Company Registration No. 02174990 (England and Wales)

SOFTCAT LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2013

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Softcat Limited
Company Information

Directors	P D J Kelly	
	W J Kenny	
	D Fawell	
	D E Simpson	
	M J Hellawell	
	D Ridgway	
	B Wallace	(Appointed 8 May 2013)
	C W Brown	(Appointed 26 June 2013)
	R A Lecoutre	(Appointed 25 June 2013)
Secretary	W J Kenny	
Company number	02174990	
Registered office	Solar House Fieldhouse Lane Marlow Bucks SL7 1LW	
Auditors	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE	

Softcat Limited
Contents

Softcat Limited
Strategic report

For the year ended 31 July 2013

The directors present their Strategic report for the year ended 31 July 2013.

Review of the business
The principal activity of the company continued to be that of value added IT reseller and IT infrastructure solutions provider to the corporate and public sector markets.

We are pleased to report on another year of strong progress at Softcat for the financial year ending 31 July 2013. Revenues reached £395.8m, 30% up on the previous financial year and ahead of the target and expectation set at the beginning of the year. Gross profit grew 25% year-on-year, in line with growth in operating expenditure of 27%, resulting in a very satisfactory £28.2m normalised operating profit (operating profit before deducting the FRS20 share based payments charge), an increase of 22% on the previous year and representing 7.1% return on sales. Normalised EBITDA (earnings before interest, tax, depreciation, amortisation and share based payments charge) amounted to £29.4m, an increase of 24% over last year.

In the last three financial years alone Softcat has increased turnover by 172% from £145.8m to £395.8m and operating profit has increased 174% in the same period from £10.0m to £27.5m, representing 40% CAGR for both metrics. This has been achieved entirely organically and against the backdrop of an industry showing low single digit growth figures for the period.

Softcat's growth has largely been achieved by maintaining and growing our existing accounts, by continually developing our offering and winning large numbers of new accounts from our competitors. In the last financial year the company traded with a record 1,750 new accounts which bodes well for the future as business levels from these customers would be expected to grow significantly over time as these relationships deepen, in the same pattern as has been observed over many previous years.

The company remains focussed on the UK market. Softcat continues to enjoy strong growth in its traditional small and medium sized business (SMB) and commercial mid-market heartland but this is now being rapidly augmented by very strong growth in the public sector market and increasingly larger enterprise customers in the commercial sector.

Over the last ten years Softcat has progressively developed our offering to evolve the company from a specialist software licensing provider to a full infrastructure solutions provider. The company offers its customers IT solutions, composed of hardware and software from the leading IT product providers in the world, along with an ever increasing range of services to design, implement and support these solutions. Softcat's main areas of specific activity include client computing, data centre infrastructure, software licensing, security and networking, connectivity, cloud aggregation, professional consultancy and managed services. The company's focus on technology solution sales rather than volume commodity IT sales is a large contributory factor to the company's higher than industry average profitability.

In the last financial year the company achieved double digit growth in all of its core areas of business. Particularly strong growth was achieved in the data centre infrastructure and managed services areas. This was partially due to the transition in the market to cloud based and notably private cloud based solutions. Softcat offers the component parts and services for customers to build their own clouds and equally the company offers managed services to provide cloud based infrastructure for customers. The company also benefited from the shift in the market to more centralised computer solutions and ever greater heterogeneous mobility solutions with the resulting high demand for world class connectivity, networking and security solutions.

Costs remained tightly controlled within the organisation. Management layers are kept to a minimum which the company is able to do as staff are empowered, with strong systems to support their activities, while the company retains very vigilant control of all costs across the organisation. A significant proportion of employee costs is variable, dependent on both individual and company results.

As a result of this sustained profitability the company is in a very healthy financial position and has continued to leverage its strong balance sheet to help to win new business in the year. In addition to driving revenue and controlling costs, the company remains focussed on cash generation. Despite returning £17.3m to shareholders during the year in the form of dividends, the company retained very healthy cash reserves of £8.7m at the end of the financial year.

Review of the business (continued)
In recognition of Softcat's achievement the company won the two main industry awards – the CRN UK Reseller of the year and the Canalys EMEA Reseller of the year. In addition, Softcat won UK Partner of the Year awards from a myriad of organisations including HP, Mimecast, NetApp, Veeam, EMC, VMware, Sophos and Kaspersky.

People
At the board level we made two significant appointments in the financial year. Colin Brown joined the organisation as Managing Director. Colin previously held general management and managing director positions with Computacenter and Microsoft over a twenty five year period, including running Computacenter Germany with 3,500 employees, the Computacenter Public Sector business and board level responsibility for the services business at Microsoft UK. Richard Lecoutre joined Softcat as Finance Director having previously held senior finance positions in the UK and US with Volex plc and Genus plc. Martin Hellawell, formerly Managing Director, became Executive Chairman following the retirement of company founder Peter Kelly. Bill Kenny, formerly Finance Director, became Director of Legal and Administration. Peter Kelly remains the majority shareholder and retains his position on the Softcat board in a non-executive capacity.

Brian Wallace, former Finance Director of Ladbrokes and the Hilton Group, and currently Chairman of Travelodge and non-executive director of First Group, joined the Softcat board as a non-executive board member. John Nash resigned from the Softcat board to pursue other interests.

The company recruited over two hundred new employees, the majority of which joined on our graduate intake programme. We recruited new staff in all areas of the business and for each of our Marlow, Manchester and London locations. In our annual Softcat employee survey, in answering the question "Overall how do you feel about Softcat as your employer?", 81% answered with the highest achievable rating of very positive, while a further 17% answered positive. The company was proud to be named as the 4th Best Workplace in the UK and the 10th Best Workplace in Europe by the Best Workplaces organisation for our company size category. Overall staff numbers increased from 432 on 31 July 2012 to 558 on 31 July 2013. The Softcat board thank the employees of the company for their fantastic commitment to the organisation and for the exceptional service levels they provide, internally and externally. As a service based organisation, attracting new talent and ensuring the company has the most motivated, engaged and energised work force in the industry remains the most vital component of our strategy.

Expansion
To accommodate our expansion, Softcat moved into a new 27,000 square foot headquarters in Marlow in September 2012. The new premises were designed to reflect the vibrant Softcat culture and gave both employees and the company a further lift. Strong cash balances built up by the company enabled it to take advantage of an excellent commercial opportunity to acquire the premises outright, for a total cost of £4m including fit out, with the majority of this cash outlay incurred in the prior financial year. The company also increased the size of its Manchester premises and agreed lease terms on new offices in London. In addition, Softcat established a new regional office in Bristol in January 2014.

Other capital expenditure during the year included significant investment in our cloud solutions infrastructure, notably the data centres held within Telecity's London and Manchester facilities. These are being used to serve Softcat's internal requirements as well as our customers'.

Corporate and social responsibility
Softcat and its employees are highly engaged with a number of charities. Amongst many different activities, achievements included: financing and building a community hall in Hawaii for families facing severe socio-economic problems; raising £200,000 for the charity Dreams Come True at the Softcat May Ball; turning Softcat into a Comic Relief call centre for a night, as well as raising an additional £30,000 for Comic Relief from a company fun day. In addition to direct Softcat company contributions to charities of £194,582 in the year, employees, suppliers and partners in aggregate contributed a further six figure sum to various Softcat charity fundraising activities.

The company encourages an active green agenda and has introduced environmentally friendly measures wherever reasonably possible including extensive recycling, a paperless office and low emission pool cars. The company also promotes healthy lifestyles for employees and sponsors and organises a wide variety of sporting activities.

Softcat Limited
Strategic report (continued)

For the year ended 31 July 2013

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

Outlook
The board is strongly encouraged by the company's progress throughout the year. Momentum is very strong within the company and we are confident of continued success and increased opportunity in the financial year ahead.
We have committed to further investment in people, with over 200 sales and services resources planned to be recruited during FY2014. A number of those will be located in Bristol, the fourth Softcat office which was opened in January 2014. Moreover, as well as the growth generated by our successful strategy, we see some evidence that the market in general is picking up after some five years of very low growth in corporate and public sector IT spend.

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

M.J.Hellawell

Martin Hellawell
Executive Chairman

11 April 2014

Softcat Limited
Directors' report

For the year ended 31 July 2013

The directors present their report for the year ended 31 July 2013.

Directors of the company
The following directors have held office since 1 August 2012:

P D J Kelly	
W J Kenny	
D Fawell	
D E Simpson	
J A S Nash	(Resigned 14 January 2013)
M J Hellawell	
D Ridgway	
B Wallace	(Appointed 8 May 2013)
C W Brown	(Appointed 26 June 2013)
R A Lecoutre	(Appointed 25 June 2013)

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 432 on 31 July 2012 to 558 on 31 July 2013.

Debtor days
Debtor days are regularly monitored and the extension of credit to customers, on agreed terms, is subject to on-going review by the directors. As at 31 July 2013, debtor days were 50 days (2012; 44 days).

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 2013, 99.2 % 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 6% shift upwards of those that were satisfied to very satisfied, with this latter category now being over 76% of our customers. Below is a brief summary of the results of the latest survey of 1,012 customers:

Very satisfied 76.1% (2012: 70.3%), satisfied 23.1% (2012: 28.9%), dissatisfied 0.5% (2012: 0.7%), and very dissatisfied 0.3% (2012: 0.0%).

Results and dividends
The results for the year are set out on page 10.

Two interim dividends on the MR shares totalling £750,000 relating to the year ended 31 July 2013 were paid in the year. In addition, a special dividend amounting to £16,517,266 on the ordinary shares was paid during the year. Final dividends relating to the current year of £4,187,384 on the ordinary shares and £590,138 on the MR shares were approved by the directors and paid after the year end.

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 focussed 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.

Softcat Limited
Directors' report (continued)

For the year ended 31 July 2013

Future developments (continued)
To help enable further sustained growth, the company moved into new offices in Marlow in September 2012 and moved its London office to larger, improved office premises in July 2013. In addition, a fourth Softcat sales office was opened in Bristol in January 2014.

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

	2013	2012
	£	£
During the year the company made the following payments:		
Charitable donations	194,582	103,418

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

Dreams Come True	£89,274
Wooden Spoon Charity	£50,000
Comic Relief	£17,189
Rosy	£10,555
Educaid Africa	£7,900
Matthews Friends	£7,289
Other charities	£12,375

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.

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 for those vacancies they are able to fill. 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.

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 has established a Remuneration Committee that consists of an independent non-executive director and three executive directors. The Remuneration Committee 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.

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 3.

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.

Auditors
In accordance with the company's articles, a resolution proposing the appointment of Ernst & Young LLP as auditors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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
Directors' report (continued)

For the year ended 31 July 2013

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
11 April 2014

Softcat Limited
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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement and the related notes 1 to 23, set out on pages 10 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Report and financial statements to identify material inconsistencies with the audited financial statements. 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Softcat Limited
Independent auditor's report (continued)

To the members of Softcat Limited

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:

- 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.

Ernst & Young LLP

Karl Havers (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

11 April 2014

Softcat Limited
Profit and loss account

For the year ended 31 July 2013

	Notes	2013	Restated 2012
		£	£
Turnover	2	395,755,868	304,055,497
Cost of sales		(325,245,029)	(247,771,071)
Gross profit		70,510,839	56,284,426
Administrative expenses		(43,005,129)	(33,994,319)
Operating profit	3	27,505,710	22,290,107
Normalised operating profit		28,240,601	23,205,905
FRS 20 Share based payments charge	21	(734,891)	(915,798)
Interest receivable and similar income	4	81,443	135,260
Profit on ordinary activities before taxation		27,587,153	22,425,367
Taxation	5	(6,471,559)	(5,229,251)
Profit for the year		21,115,594	17,196,116

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

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

The prior year comparative figures have been restated for certain adjustments detailed in note 1.13. The cumulative effect of these adjustments has decreased prior year profit after tax by £232,270.

Softcat Limited
Balance sheet

As at 31 July 2013

	Notes		2013		Restated 2012
		£	£	£	£
Fixed assets					
Tangible assets	7		6,684,381		4,696,736
Investments	8		5		5
			6,684,386		4,696,741
Current assets					
Stocks	9	4,278,860		2,007,397	
Debtors	10	87,314,914		72,584,565	
Cash at bank and in hand		8,675,884		12,281,984	
		100,269,658		86,873,946	
Creditors: amounts falling due within one year	11	(58,536,013)		(49,869,509)	
Net current assets			41,733,645		37,004,437
Total assets less current liabilities			48,418,031		41,701,178
Provisions for liabilities and charges	12		(59,500)		(416,500)
			48,358,531		41,284,678
Capital and reserves					
Share capital	14		64,923		62,743
Share premium account	15		1,520,230		229,670
Other reserves	15		(1,436,532)		(2,634,426)
Profit and loss account	15		48,209,910		43,626,691
Shareholders' funds	16		48,358,531		41,284,678

Approved by the Board and authorised for issue on 11 April 2014.
They were signed on its behalf by:

M. Hellawell

Martin Hellawell
Executive Chairman

Richard Lecoutre
Finance Director

Softcat Limited Company Registration Number: 02174990

Softcat Limited
Cash flow statement

For the year ended 31 July 2013

	Notes		2013		Restated 2012
		£	£	£	£
Net cash inflow from operating activities			22,856,744		14,596,748
Returns on investment and servicing of finance					
Interest received	4	81,443		135,260	
Net cash inflow for returns on investments and servicing of finance			81,443		135,260
Taxation			(5,200,000)		(4,389,806)
Capital expenditure and financial investment					
Payments to acquire tangible assets	7	(3,097,154)		(4,500,019)	
Receipts from sales of tangible assets		-		6,500	
Net cash outflow for capital expenditure			(3,097,154)		(4,493,519)
Equity dividends paid	6		(17,267,266)		(2,065,825)
Net cash (outflow)/inflow before management of liquid resources and financing			(2,626,233)		3,782,858
Purchase of own shares	15	1,197,894		205,423	
New share capital issued		-		173,710	
			1,197,894		379,133
(Decrease)/increase in cash in the year			(1,428,339)		4,161,991

Softcat Limited

Notes to the cash flow statement

For the year ended 31 July 2013

1 Reconciliation of operating profit to net cash inflow from operating activities

	2013	Restated 2012
	£	£
Operating profit	27,505,710	22,290,107
Depreciation of tangible assets	1,109,509	474,575
Loss on disposal of tangible fixed assets	-	28,477
Increase in stocks	(2,271,463)	(944,838)
Increase in debtors	(13,466,853)	(22,077,763)
Increase in creditors	9,601,950	13,493,892
Share based payments	734,891	915,798
Decrease in provisions	(357,000)	416,500
Net cash inflow from operating activities	22,856,744	14,596,748

2 Analysis of net funds

	1 August 2012	Cash flow	Other non-cash changes	31 July 2013
	£	£	£	£
Net cash:				
Cash at bank	12,281,984	(3,606,100)	-	8,675,884
Bank overdrafts	(2,177,761)	2,177,761	-	-
	10,104,223	(1,428,339)	-	8,675,884
Bank deposits	-	-	-	-
Net funds	10,104,223	(1,428,339)	-	8,675,884

3 Reconciliation of net cash flow to movement in net funds

	2013	2012
	£	£
(Decrease)/increase in cash in the year	(1,428,339)	4,161,991
Movement in net funds in the year	(1,428,339)	4,161,991
Opening net funds	10,104,223	5,942,232
Closing net funds	8,675,884	10,104,223

Softcat Limited
Notes to the financial statements

For the year ended 31 July 2013

1 Accounting policies

1.1 Accounting convention
The financial statements are prepared under the historical cost convention.

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

1.3 Turnover
Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover in respect of goods is recognised when title is passed to customers, which is when goods are delivered. Turnover in respect of services is recognised as it is earned.

1.4 Tangible fixed assets and depreciation
Tangible fixed assets other than freehold land are stated at cost less depreciation. 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	10 years straight line
Computer equipment	3 years straight line
Fixtures, fittings and equipment	6 years straight line
Motor vehicles	3 years straight line

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

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

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

Stock is 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.

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

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

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

1.11 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 profit and loss account 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 profit and loss account over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

Softcat Limited
Notes to the financial statements (continued)

For the year ended 31 July 2013

1.11 Share based payments (continued)

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

1.12 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company's subsidiary undertakings have remained dormant throughout the year. Their aggregate capital and reserves are negligible. The company has taken advantage of the exemptions provided by section 405 of the Companies Act 2006 not to prepare group accounts on the grounds the subsidiary undertakings are not material for the purpose of giving a true and fair view.

1.13 Prior year adjustments

The 2012 figures have been restated for the following items:

Revenue recognition

Sales and cost of sales were overstated by £1,868,641 and £1,563,022 respectively as a result of incorrect application of the company's revenue recognition policy around the prior year end. The impact of restating the prior year sales and cost of sales figures for this cut-off adjustment is to reduce reported profit after tax by £232,270.

Revenue and cost of sales gross-up

Sales and cost of sales were both overstated by £1,580,854 due to the incorrect gross-up of certain sales transactions. This adjustment has no impact on prior year reported profit.

Equity

Share capital has been increased by £1,433, share premium has been increased by £172,277 and other reserves has decreased by £173,710 to reflect the issue of 128,565 shares during the year to 31 July 2012, to satisfy the prior year exercise of options under long term incentive arrangements. The exercise of options and the share issue to satisfy it, had not been recorded in the FY2012 financial statements. This adjustment has no impact on prior year reported profit.

2 Turnover

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

3 Operating profit

Operating profit is stated after charging;	2013 £	2012 £
Depreciation of tangible assets	1,109,509	474,575
Loss on disposal of tangible assets	-	28,477
Loss on foreign exchange transactions	-	4,012
Operating lease rentals	171,490	988,060
And after crediting:		
Foreign exchange gain	(367,222)	-

Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	28,800	28,800
Taxation	3,000	3,000
Other services	6,400	6,400
	38,200	38,200

4 Investment Income

	2013	2012
	£	£
Bank interest	81,443	135,260

5 Taxation

	2013	Restated 2012
	£	£
Domestic current year tax		
U.K. corporation tax	6,403,852	5,753,008
Adjustment to prior years	38,463	6,149
Total current tax	6,442,315	5,759,157
Deferred tax		
Deferred tax charge/(credit) current year	29,244	(529,906)
	6,471,559	5,229,251
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	27,587,153	22,425,367
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.67% (2012: 24%)	6,529,879	5,382,088
Effects of;		
Non-deductible expenses	1,660	269,431
Capital allowance in excess of depreciation	(59,286)	(17,798)
Adjustment to previous periods	38,463	6,149
Stock option deduction	(249,182)	-
Other tax adjustments	180,781	119,287
	(87,564)	377,069
	6,442,315	5,759,157

Changes affecting the future tax charge

The Finance Bill 2012 included a reduction in the UK Corporation Tax rate from 24% to 23% from 1 April 2013. Further, 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 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 2013

6 Dividends

	2013	2012
	£	£
Ordinary final dividend	750,000	2,065,825
Special interim dividend	16,517,266	-
	17,267,266	2,065,825

7 Tangible fixed assets

	Freehold buildings	Building improvements	Computer equipment	Fixture, 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	2,229,176	157,001	16,674	3,097,154
Disposals	-	-	(155,124)	-	-	(155,124)
At 31 July 2013	2,648,703	1,242,141	3,835,871	681,890	102,050	8,510,655
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	842,227	111,930	29,156	1,109,509
At 31 July 2013	24,974	101,222	1,413,975	215,112	70,991	1,826,274
Net book value						
At 31 July 2013	2,623,729	1,140,919	2,421,896	466,778	31,059	6,684,381
At 31 July 2012	2,648,703	547,838	1,034,947	421,707	43,541	4,696,736

8 Fixed asset investments

	Shares in subsidiary undertakings
	£
Cost	
At 1 August 2012 & at 31 July 2013	5
Net book value	
At 31 July 2013	5
At 31 July 2012	5

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

Company (subsidiary undertakings)	Country of registration or incorporation	Class	Shares held %
Software Licensing Ltd	England	Ordinary	100
Softcat Services Ltd	England	Ordinary	100
Skills-Online Ltd	England	Ordinary	100
Sequreit Ltd	England	Ordinary	100

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

	Capital and reserves 2013	Profit for the year 2013
	£	£
Software Licensing Ltd	2	-
Softcat Services Ltd	1	-
Skills-Online Ltd	1	-
Sequreit Ltd	1	-

All companies remained dormant throughout the year.

9 Stocks

	2013	Restated 2012
	£	£
Finished goods and goods for resale	4,278,860	2,007,397

10 Debtors

	2013	Restated 2012
	£	£
Trade debtors	78,683,740	64,634,419
Corporation tax recoverable	159,570	159,570
Called up share capital not paid	1,302,341	9,600
Other debtors	732,652	796,782
Prepayments and accrued income	5,943,412	6,461,751
Deferred tax asset (see note 12)	493,199	522,443
	87,314,914	72,584,565

11 Creditors: amounts falling due within one year

	2013	Restated 2012
	£	£
Bank loans and overdrafts	-	2,177,761
Trade creditors	34,619,874	21,918,331
Corporation tax	5,633,849	4,391,534
Other taxes and social security	3,809,014	6,997,900
Accruals and deferred income	14,473,276	14,383,983
	58,536,013	49,869,509

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

12 Provision for liabilities

	Land and buildings	
	2013	**2012**
Onerous lease on old premises:	£	£
Balance brought forward	416,500	7,463
Profit and loss account	-	416,500
Utilised in year	(357,000)	(7,463)
Balance carried forward	59,500	416,500

The deferred tax asset (Included in debtors, note 10) is made up as follows:

	2013
	£
Balance at 1 August 2012	(522,443)
Profit and loss account	49,822
Adjustment to prior year	(20,578)
Balance as at 31 July 2013	(493,199)

	2013	**2012**
	£	£
Accelerated capital allowances	54,628	26,019
Share based payments	(514,299)	(364,502)
Other timing differences	(33,528)	(183,960)
	(493,199)	(522,443)

13 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 £57,921 (2012: £70,024) were outstanding.

	2013	**2012**
	£	£
Contributions payable by the company for the year	366,936	249,478

14 Share capital

	2013	Restated 2012
Authorised	**£**	**£**
11,204,245 Ordinary shares of 1p each	112,042	112,042
188,500 'MR' shares of 1p each	1,885	1,885
607,255 'A' Ordinary shares of 1p each	6,073	6,073
	120,000	120,000
Allotted and called up		
5,696,508 (2012: 5,478,508) Ordinary shares of 1p each	56,965	54,785
188,500 (2012: 188,500) 'MR' shares of 1p each	1,885	1,885
607,255 (2012: 607,255) 'A' Ordinary shares of 1p each	6,073	6,073
	64,923	62,743

During the year 218,000 shares were issued to satisfy share awards made under a deferred purchase scheme. Of these, 150,000 shares were issued on 30 April 2013 with the remaining 68,000 shares issued on 4 May 2013, both at a price of £5.93 per share, the HMRC approved valuation at the date of the issues. The share issue proceeds of £1,292,740 remains unpaid at the balance sheet date.

The 5,696,508 (2012: 5,478,508) issued Ordinary shares of £0.01 each above consist of 4,541,008 (2012: 4,541,008) fully paid up shares, 3,750,000 (2012: 3,750,000) allotted, called up and quarter paid shares and 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.

FY12 Share capital has been restated as follows;	2012
	£
Share capital as previously reported at 31 July 2012	61,310
Prior period adjustment (Note 1.13)	1,433
Share capital restated at 31 July 2012	62,743

15 Statement of movements on reserves

	Share premium account	Other reserves (see below)	Profit and loss account
	£	£	£
Balance at 1 August 2012 (as previously reported)	57,393	(2,460,716)	44,033,069
Prior period adjustment (Note 1.13)	172,277	(173,710)	(406,378)
Balance as at 1 August 2012 restated	229,670	(2,634,426)	43,626,691
Profit for the year	-	-	21,115,594
Share based payment transactions	-	-	734,891
Dividends paid	-	-	(17,267,266)
Shares issued in year	1,290,560	-	-
Own share movement during the year	-	1,197,894	-
Balance at 31 July 2013	1,520,230	(1,436,532)	48,209,910

Other reserves is a reserve for own shares held. During the year 581,022 share options were exercised, with the exercise satisfied by the transfer of shares from the employee benefit trust to the employees exercising their options. Proceeds of £1,197,894 were realised from these share option exercises in the year.

Softcat Limited
Notes to the financial statements (continued)

For the year ended 31 July 2013

16 Reconciliation of movements in shareholders' funds

	2013	Restated 2012
	£	£
Profit for the financial year	21,115,594	17,196,116
Dividends	(17,267,266)	(2,065,825)
	3,848,328	15,130,291
Share based payment transactions	734,891	915,798
New share capital issued	1,292,740	173,710
Movement on other reserves	1,197,894	205,423
Net addition to shareholders' funds	7,073,853	16,425,222
Opening shareholders' funds (see below)	41,284,678	24,859,456
Closing shareholders' funds	48,358,531	41,284,678

	2013
	£
Shareholders' funds as previously reported 31 July 2012	41,691,056
Prior period adjustment (Note 1.13)	(406,378)
Shareholders' funds restated at 31 July 2012	41,284,678

17 Financial commitments

At 31 July 2013 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 July 2014:

	Land and buildings	
	2013	2012
	£	£
Operating leases which expire:		
Within one year	66,342	-
Between two and five years	319,729	399,574
In over five years	-	156,188
	386,071	555,762

18 Capital commitments

	2013	2012
	£	£
At 31 July 2013 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	585,000

19 Directors' remuneration

	2013	2012
	£	£
Remuneration for qualifying services	1,731,450	1,483,902
Company pension contributions to defined contribution schemes	208,735	11,721
	1,940,185	1,495,623

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2012: 5).

The number of directors who exercised share options during the year was 2 (2012: 4).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 5 (2012: 5).

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

	2013	2012
	£	£
Remuneration for qualifying services	461,310	588,999
Company pension contributions to defined contribution schemes	-	2,198

The highest paid director exercised share options during the year.

20 Employees

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

	2013	2012
	Number	Number
Management	35	30
Administration	87	65
Sales	366	292
	488	387

Employment costs	2013	2012
	£	£
Wages and salaries	14,529,837	11,171,024
Social security costs	3,689,900	2,953,393
Other pension costs	366,936	249,478
FRS20 share option charge	734,891	915,798
	19,321,564	15,289,693

21 Share option schemes

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme (EMI) and a Company Share Option Plan (CSOP) for eligible employees, including directors.

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

	2013	2012
	£	£
CSOP share option plan	734,891	915,798

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.

Softcat Limited
Notes to the financial statements (continued)

For the year ended 31 July 2013

21 Share option schemes (continued)

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 2013	Weighted average exercise price	No. of shares under options as at 2012 Restated
Outstanding at 1 August		1,113,620		1,407,145
Granted during the year	5.93	15,000	2.61	-
Forfeited during the year	2.52	(12,492)		(7,000)
Exercised during the year		(581,022)		(286,525)
Outstanding at 31 July		535,106		1,113,620
Exercisable at 31 July		520,106		397,620

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 2013	No. of shares under options as at 31 July 2012 Restated
July 2007 to June 2015	£2.20	4,384	165,443
June 2008 to May 2016	£1.20	3,612	82,653
October 2009 to July 2016	£1.35	4,110	149,524
August 2012 to February 2021	£2.75	-	200,000
June 2013 to May 2021	£3.65	508,000	516,000
November 2014 to May 2023	£5.93	15,000	-
Total		535,106	1,113,620

21 Share option schemes (continued)

The share based payments charge in the year of £734,891 (2012: £915,798) is principally in respect of share options granted in FY2011 and earlier years. 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 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 15,000 (2012: Nil) options were granted, with a market price and exercise price at the date of grant of £5.93 and a performance period of eighteen months.

22 Control

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

23 Related party relationships and transactions

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%	550,000	-	24,514	(47,131)	527,383
		550,000	-	24,514	(47,131)	527,383

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	-	144,280	6,287,259	-	(6,430,000)	1,539
		144,280	6,287,259	-	(6,430,000)	1,539

23 Related party relationships and transactions (continued)

Dividends to directors

The following directors were paid dividends during the year:	2013	2012
	£	£
P D J Kelly	9,923,707	849,696
W J Kenny	537,785	65,971
D Fawell	537,522	65,947
D E Simpson	545,087	65,944
J A S Nash	1,888,882	232,543
M J Hellawell	2,139,572	57,525
D Ridgway	168,618	5,293
	15,741,173	1,342,919