenting the Company with new opportunities and to our vendor partners for the world class technology they continually develop and for their support of our organisation.

We look forward to another year of strong development across the business.

CORPORATE SOCIAL RESPONSIBILITY

We take our social responsibility seriously particularly in the areas of charitable activity, looking after our employees and in minimising our environmental impact.

Charities

In 2007 we started our charity team in Softcat. The aim was to raise money for a number of worthy causes chosen by our staff, and where possible for causes our staff were already directly involved in or affected by. We aimed and continue to aim to do this by getting as many staff involved as possible, as well as customers and suppliers, in order to fulfil what we think is our corporate responsibility. We feel it is important to promote awareness of hardship and worthy causes and to show how individuals and teams may come together to do something fantastic for the greater good.

The primary purpose has been to help raise money and provide assistance for charities which has resulted in over £1m raised since the beginning of the programme, and £300,000 alone in financial year 2014, through both employee and Company initiatives. The Company has also benefited enormously from the programme as this has helped to increase staff engagement, employee satisfaction and staff development through the multitude of activities employees run, encouraged and supported by the Company, to raise funds.

Charities large and small, local and national, have benefited from this fundraising to date, including Dreams Come True, Cancer Research UK, Tuberous Sclerosis Association, Wooden Spoon Cancer Care Unit, Helen & Douglas House, Harry Mills Trust, EduAID Africa and Save the Children – Haiti. Alongside this, we support focus events from organisations such as Comic Relief for whom we have acted as a contact centre for the last two years on top of our own fundraising activities for the cause. These events are great fun in and of themselves as well as helping those less fortunate than ourselves.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

CORPORATE SOCIAL RESPONSIBILITY (continued)

Charities (continued)

We have also included a charitable element to some of our staff incentive trips. On a recent trip to Cambodia, 37 Softcat employees helped to build a new library and paint and repair new classrooms at a junior high school. We took part in a similar renovation project for an orphanage in Fiji three years earlier.

Environmental activity

Softcat is not a manufacturer of product and as a services-based organisation our carbon footprint is limited. However, we take our environmental responsibility seriously and try to positively contribute wherever possible across the business. In our business, this means doing lots of small things and setting an example to employees.

We run an active company 'Green Team' made up of environmentally conscious employees across the organisation and chaired by our CEO, Martin Hellawell.

The Company reduces power consumption by using technology to automatically power down all devices when not in use. Power consumption was a key criteria in our decision to use thin clients as our standard desktop devices and to use LED lighting in our offices. Recycling of waste including paper, plastics and cans is implemented and enforced in all our working environments. Our pool cars are extremely energy efficient and we encourage car sharing as well as cycling or walking to work. We even recycle the thousands of tea bags used in our offices each month to create compost on site, which is then available to employees to purchase for a nominal charitable donation.

In 2014 volunteers from Softcat joined forces with the National Trust to clear and conserve an area of historic woodland.

Softcat in the community

As well as our charitable activities, Softcat endeavours to play a positive and active role in the local communities where we operate and particularly in the Marlow area where we are headquartered. This takes the form of helping several local sports teams and associations, providing volunteers for a number of activities and events and supporting bodies like the local Chamber of Commerce.

Looking after our employees

Softcat strives to provide a highly supportive environment for our most important assets – our employees – and tries to provide the very best in employee welfare. We provide excellent training and development opportunities, strong feedback mechanisms to employees on their performance and a strong feedback process between employees and the organisation. Regular face to face communication between the organisation and its employees is seen as paramount and includes a weekly all-company meeting. The Company provides a wide range of benefits including weekly on-site visitors by a doctor, subsidised on-site massages and access to a plethora of Softcat sporting and social activities. If any member of the Softcat team or their immediate family faces personal difficulties, Softcat looks to support them in any way we can.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

BOARD OF DIRECTORS

Over the last year Softcat has evolved its Board significantly in line with modern corporate governance. The Company now has a more streamlined Board with a stronger balance between Executive and Non-Executive positions. The Company intends to add further experienced Non-Executive Directors to its Board to complete this process.

Peter Kelly

Founder and Non-Executive Director

After dropping out of college after one year (North Staffs Poly in Stoke), Peter decided to travel the world, hitch-hiking around the USA to S America, around Africa and back through the Middle East. He returned to the UK to work in Sales & Training with Xerox for seven years. When he founded Software Catalogue Ltd in 1993 (which subsequently renamed itself Softcat), Peter was adamant to do things differently... to run a company without the usual damaging politics and with excellent customer service. Although Peter has delegated the running of the business to an excellent Management team, he still has a personal responsibility for the culture.

Brian Wallace

Non-Executive Chairman

Brian was appointed Chairman of Softcat on 1 August 2014 having joined the Board as a Non-Executive Director in November 2011. He is also Chairman of Travelodge and a Non-Executive Director of Firstgroup plc. He has previously held executive board positions with a number of FTSE 100 and FTSE 250 companies, most recently as Group Finance Director of Ladbroke's plc. Prior to rejoining Ladbroke's, he was Group Finance Director and Deputy Chief Executive of Hilton Group plc. A Chartered Accountant, he began his career at Price Waterhouse and went on to perform senior finance roles at Geest, APV and Schlumberger. He previously served as a Non-Executive Director at Scottish and Newcastle plc, Hays plc, Merlin Entertainment and Miller Group.

Martin Hellawell

CEO

Martin joined Softcat in 2006 as Managing Director. During his tenure, Softcat has grown from approximately £50m to over £500m turnover. Martin graduated from Lancaster University with a degree in Management and French and began his career in the IT industry with Miles 33. During his thirteen year tenure at Computacenter, Martin was responsible for the marketing function, ran the French subsidiary and led acquisitions in the UK, Belgium and Germany. He was part of the floatation team, ran operations, chaired the Company's international joint venture ICG and was COO of the dot com off-shoot Biomni. Martin has also worked for SCC and for Canalys as an independent consultant. Martin lives in North London with his wife and three children.

Colin Brown

Managing Director

Colin became Softcat's Managing Director in 2012, joining from Microsoft where he was General Manager, Services for the previous four years. Prior to that Colin worked at Computacenter for 18 years, starting his career there as a bid writer before progressing through sales and management roles to gain a position running Computacenter's UK Public Sector business. During this time the sector grew from around £40m to over £500m in revenue. Colin's next role was CEO for Computacenter's German operation, a recent acquisition from GE Capital. At the end of Colin's four years there the business had grown its turnover above €1bn and had some 4,000 employees. Colin lives near St Albans, is married and has two grown-up daughters. He studied at Queen's University, Belfast.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

BOARD OF DIRECTORS (continued)

Richard Lecoutre

Finance Director

Richard joined Softcat in May 2013 as Finance Director, having previously been Group Financial Controller with Volex plc, a leading global supplier of power and data cabling solutions. Prior to that Richard held senior finance roles with Genus plc, including three years in Wisconsin, USA, as CFO for the Group's North and South American operations. Before that he held three different roles during a six year period with the Cookson Group plc, working on corporate acquisition and disposal activity, fundraising transactions and group financial reporting and internal controls. Richard is a Chartered Accountant and completed his training with PricewaterhouseCoopers, after graduating from University College London with a BSc Economics degree. He is married and lives in Guildford, Surrey with his four children.

William Kenny

Legal Director and Company Secretary

Bill joined Softcat in January 1996 as Finance Director after qualifying as a Chartered Accountant with Arthur Anderson in Dublin. Bill was responsible for all financial and legal affairs of the Company for 17 years. He transferred from his Finance role to the newly created position of Legal & Administration Director in April 2013. This role encompasses Company Secretarial duties, administration of Softcat's employee share incentive schemes, responsibility for all legal matters, and facilities including regional office development. Bill is married with one son and involves himself in the local community through his position as Swim21 co-ordinator for High Wycombe Swimming Club.

Softcat Limited

Strategic report (continued)

For the year ended 31 July 2014

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are broadly grouped as – financial instruments, liquidity, interest rate and credit risk.

Financial instruments

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 and liquidity risk. The Company reviews and agrees policies for managing these risks as detailed below.

Liquidity risk

Bank balances are structured so as to enable cash to be available when required. Most of the Company's cash reserves are held in instant access accounts and excess uncommitted overdraft facilities are also in place and available for future use. The Company does not enter into any derivatives transactions.

Interest rate risk

The Company does not have any borrowings and therefore the only interest rate risk it is exposed to is rates received on deposits. The Company accepts the risk of losing interest on deposits due to interest rate reductions.

Credit risk

The Company operates the following processes to manage its credit risk exposure:

- performing credit checks on all new accounts before shipping goods
- applying appropriate credit limits to all accounts
- periodic reviews of all debtor balances, ensuring balances do not fall outside of agreed terms; and
- insuring all debts through a reputable credit insurer

The Strategic Report is approved by the Board of Directors and signed on behalf of the Board.



Martin Hellawell
Chief Executive Officer
26 November 2014

Softcat Limited

Director's Report

For the year ended 31 July 2014

The Directors present their report for the year ended 31 July 2014.

Directors of the Company

The following Directors have held office since 1 August 2013:

P D J Kelly
W J Kenny (resigned 10 June 2014)
D Fawell (resigned 10 June 2014)
D E Simpson (resigned 10 June 2014)
M J Hellawell
D Ridgway (resigned 10 June 2014)
B Wallace
C W Brown
R A Lecoutre

Performance indicators

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 discussed in the Strategic Report, they also regard the following as important:

Staff numbers, retention and recruitment

Staff retention rates are monitored on a monthly basis against recruitment plans. The Company has continued to invest heavily in sales recruitment and has complemented this by strengthening all support functions to provide a platform for further growth. Overall staff numbers increased from 558 on 31 July 2013 to 673 on 31 July 2014.

Customer satisfaction

The Company constantly requests feedback from its customers on service levels and overall customer satisfaction and conducts a formal annual survey to measure formally customer satisfaction. In this year's extensive annual customer survey conducted in July 2014, 99.0% of customers surveyed were either satisfied or very satisfied with Softcat as a company to do business with. Within that collective group we saw a 1% shift upwards of those that were satisfied to very satisfied, with this latter category now accounting for over 77% of our customers. Below is a brief summary of the results of the latest survey of 1,100 customers:

Very satisfied 77.1% (2013: 76.1%), satisfied 21.9% (2013: 23.1%), dissatisfied 0.7% (2013: 0.5%), and very dissatisfied 0.3% (2013: 0.3%).

Debtor days

Debtor days are regularly monitored and the extension of credit to customers, on agreed terms, is subject to ongoing review by the Directors. As at 31 July 2014, debtor days were 48 days (2013: 50 days).

Reporting

During the year the Company transitioned from reporting under UKGAAP to reporting under IFRS, as adopted by the European Union. For further details on how the Company adopted IFRS, refer to note 1.16.

Results and dividends

The results for the year are set out on page 18.

A dividend on the ordinary, A and MR shares totalling £4,779,321 was paid in the year. A £100,000 dividend on the MR shares was paid on 30 September 2014 and a final dividend on the ordinary, A and MR shares of 74 pence per share was declared post year end and is to be paid on 30 November 2014 to those on the share register on 15 November 2014.

Softcat Limited

Director's Report (continued)

For the year ended 31 July 2014

Future developments

The Company will continue its unwavering focus on the things that have been central to its sustained growth; industry leading customer service and employee satisfaction. The Company will remain focused on further investment in its people in order to continue to improve the quality of service provided to its existing corporate and public sector customers and develop further our offering to win new accounts from our competitors. Achieving total customer satisfaction through service excellence remains the key goal.

To help enable further sustained growth, the Company moved into new offices in Bristol in February 2014 and moved into larger, improved offices in Manchester and London. An additional office in Leeds is being sought and is planned to be operational in early 2015.

Within the different business lines we expect significant growth in our Public Sector, Managed Services and Professional Services businesses, while maintaining market leading growth in all other business lines.

Charitable donations

	2014	2013
	£	£
During the year the Company made the following payments:		
Charitable donations	175,941	194,582

The recipients and amounts of the charitable donations are as follows:

Dreams Come True	£143,404
Tuberous Sclerosis Association	£8,500
EducAid	£8,000
Matthew's Friends	£7,850
Other charities	£8,187

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Financial Instruments

The financial risk management objectives and policies with respect to financial instruments are described in the Strategic Report on pages 1 to 11.

Employee involvement

The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees. This is undertaken through a variety of methods including, but not limited to, team briefings, Company days, email, intranet and the Company's external website. At team meetings, managers are responsible for ensuring that information sharing, discussion and feedback take place on a regular basis. As a result of these meetings management can communicate the financial and economic factors affecting the Company and ensure that the views of employees are taken into account in Company decisions which are likely to affect their interests.

Disabled persons

The Company takes the issues of equality and diversity very seriously and is committed to equal opportunities by monitoring and regularly reviewing policies and practices to ensure that it meets current legislative requirements. No employee or potential employee receives less favourable treatment or consideration on grounds of gender, disability, race, national or ethnic origin, sexual orientation or marital status. All necessary assistance and training is made available to those with disabilities to enable them to work for the Company and maximise their contribution and performance. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate for their aptitudes and abilities.

Softcat Limited

Director's Report (continued)

For the year ended 31 July 2014

Corporate governance

The Company is committed to maintaining high standards of corporate governance even though it is not required to comply with the provisions under Schedule 8 of the Companies Act 2006. The Board is responsible for setting policies on Directors' remuneration and for determining their individual remuneration packages. The main elements of a Director's remuneration package are basic salary and benefits, pension arrangements, annual bonus plans and long-term share-based incentive plans that are aligned to the success of the Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position and its financial risk management objectives, as well as details of its financial instruments and its exposure to interest, credit and liquidity risk are described in the Strategic Report on pages 1 to 11.

The Company has considerable financial resources together with a significant number of customers, across different geographic areas and industries, with which the Company has strong relationships and enjoys consistent repeat business. In addition, the Company has an increasing number of long-term service contracts with customers and has long-standing, deep relationships with many suppliers which diversify supply chain risk. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Auditor

In accordance with the Company's articles, a resolution proposing the reappointment of Ernst & Young LLP as auditor of the Company has been passed at a General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: (*Accounting Policies, Changes in Accounting Estimates and Errors*) and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS, as adopted by the European Union, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRS, as adopted by the European Union.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS regulation. 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.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the dissemination of financial statements may differ from legislation in other jurisdictions.

Softcat Limited

Director's Report (continued)

For the year ended 31 July 2014

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board.



Richard Lecoutre
Finance Director

26 November 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Softcat Limited

We have audited the financial statements of Softcat Limited for the year ended 31 July 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

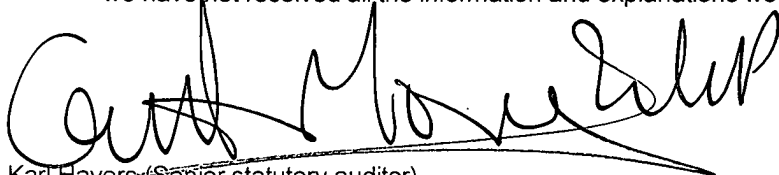
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

INDEPENDENT AUDITOR'S REPORT

To the members of Softcat Limited (continued)

Matters on which we are required to report by exception (continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Karl Havers (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 November 2014

Softcat Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 July 2014

	Notes	2014 £	2013 £
Revenue	2	504,797,009	395,755,868
Cost of sales		(416,276,134)	(325,245,029)
Gross profit		88,520,875	70,510,839
Administrative expenses		(52,993,337)	(43,142,717)
Operating profit	3	35,527,538	27,368,122
Normalised operating profit		35,527,779	28,103,013
Share-based payments charge	25	(241)	(734,891)
Finance income	4	102,777	81,443
Profit before tax		35,630,315	27,449,565
Income tax expense	5	(8,277,820)	(6,863,838)
Profit for the year		27,352,495	20,585,727
Other comprehensive income net of tax		-	-
Total comprehensive income for the year net of tax		27,352,495	20,585,727
Profit attributable to:			
Owners of the Company		27,352,495	20,585,727

The statement of profit or loss and other comprehensive income has been prepared on the basis that all operations are continuing operations.

Softcat Limited

Statement of financial position

As at 31 July 2014

	Notes	2014	2013	As at 1 August 2012
		£	£	£
Non-current assets				
Property, plant and equipment	7	6,607,136	6,350,682	4,696,736
Intangible assets	8	522,676	405,710	129,210
Investment in subsidiaries	9	2	5	5
Deferred tax asset	16	534,888	682,744	1,104,267
		<u>7,664,702</u>	<u>7,439,141</u>	<u>5,930,218</u>
Current assets				
Inventories	10	4,481,569	4,278,860	2,007,397
Trade and other receivables	11	100,194,738	86,662,145	71,902,552
Income tax recoverable		-	159,570	159,570
Cash at bank and in hand	14	37,720,410	8,675,884	12,281,984
		<u>142,396,717</u>	<u>99,776,459</u>	<u>86,351,503</u>
Total assets		<u><u>150,061,419</u></u>	<u><u>107,215,600</u></u>	<u><u>92,281,721</u></u>
Current liabilities				
Trade and other payables	12	(74,503,265)	(53,138,465)	(43,456,126)
Bank loans and overdrafts	13	-	-	(2,177,761)
Income tax payable		(3,259,066)	(5,633,849)	(4,391,534)
Provisions	15	-	(59,500)	(357,000)
		<u>(77,762,331)</u>	<u>(58,831,814)</u>	<u>(50,382,421)</u>
Non-current liabilities				
Provisions	15	-	-	(59,500)
Net assets		<u><u>72,299,088</u></u>	<u><u>48,383,786</u></u>	<u><u>41,839,800</u></u>
Equity				
Issued share capital	18	95,047	64,923	62,743
Share premium account		2,864,899	1,520,230	229,670
Other reserves		(1,469,438)	(1,436,532)	(2,634,426)
Retained earnings		<u>70,808,580</u>	<u>48,235,165</u>	<u>44,181,813</u>
Total equity		<u><u>72,299,088</u></u>	<u><u>48,383,786</u></u>	<u><u>41,839,800</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on 26 November 2014.

On behalf of the Board.



Martin Hellawell
Chief Executive Officer



Richard Lecoutre
Finance Director

Softcat Limited Company Registration Number: 02174990

Softcat Limited

Statement of changes in equity

For the year ended 31 July 2014

Equity attributable to owners of the Company

	Share capital	Share premium account	Reserve for own shares	Retained earnings	Total
	£	£	£	£	£
Balance as at 1 August 2013	64,923	1,520,230	(1,436,532)	48,235,165	48,383,786
Total comprehensive income for the period	-	-	-	27,352,495	27,352,495
Share-based payment transactions	-	-	-	241	241
Dividends paid	-	-	-	(4,779,321)	(4,779,321)
Shares issued in year	30,124	1,344,669	-	-	1,374,793
Own share movement during the year	-	-	(32,906)	-	(32,906)
Balance at 31 July 2014	95,047	2,864,899	(1,469,438)	70,808,580	72,299,088
Balance as at 1 August 2012	62,743	229,670	(2,634,426)	44,181,813	41,839,800
Total comprehensive income for the period	-	-	-	20,585,727	20,585,727
Share-based payment transactions	-	-	-	734,891	734,891
Dividends paid	-	-	-	(17,267,266)	(17,267,266)
Shares issued in year	2,180	1,290,560	-	-	1,292,740
Own share movement during the year	-	-	1,197,894	-	1,197,894
Balance at 31 July 2013	64,923	1,520,230	(1,436,532)	48,235,165	48,383,786

Softcat Limited

Statement of cash flows

For the year ended 31 July 2014

	Notes	2014	2013
		£	£
Net cash generated from operating activities	19	35,672,677	17,656,744
Investing activities			
Finance income	4	102,777	81,443
Purchase of property, plant and equipment	7	(1,821,739)	(2,722,328)
Purchase of intangible assets	8	(330,086)	(374,826)
Net cash used in investing activities		(2,049,048)	(3,015,711)
Financing activities			
Issue of share capital		174,125	-
Dividends paid	6	(4,766,590)	(17,267,266)
Purchase of own shares		13,362	1,197,894
Net cash used in financing activities		(4,579,103)	(16,069,372)
Net Increase/(decrease) in cash and cash equivalents		29,044,526	(1,428,339)
Cash and cash equivalents at beginning of year	14	8,675,884	10,104,223
Cash and cash equivalents at end of year	14	37,720,410	8,675,884

Softcat Limited

Notes to the financial statements

For the year ended 31 July 2014

1 Accounting policies

1.1 Corporate information

The financial statements of Softcat Ltd for the year ended 31 July 2014 were authorised for issue in accordance with a resolution of the Directors on 26 November 2014. Softcat Ltd is a private limited company incorporated and domiciled in the United Kingdom. The registered office is Solar House, Fieldhouse Lane, Marlow, Buckinghamshire in the United Kingdom.

The principal activity of the Company continued to be that of a value-added IT reseller and IT infrastructure solutions provider to the corporate and public sector markets.

1.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the EU ('Adopted IFRS') and the International Financial Reporting Interpretations Committee ('IFRIC') interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

For all periods up to and including the year ended 31 July 2013, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice ('UK GAAP'). These financial statements for the year ended 31 July 2014 are the first the Company has prepared in accordance with IFRS. Refer to Note 1.16 for information on how the Company adopted IFRS.

These financial statements have been prepared under the historical cost convention and are presented in the Company's presentational and functional currency of Pounds Sterling ('£'), quoted to the nearest whole Pound Sterling except when otherwise indicated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 July 2014. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.3 Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (Amendment) – Recoverable Amount Disclosures for Non-financial Assets
- Annual Improvements (2010 - 2012 Cycle)
- Annual Improvements (2011 - 2013 Cycle)
- Annual Improvements (2012 - 2014 Cycle)
- IAS 16 and IAS 38 (Amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company, except for:

- IFRS 9 Financial Instruments – This will introduce a number of changes in the presentation of financial instruments.
- IFRS 15 Revenue from Contracts with Customers – This will introduce additional disclosures within the notes to the accounts.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.4 Revenue recognition

Revenue from the sale of goods is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue in respect of services is recognised when earned. This is generally when the service has been satisfactorily completed.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate ('EIR') applicable. EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

1.5 Property plant and equipment

Property plant and equipment other than freehold land is stated at cost, net of accumulated depreciation and/or impairment losses, if any. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Freehold buildings	50 years straight line
Building improvements	remaining period of lease -10 years straight line
Computer equipment	3-5 years straight line
Fixtures, fittings and equipment	6 years straight line
Motor vehicles	3 years straight line

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised.

Building improvements relate to expenditure on improving both leasehold property and the freehold property of Solar house in Marlow. Improvements to Solar house are depreciated over a 10 year period, which represent their useful life. Leasehold improvements are depreciated over their useful life which is the remaining length of the lease.

The residual values, useful lives and methods of depreciation are reviewed for reasonableness at each financial year end and adjusted for prospectively if appropriate.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.6 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is provided for at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Computer software	3-5 years
-------------------	-----------

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

1.7 Leases

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term, even if payments are not made on such a basis. Onerous property leases are provided for in the Statement of Financial Position and represent the present value of the onerous element of an operating lease. This arises when the Company ceases to use premises and they are left vacant to the end of the lease.

1.8 Investments

Investments in subsidiaries are stated at cost less provision for diminution in value.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Inventories are predominantly goods in transit and items for which a customer purchase order has been received but the goods have yet to be delivered to the customer.

1.10 Cash at bank and in hand

Cash and cash equivalents comprise cash at bank and in hand, call deposits and bank overdrafts.

1.11 Pensions

The pension costs charged in the financial statements represent the contributions payable by the Company during the year on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged to the income statement represent the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

1.12 Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.12 Deferred taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds 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 the income statement.

1.14 Share-based payments

The Company operates a tax authority approved Enterprise Management Incentive Share Option Scheme ('EMI') and a Company Share Option Plan ('CSOP') so as to encourage share ownership by all eligible employees, including Directors. Share options must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair value of the options is estimated at the date of grant using the Black-Scholes Model and is charged as an expense in the income statement over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

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

1.15 Group accounts

These 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 and their aggregate capital and reserves are negligible. On the basis that the benefits of providing consolidated financial statements as opposed to Company financial statements would be immaterial to the users of these financial statements the Company has not presented consolidated financial statements. Further details of this dormant subsidiary are provided in Note 9.

1.16 First time adoption of IFRS

These financial statements, for the year ended 31 July 2014, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 July 2013, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for the year ended 31 July 2014, together with the comparative period data as at and for the year ended 31 July 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 August 2012, the Company's date of transition to IFRS.

The principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 August 2012 and the financial statements as at and for the year ended 31 July 2013, are as follows:

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.16 First time adoption of IFRS (continued)

Reconciliation of equity as at 1 August 2012 (date of transition to IFRS)

	Notes	UK GAAP	Re-measurements	IFRS as at 1 August 2012
		£	£	£
Non-current assets				
Property, plant and equipment		4,696,736	-	4,696,736
Intangible assets	B	-	129,210	129,210
Investments in subsidiaries		5	-	5
Deferred tax asset	D	522,443	581,824	1,104,267
		<u>5,219,184</u>	<u>711,034</u>	<u>5,930,218</u>
Current assets				
Inventories		2,007,397	-	2,007,397
Trade and other receivables		71,902,552	-	71,902,552
Income tax recoverable		159,570	-	159,570
Cash at bank and in hand		12,281,984	-	12,281,984
		<u>86,351,503</u>	<u>-</u>	<u>86,351,503</u>
Total assets		<u>91,570,687</u>	<u>711,034</u>	<u>92,281,721</u>
Current liabilities				
Trade and other payables	A	(43,300,214)	(155,912)	(43,456,126)
Bank loans and overdrafts		(2,177,761)	-	(2,177,761)
Income tax payable		(4,391,534)	-	(4,391,534)
Provisions		(357,000)	-	(357,000)
		<u>(50,226,509)</u>	<u>(155,912)</u>	<u>(50,382,421)</u>
Non-current liabilities				
Provisions		(59,500)	-	(59,500)
Net assets		<u>41,284,678</u>	<u>555,122</u>	<u>41,839,800</u>
Equity				
Issued share capital		62,743	-	62,743
Share premium account		229,670	-	229,670
Other reserves		(2,634,426)	-	(2,634,426)
Retained earnings	A,B,D	43,626,691	555,122	44,181,813
Total equity		<u>41,284,678</u>	<u>555,122</u>	<u>41,839,800</u>

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.16 First time adoption of IFRS (continued)

Reconciliation of equity as at 31 July 2013

	Notes	UK GAAP £	Re-measurements £	IFRS as at 31 July 2013 £
Non-current assets				
Property, plant and equipment	B	6,684,381	(333,699)	6,350,682
Intangible assets	B	-	405,710	405,710
Investments in subsidiaries		5	-	5
Deferred tax asset	D	493,199	189,545	682,744
		<u>7,177,585</u>	<u>261,556</u>	<u>7,439,141</u>
Current assets				
Inventories		4,278,860	-	4,278,860
Trade and other receivables		86,662,145	-	86,662,145
Income tax recoverable		159,570	-	159,570
Cash at bank and in hand		8,675,884	-	8,675,884
		<u>99,776,459</u>	<u>-</u>	<u>99,776,459</u>
Total assets		<u>106,954,044</u>	<u>261,556</u>	<u>107,215,600</u>
Current liabilities				
Trade and other payables	A,C	(52,902,164)	(236,301)	(53,138,465)
Bank loans and overdrafts		-	-	-
Income tax payable		(5,633,849)	-	(5,633,849)
Provisions		(59,500)	-	(59,500)
		<u>(58,595,513)</u>	<u>(236,301)</u>	<u>(58,831,814)</u>
Non-current liabilities				
Provisions		-	-	-
Net assets		<u>48,358,531</u>	<u>25,255</u>	<u>48,383,786</u>
Equity				
Issued share capital		64,923	-	64,923
Share premium account		1,520,230	-	1,520,230
Other reserves		(1,436,532)	-	(1,436,532)
Retained earnings	A,B,C,D	48,209,910	25,255	48,235,165
Total equity		<u>48,358,531</u>	<u>25,255</u>	<u>48,383,786</u>

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.16 First time adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 31 July 2013

	Notes	UK GAAP £	Re-measurements £	IFRS for the year ended 31 July 2013 £
Revenue		395,755,868	-	395,755,868
Cost of sales		(325,245,029)	-	(325,245,029)
Gross profit		70,510,839	-	70,510,839
Administrative expenses	A,B,C	(43,005,129)	(137,588)	(43,142,717)
Operating profit		27,505,710	(137,588)	27,368,122
Normalised operating profit		28,240,601	(137,588)	28,103,013
Share-based payments charge		(734,891)	-	(734,891)
Finance income		81,443	-	81,443
Profit before tax		27,587,153	(137,588)	27,449,565
Income tax expense	D	(6,471,559)	(392,279)	(6,863,838)
Profit for the year		21,115,594	(529,867)	20,585,727
Other comprehensive income net of tax		-	-	-
Total comprehensive income for the year net of tax		21,115,594	(529,867)	20,585,727
Profit attributable to: Owners of the Company		21,115,594	(529,867)	20,585,727

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.16 First time adoption of IFRS (continued)

Reconciliation of cash flow for the year ended 31 July 2013

	Notes	UK GAAP	Re-measurements	IFRS for the year ended
		2013		2013
		£	£	£
Net cash generated from operating activities		17,656,744	-	17,656,744
Investing activities				
Finance income		81,443	-	81,443
Purchase of property, plant and equipment	B	(3,097,154)	374,826	(2,722,328)
Purchase of intangible assets	B	-	(374,826)	(374,826)
Net cash used in investing activities		(3,015,711)	-	(3,015,711)
Financing activities				
Dividends paid		(17,267,266)	-	(17,267,266)
Purchase of own shares		1,197,894	-	1,197,894
Net cash used in financing activities		(16,069,372)	-	(16,069,372)
Net decrease in cash and cash equivalents		(1,428,339)	-	(1,428,339)
Cash and cash equivalents at beginning of year		10,104,223	-	10,104,223
Cash and cash equivalents at end of year		8,675,884	-	8,675,884

Notes to the reconciliation of equity as at 1 August 2012 and 31 July 2013, total comprehensive income for the year ended 31 July 2013 and cash flow for the year ended 31 July 2013.

A Employee benefits

Under UK GAAP there is no requirement to accrue for short-term accumulating compensated absences. The adjustments to incorporate such an accrual have been posted directly to retained earnings for the year ended 31 July 2012 and have been posted to administrative expenses for the year ending 31 July 2013.

B Intangible assets

IFRS requires intangible assets to be disclosed separately from property plant and equipment. For the year ended 31 July 2013 Intangible assets had been included within computer equipment in property plant and equipment as permitted by UK GAAP. Assets owned by the Company which meet the definition of intangible assets are predominantly software licences and have been reclassified from property plant and equipment to intangible assets. Useful lives have been reviewed for reasonableness upon reclassification.

Prior to the year ended 31 July 2013 it was the Company's policy to expense software licences within computer expenditure. In order to present the year ended 31 July 2012 on a consistent basis the expenses of prior periods, which meet the criteria for intangible assets, have been capitalised and amortised over their useful lives. This has resulted in an additional amortisation expense in the years ending 31 July 2012 and 2013.

Additional amortisation represents a direct adjustment to retained earnings in the year ended 31 July 2012 and an additional administrative expense for the year ended 31 July 2013.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

1 Accounting Policies (continued)

1.16 First time adoption of IFRS (continued)

C Operating leases

Lease expenses have been adjusted to represent the straight lining of incentives, as required by IFRS. The adjustments to incorporate this requirement have been posted directly to retained earnings in the year ended 31 July 2012 and to administrative expenses in the year ending 31 July 2013.

D Taxation

Under IFRS the basis on which deferred tax on share options is calculated differs from that under UK GAAP. This difference has meant that as at 1 August 2012 the deferred tax asset on share options is larger under IFRS and has resulted in an additional credit to reserves. In the year ended 31 July 2013, there were significant share option exercises which reduce the size of the IFRS deferred tax asset adjustment as at 31 July 2013 and increase the charge for deferred tax in the year ended 31 July 2013.

In the year ended 31 July 2013 the income statement tax expense has increased due to the above reversal of an element of the share option related deferred tax asset established at the transition date, combined with the set-up of additional deferred tax assets in respect of further IFRS adjustments.

2 Revenue

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

3 Operating profit	2014	2013
	£	£
Operating profit is stated after charging/(crediting);		
Depreciation of tangible assets	1,565,285	1,068,382
Amortisation of intangible assets	213,120	98,326
Operating lease rentals	398,254	171,490
Foreign exchange loss/(gain)	156,568	(367,222)

Auditor's remuneration

Fees payable for the audit of the Company's annual accounts	47,500	28,800
Total for statutory audit services	47,500	28,800
Taxation advisory services	8,500	3,000
Other non audit services	85,294	6,400
Total for non-audit services	93,794	9,400

4 Finance Income	2014	2013
	£	£
Bank interest	102,777	81,443

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

5 Income tax

The major components of income tax expense for the years ended 31 July 2014 and 31 July 2013 are:

	2014	2013
	£	£
Statement of profit and loss:		
Current income tax charge in the year	8,129,964	6,403,852
Adjustment in respect of current income tax in previous years	-	38,463
Total current income tax charge	<u>8,129,964</u>	<u>6,442,315</u>
Deferred tax		
Relating to origination and reversal of temporary differences	147,856	421,523
Deferred tax charge	<u>147,856</u>	<u>421,523</u>
Total tax charge	<u>8,277,820</u>	<u>6,863,838</u>
Reconciliation of total tax charge		
Reconciliation of tax expense and accounting profit multiplied by the Company's domestic tax rate for 2014 and 2013:		
Profit on ordinary activities before taxation	35,630,315	27,449,565
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.33% (2013: 23.67%)	<u>7,956,784</u>	<u>6,497,312</u>
Effects of;		
Non-deductible expenses	208,874	466,744
Adjustment to previous periods	-	38,463
Stock option differences	(47,506)	(249,182)
Deferred tax prior year adjustment	3,275	(20,578)
Deferred tax rate changes	156,393	131,079
	<u>321,036</u>	<u>366,526</u>
Income tax charge reported in the profit or loss	<u>8,277,820</u>	<u>6,863,838</u>

Changes affecting the future tax charge

The Finance Bill 2013 included a reduction in the UK corporation tax rate to 21% from 1 April 2014 and a further reduction to 20% from 1 April 2015. These rates were enacted on 17 July 2013.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date and therefore these have been measured at 20%.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

6 Dividends

	2014	2013
	£	£
Declared and paid during the year:		
Dividends on ordinary shares:		
Ordinary dividend:	4,779,321	750,000
Special dividend:	-	16,517,266
	<u>4,779,321</u>	<u>17,267,266</u>

The 2014 proposed final dividend of 74 pence per share is planned to be paid on 30 November 2014 to shareholders on the register at 15 November 2014. It was approved by the board after 31 July 2014 and has not been included as a liability as at 31 July 2014.

7 Property, plant and equipment

	Freehold buildings	Building improvements	Computer equipment	Fixtures, fittings & equipment	Motor Vehicles	Total
Cost	£	£	£	£	£	£
At 1 August 2012	2,648,703	547,838	1,761,819	524,889	85,376	5,568,625
Additions	-	694,303	1,854,350	157,001	16,674	2,722,328
Disposals	-	-	(155,124)	-	-	(155,124)
At 31 July 2013	2,648,703	1,242,141	3,461,045	681,890	102,050	8,135,829
Additions	-	222,937	1,378,231	142,371	78,200	1,821,739
Disposals	-	-	-	-	-	-
At 31 July 2014	<u>2,648,703</u>	<u>1,465,078</u>	<u>4,839,276</u>	<u>824,261</u>	<u>180,250</u>	<u>9,957,568</u>

Depreciation

At 1 August 2012	-	-	726,872	103,182	41,835	871,889
On disposals	-	-	(155,124)	-	-	(155,124)
Charge for the year	24,974	101,222	801,100	111,930	29,156	1,068,382
At 1 August 2013	24,974	101,222	1,372,848	215,112	70,991	1,785,147
On disposals	-	-	-	-	-	-
Charge for the year	24,974	136,022	1,240,705	118,640	44,944	1,565,285
At 31 July 2014	<u>49,948</u>	<u>237,244</u>	<u>2,613,553</u>	<u>333,752</u>	<u>115,935</u>	<u>3,350,432</u>

Net book value

At 31 July 2014	2,598,755	1,227,834	2,225,723	490,509	64,315	6,607,136
At 31 July 2013	2,623,729	1,140,919	2,088,197	466,778	31,059	6,350,682
At 1 August 2012	2,648,703	547,838	1,034,947	421,707	43,541	4,696,736

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

8 Intangible assets

	Computer Software
Cost	£
At 1 August 2012	183,061
Additions	374,826
At 31 July 2013	557,887
Additions	330,086
At 31 July 2014	887,973
Amortisation	
At 1 August 2012	53,851
Charge for the year	98,326
At 1 August 2013	152,177
Charge for the year	213,120
At 31 July 2014	365,297
Net book value	
At 31 July 2014	522,676
At 31 July 2013	405,710
At 1 August 2012	129,210

The amortisation of intangible assets is included in administrative expenses within the income statement. See Note 3.

Intangible assets, consisting entirely of non-integral computer software assets, are amortised over their estimated useful lives of 3-5 years.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

9 Investments in subsidiaries

	Shares in subsidiary undertakings
Cost and Net book value	£
At 31 July 2014	2
At 31 July 2013, 2012	5

Holding of more than 20%

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

Company (subsidiary undertaking)	Country of registration or incorporation	Class	Shares held %
Software Licensing Limited	England	Ordinary	100

The aggregate amount of capital and reserves and the results of the subsidiary undertaking for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
	2014 £	2014 £
Software Licensing Limited	2	-

On 22 July 2014 confirmation was received that Softcat Limited's former 100% owned subsidiaries; Softcat Services Limited, Skills Online Limited and Sequireit Limited, had been dissolved. These entities had remained dormant throughout the year up until this date.

On 9 September 2014 confirmation was received that Software Licensing Limited, whose shares were 100% owned by Softcat Limited, had also been dissolved. Software Licensing Limited remained dormant throughout the year ended 31 July 2014 and up until the date of dissolution. See Note 27 for further details.

10 Inventories

	As at 1 August		
	2014 £	2013 £	2012 £
Finished goods and goods for resale	4,481,569	4,278,860	2,007,397

The amount of any write down of inventory recognised as an expense in the year was £nil (2013: £nil, 2012: £nil).

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

11 Trade and other receivables

	2014	2013	As at 1 August 2012
	£	£	£
Trade and other receivables	93,639,464	80,237,781	66,388,460
Provision against receivables	(1,673,735)	(1,554,041)	(1,754,041)
Net trade receivables	91,965,729	78,683,740	64,634,419
Called up share capital not paid	2,456,740	1,302,341	9,600
Other debtors	70,144	732,652	796,782
Prepayments and accrued income	5,702,125	5,943,412	6,461,751
	<u>100,194,738</u>	<u>86,662,145</u>	<u>71,902,552</u>

Trade receivables do not carry interest. The average credit period on sale of goods is 48 days (2013: 50 days)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The ageing profile of trade receivables was as follows:

	2014	Related provision	Net	2013	Related provision	Net	2012	Related provision	Net
	£	£	£	£	£	£	£	£	£
Current	55,985,859	(544,544)	55,441,315	40,537,450	(375,855)	40,161,595	27,390,955	(244,773)	27,146,182
1-30 days	26,829,153	(268,292)	26,560,861	21,942,314	(239,938)	21,702,376	26,767,653	(297,737)	26,469,916
31-60 days	5,456,241	(57,193)	5,399,048	6,954,100	(83,920)	6,870,180	7,245,322	(75,122)	7,170,200
61-90 days	4,485,680	(144,565)	4,341,115	6,582,499	(122,710)	6,459,789	3,903,712	(73,598)	3,830,114
Over 90 days	882,531	(659,141)	223,390	4,221,418	(731,618)	3,489,800	1,080,818	(1,062,811)	18,007
Total due	<u>93,639,464</u>	<u>(1,673,735)</u>	<u>91,965,729</u>	<u>80,237,781</u>	<u>(1,554,041)</u>	<u>78,683,740</u>	<u>66,388,460</u>	<u>(1,754,041)</u>	<u>64,634,419</u>

The Company provides against trade receivables where there are serious doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

11 Trade and other receivables (continued)

Movement in the provision for trade receivables was as follows:

	2014	2013	2012
	£'000	£'000	£'000
Balance at beginning of year	1,554,041	1,754,041	2,211,800
Increase for trade receivables regarded as potentially uncollectable	1,265,302	175,000	240,000
Decrease in provision for trade receivables recovered, or written off, during the year	(1,145,608)	(375,000)	(697,759)
Balance at end of year	1,673,735	1,554,041	1,754,041

See Note 21 for details on how the Company approaches its exposure to credit risk.

The Company does not hold collateral as security.

12 Trade and other payables

	As at 1 August		
	2014	2013	2012
	£	£	£
Trade payables	48,081,972	34,619,874	21,918,331
Other taxes and social security	5,650,256	3,809,014	6,997,900
Accruals and deferred income	20,771,037	14,709,577	14,539,895
	74,503,265	53,138,465	43,456,126

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The average credit period taken for trade purchases is 30 days (2013: 27 days, 2012: 21 days).

13 Bank loans and overdrafts

The Company has an overdraft facility with its bankers which is secured by way of a fixed and floating charge over all assets of the Company, dated 20 January 2002 in favour of the bankers. The Company has no overdrafts outstanding at the year ended 31 July 2014 (2013: £nil, 2012: £2,177,761).

14 Cash at bank and in hand

	As at 1 August		
	2014	2013	2012
	£	£	£
Cash at bank and in hand	37,720,410	8,675,884	12,281,984
Bank overdrafts	-	-	(2,177,761)
	37,720,410	8,675,884	10,104,223

Cash and cash equivalent comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates. All cash held is accessible and is not restricted for any period of time.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

15 Provision for liabilities

	Land and buildings		
	As at 1 August		
	2014	2013	2012
	£	£	£
Onerous lease on old premises:			
Balance brought forward	59,500	416,500	7,463
Provided in the year	-	-	416,500
Utilised in year	(59,500)	(357,000)	(7,463)
Balance carried forward	-	59,500	416,500
Current	-	59,500	357,000
Non-current	-	-	59,500

Onerous operating lease

On vacating the Morton House property in Marlow, a provision was created for the remaining operating lease commitments. In 2014, the remaining lease commitments were utilised.

16 Deferred tax

The deferred tax asset is made up as follows:

	As at 1 August		
	2014	2013	2012
	£	£	£
Accelerated capital allowances	104,213	54,629	26,019
Share-based payments	(480,419)	(615,190)	(870,630)
Other timing differences	(158,682)	(122,183)	(259,656)
Net deferred tax assets	(534,888)	(682,744)	(1,104,267)

Reconciliation of deferred tax asset

	£
Balance at 1 August 2012	(1,104,267)
Profit and loss account	284,975
Profit and loss rate change adjustment	136,548
Balance at 1 August 2013	(682,744)
Profit and loss account	147,856
Balance as at 31 July 2014	(534,888)

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

16 Deferred tax (continued)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

17 Pension and other post-retirement benefit commitments 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. At the year-end pension contributions of £406,951 (2013: £58,138) were outstanding.

	2014	2013
	£	£
Contributions payable by the Company for the year	461,950	366,936

18 Share capital

	As at 1 August		
	2014	2013	2012
	£	£	£
Authorised			
11,204,245 ordinary shares of 1p each	112,042	112,042	112,042
188,500 'MR' shares of 1p each	1,885	1,885	1,885
607,255 'A' ordinary shares of 1p each	6,073	6,073	6,073
	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Allotted and called up			
8,708,863 (2013: 5,696,508, 2012: 5,478,508) ordinary shares of 1p each	87,089	56,965	54,785
188,500 (2013: 188,500, 2012: 188,500) 'MR' shares of 1p each	1,885	1,885	1,885
607,255 (2013: 607,255, 2012: 607,255) 'A' ordinary shares of 1p each	6,073	6,073	6,073
	<u>95,047</u>	<u>64,923</u>	<u>62,743</u>

During the year 130,000 shares were issued to satisfy share awards made under a deferred purchase scheme. These shares were issued on 28 March 2014 at a price of £8.88 per share, the HMRC approved valuation at the date of the issue. The share issue proceeds of £1,154,400 remain unpaid at the balance sheet date.

The 8,708,863 (2013: 5,696,508, 2012: 5,478,508) issued ordinary shares of £0.01 each above consist of 8,360,863 (2013: 4,541,008, 2012: 4,541,008) fully paid up shares, nil (2013: 3,750,000, 2012: 3,750,000) allotted, called up and quarter paid shares and 348,000 (2013: 218,000, 2012: nil) allotted, called up and nil paid shares.

The 188,500 ordinary 'MR' shares of £0.01 each are allotted, called up and fully paid.

All shares rank pari passu in all respects save that in respect of dividends.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

19 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£	£
Operating profit	35,527,538	27,368,122
Depreciation of property, plant and equipment	1,565,285	1,068,382
Amortisation of Intangibles	213,120	98,326
Cost of equity settled employee share schemes	241	734,891
Decrease in provisions	(59,500)	(357,000)
Operating cash flow before movements in working capital	37,246,684	28,912,721
Increase in stocks	(202,709)	(2,271,463)
Increase in debtors	(12,378,194)	(13,466,853)
Increase in creditors	21,352,070	9,682,339
Cash generated from operations	46,017,851	22,856,744
Income taxes paid	(10,345,174)	(5,200,000)
Net cash from operating activities	35,672,677	17,656,744

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

20 Financial commitments

Operating leases

At 31 July 2014, Operating leases represent short-term leases for office space in London, Manchester and Bristol.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Office buildings		As at 1
	2014	2013	August 2012
	£	£	£
Operating leases which expire:			
Within one year	415,917	354,005	225,062
Between two and five years	1,343,511	1,202,932	1,348,890
In over five years	-	11,905	138,553
	<u>1,759,428</u>	<u>1,568,842</u>	<u>1,712,505</u>

21 Financial instruments and financial risk management

The Company's principal financial liabilities comprise trade and other payables. 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.

Financial assets

The financial assets of the Company were as follows:

			As at 1
	2014	2013	August 2012
	£	£	£
Cash at bank and in hand	37,720,410	8,675,884	12,281,984
Trade and other receivables	100,194,738	86,662,145	71,902,552

The Directors consider that the carrying amount for all financial assets approximates to their fair value.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

21 Financial instruments and financial risk management (continued)

Financial liabilities

The financial liabilities of the Company were as follows:

	2014	2013	As at 1 August 2012
	£	£	£
Bank overdrafts	-	-	(2,177,761)
Trade and other payables	(74,503,265)	(53,138,465)	(43,456,126)

The Directors consider that the carrying amount for all financial liabilities approximates to their fair value.

Financial risk management

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and ensure that the Company's financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

The Board of Directors review and agree the policies for managing each of these risks, which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Company has no borrowings and therefore the exposure to interest rate risk is limited to the rates received as interest income on cash deposits. The Company accepts the risk of losing interest on deposits due to interest rate reductions. Due to the limited exposure to interest rate risk no sensitivity analysis has been prepared.

Foreign currency risk

The Company is exposed to foreign currency risk when dealing with customers who wish to be billed in a currency other than Pounds Sterling. As the vast majority of transactions are with UK customers and are denominated in Pounds Sterling, the Directors consider this foreign currency risk to be small and do not hedge this risk due to the limited exposure. The level of foreign currency transactions is monitored closely to ensure that the level of exposure is manageable. Due to the limited exposure to currency risk no sensitivity analysis has been prepared.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

21 Financial instruments and financial risk management (continued)

Trade receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored. At 31 July 2014, the Company had 717 customers (2013: 612, 2012: 525) that owed the Company more than £25,000 each. These customers accounted for approximately 13% (2013: 11%, 2012: 11%) of total customers and 80% (2013: 77%, 2012: 80%) of the total value of amounts receivable. There were 163 customers (2013: 128 customers, 2012: 117 customers) with balances greater than £100,000 accounting for just over 3% (2013: 2%, 2012: 2%) of the total number of customers and 51% (2013: 50%, 2012: 50%) of the total value of amounts receivable.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low as there is limited reliance on single, or a few customers, instead sales are typically small in size but large in volume as are the number of customers. This is illustrated by the fact that no more than 4% of revenue is due from any one customer at the year end.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with Company policy. The Company has significant cash reserves which are accessible immediately and without restriction. Credit risk with respect to cash deposits is managed by carefully selecting the institutions with which cash is deposited and spreading its deposits across more than one such institution to ease concentration risk.

Liquidity risk

The Company is strongly cash-generative and the funds generated by operating activities are managed to fund short-term working capital requirements. Cash reserves remain significant in size and no external borrowing is required to fund any of the Company's activities. Access to cash is not restricted and could all be drawn upon immediately if so required. The Board carefully monitors the levels of cash deposits and is comfortable that for normal operating requirements, no external borrowings are required.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

21 Financial instruments and financial risk management (continued)

The following table details the Company's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£	£	£	£	£
2014					
Trade and other payables	(74,503,265)	-	-	-	(74,503,265)
2013					
Trade and other payables	(53,138,465)	-	-	-	(53,138,465)
2012					
Bank loans	(2,177,761)	-	-	-	(2,177,761)
Trade and other payables	(43,456,126)	-	-	-	(43,456,126)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Company Statement of Changes in Equity. The Company is not subject to externally imposed capital requirements.

22 Capital commitments

At 31 July 2014 the Company had no capital commitments (2013: £nil, 2012: £nil)

23 Directors' remuneration

	2014	2013
	£	£
Remuneration for qualifying services	1,771,529	1,731,450
Company pension contributions to defined contribution schemes	97,085	208,735
	<u>1,868,614</u>	<u>1,940,185</u>

During the year ended 31 July 2014 the Directors of the Company received a total of 40,000 deferred purchase shares (2013: 100,000) and were awarded a total of 57,214 share options (2013: 15,000) at a weighted average exercise price of £19.03 (2013: £5.93).

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2013: 6). No Directors exercised share options during the year (2013: 2). The number of Directors who are entitled to receive shares under long-term incentive schemes during the year was 2 (2013: 5).

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

23 Directors' remuneration (continued)

Remuneration disclosed above includes the following amounts paid to the highest paid Director.

	2014	2013
	£	£
Remuneration for qualifying services	334,600	461,310
Company pension contributions to defined contribution schemes	52,597	-

In the year ended 31 July 2014 the highest paid Director received a total of 40,000 deferred purchase shares (2013: nil).

24 Employees

Number of employees

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

	2014	2013
	Number	Number
Management	36	35
Administration	118	87
Sales	448	366
	<u>602</u>	<u>488</u>

Employment costs

	2014	2013
	£	£
Wages and salaries	17,682,472	14,529,837
Social security costs	4,616,984	3,689,900
Other pension costs	461,950	366,936
Share option charge	241	734,891
	<u>22,761,647</u>	<u>19,321,564</u>

25 Share option schemes

The Company operates a tax authority-approved EMI and a CSOP for eligible employees, including Directors.

The Company recognised the following expenses related to equity-settled share-based payment transactions:

	2014	2013
	£	£
CSOP share option plan	<u>241</u>	<u>734,891</u>

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

25 Share option schemes (continued)

All options vest only on the occurrence of a contingent event. This includes stock exchange listing, substantial sale or substantial business asset sale. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, the vesting of these share options is dependent on continued employment. The Company has the right to cancel the options if an employee leaves the Company.

Movement in the EMI and CSOP share options in Softcat Limited and their weighted average exercise price are as follows:

	Weighted average exercise price	No. of shares under options as at 2014	Weighted average exercise price	No. of shares under options as at 2013
Outstanding at 1 August		535,106		1,113,620
Granted during the year	19.03	57,214	5.93	15,000
Forfeited during the year	3.65	(24,000)	2.52	(12,492)
Exercised during the year		(44,000)		(581,022)
Outstanding at 31 July		524,320		535,106
Exercisable at 31 July		452,106		520,106

Share options in the Company's ordinary shares outstanding at the year end have the following terms and exercise prices:

Option term	Exercise price	No. of shares under options as at 31 July 2014	No. of shares under options as at 31 July 2013
July 2007 to June 2015	£2.20	4,384	4,384
June 2008 to May 2016	£1.20	3,612	3,612
October 2009 to July 2016	£1.35	4,110	4,110
June 2013 to May 2021	£3.65	440,000	508,000
November 2014 to May 2023	£5.93	15,000	15,000
July 2016 to July 2024	£21.18	47,214	-
June 2017 to June 2024	£8.88	10,000	-
Total		524,320	535,106

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

25 Share option schemes (continued)

The share-based payments charge in the year of £241 (2013: £734,891) is in respect of share options granted in FY2014. The fair value of options granted was calculated using the Black-Scholes model, incorporating relevant assumptions for weighted average share price, weighted average exercise price, expected volatility, expected dividend yield, risk free interest rate and share option term. The resultant fair value was then spread over the relevant performance period for each tranche of share options. The fair values for all schemes are measured by use of the Black-Scholes option pricing model using the following assumptions:

	2014
Share price	£8.88
Weighted average exercise price at grant date	£19.03
Expected dividend yield	4.71%
Risk free interest rate	0.50%
Expected volatility	28%
Term	10 years

The above table shows the share price of options granted. During the year £57,214 (2013: 15,000) options were granted.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, restrictions and behavioural considerations at the date of granting the options.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the term commensurate with the expected term immediately prior to the date of grant.

During the year 57,214 (2013: 15,000) options were granted. Of these shares 47,214 had an exercise price of £21.18 at the date of grant and a performance period of 2 years. The remaining 10,000 shares granted had an exercise price of £8.88 at the date of grant with a performance period of 3 years.

26 Control

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

27 Post balance sheet events

Dissolution of subsidiary

On 9 September 2014 confirmation was received that Software Licensing Limited, whose shares were 100% owned by Softcat Limited, had been dissolved. Software Licensing Limited remained dormant throughout the year ended 31 July 2014 and up until the date of dissolution. As notification was received post year-end this is a non-adjusting post balance sheet event.

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

28 Related party relationships and transactions

Transactions with key management personnel

The remuneration of key management personnel, which includes the Directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24: Related Party Disclosures.

	2014 £	2013 £
Short-term employee benefits	2,856,164	2,431,745
Post-employment benefits	114,297	216,685
	<u>2,970,461</u>	<u>2,648,430</u>

During the year ended 31 July 2014, key management personnel received a total of 130,000 (2013: 210,000) deferred purchase shares and were awarded a total of 57,214 share options (2013: 15,000) at a weighted average exercise price of £19.03 (£5.93).

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Loans to Directors

Transactions in relation to loans with Directors during the year are outlined in the table below:

Description	% rate	Opening balance	Amounts advanced	Interest charged	Amounts repaid	Closing balance
		£	£	£	£	£
D Fawell	4%	<u>527,383</u>	<u>-</u>	<u>10,272</u>	<u>537,655</u>	<u>-</u>

Advances and credits to Directors

Advances and credits granted to Directors during the year are outlined in the table below:

	% rate	Opening balance	Amounts advanced	Interest charged	Amounts repaid	Closing balance
		£	£	£	£	£
P D J Kelly	-	<u>1,539</u>	<u>5,644</u>	<u>-</u>	<u>-</u>	<u>7,183</u>

Softcat Limited

Notes to the financial statements (continued)

For the year ended 31 July 2014

28 Related party relationships and transactions (continued)

Dividends to Directors

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

	2014	2013
	£	£
P D J Kelly	2,900,249	9,923,707
W J Kenny	135,424	537,785
D Fawell	135,358	537,522
D E Simpson	137,263	545,087
J A S Nash	-	1,888,882
M J Hellawell	538,784	2,139,572
D Ridgway	42,461	168,618
C Brown	27,000	-
	<u>3,916,539</u>	<u>15,741,173</u>