

TAKING IT TO  
**THE NEXT  
LEVEL**

Annual Report and Accounts 2019



TAKING IT TO

THE NEXT

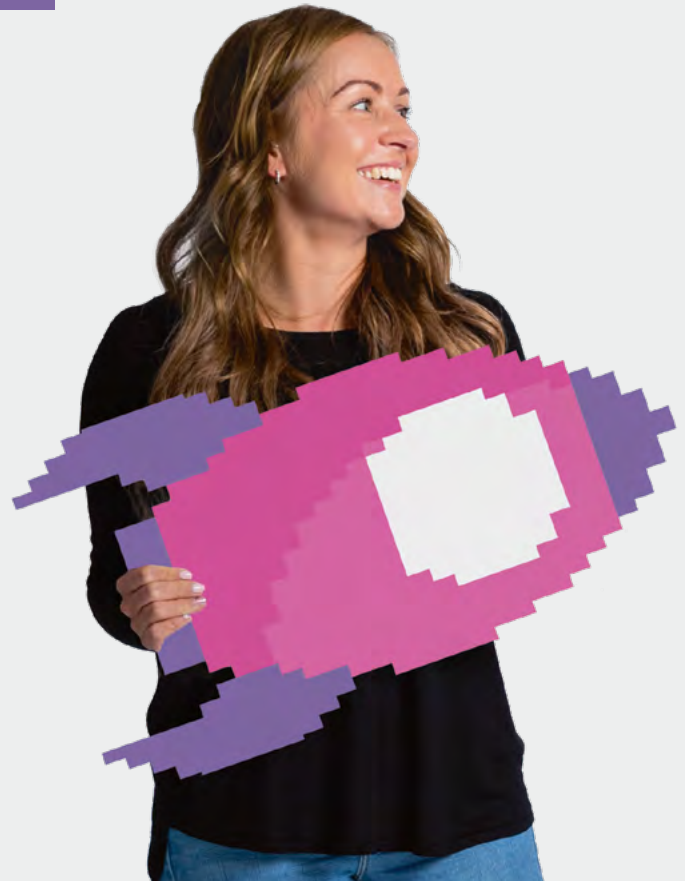
LEVEL

Our goal is simple: to be the leading IT infrastructure product and services provider in terms of employee engagement, customer satisfaction and shareholder returns. We hope our success will create opportunities for our people and deliver growth for our customers and partners.

We don't take ourselves too seriously and were founded in 1993 to be, first and foremost, a fun place to work.

In a crowded field we stand out because of the vibrancy of our culture and the passion, intelligence and attitude of our people.

This approach has helped us deliver 14 consecutive years of organic gross invoiced income and operating profit growth, 92% employee engagement and 96% customer satisfaction.



Customer satisfaction  
**96%**



Find out more at:  
[softcat.com](https://softcat.com)



Customer numbers up by  
**400**



### FY19 operational highlights

- Revenue growth: 24%
- Gross profit growth: 21%
- Operating profit growth: 24%
- Cash conversion: 92%
- Growth achieved across all business lines, offices and customer segments
- Employee engagement: 92%
- Customer satisfaction: 96%
- Customer numbers up by 400
- Gross profit per customer growth: 17%

Pages 1 to 33 form the Strategic Report of Softcat plc for the financial year ended 31 July 2019. The Strategic Report has been approved by the Board of Softcat plc and signed on behalf of the Board by Graeme Watt, CEO, and Graham Charlton, CFO.



## Strategic report

### IFC FY19 operational highlights

- 1 Financial highlights
- 2 At a glance
- 4 Chair's statement
- 6 Chief Executive Officer's statement
- 9 Our strategy
- 10 Our markets
- 12 Our business model
- 14 Our offering
- 16 Our people
- 18 Our customers
- 20 Our vendors
- 22 Chief Financial Officer's review
- 24 KPIs
- 26 Principal risks
- 30 Sustainability

## Corporate governance

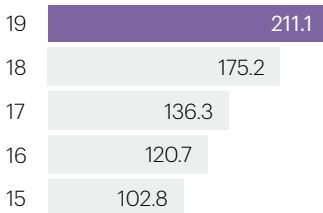
- 35 Introduction to governance
- 36 Board of Directors
- 38 Governance report
- 46 Audit Committee report
- 52 Nomination Committee report
- 56 Remuneration Committee report
- 86 Directors' report

## Financial statements

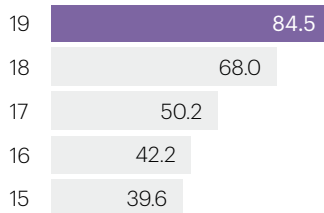
- 94 Independent auditor's report
- 101 Statement of profit or loss and other comprehensive income
- 102 Statement of financial position
- 103 Statement of changes in equity
- 104 Statement of cash flows
- 105 Notes to the financial statements
- 132 Company information and contact details

## Financial highlights

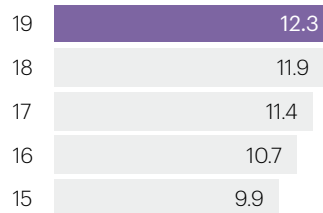
### Gross profit £m



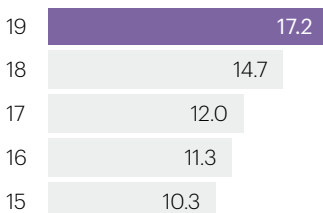
### Operating profit £m



### Customer numbers '000



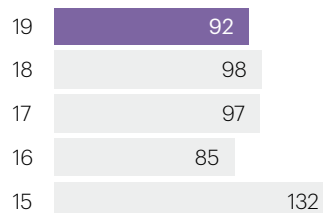
### Gross profit per customer £'000



### Revenue £m\*



### Cash conversion %



\* Revenue has been restated due to the adoption of IFRS 15. As a result revenue is only available on a comparable basis for 2019 and 2018.

A STRONG

ROBUST

# INVESTMENT

# CASE

We do many things but, put simply, we help commercial and public sector organisations find the right digital infrastructure for their needs, and then we procure it for them. We can also implement that infrastructure as well as deliver a range of ongoing support and managed services.



1

## A dedicated and passionate team

We believe that if people enjoy what they do, and care about the company they work for, they will do it better. Our culture is the vital ingredient to realising our ultimate goal: to provide outstanding service to customers.

**1,330**

Number of employees at 31 July 2019

**92%**

Employee engagement

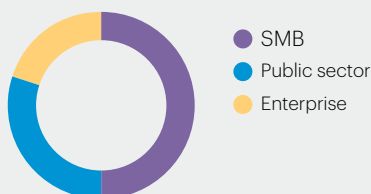
To read more, see [pages 16 and 17](#)



2

## Proven customer excellence

We provide much the same technology as our competitors. What makes us different is the passion and dedication of our people to the service they provide.



**96%**

Customer satisfaction

To read more, see [pages 18 and 19](#)





3

## Market-leading growth and financial strength

We have delivered 14 consecutive years of gross invoiced income and profit growth, all of which has been organic. The business has no debt and a strong track record of cash generation.

# £79.3m

Net cash at 31 July 2019

To read more, see pages 22 and 23



4

## A technology offering that is both broad and deep

We advise, design, procure, implement and manage technology for businesses and public sector organisations, ranging across software licensing, workplace technology, networking, security, cloud and datacentre.

We work with all of the leading global technology manufacturers to provide our customers with the broadest possible choice of solutions to suit their needs.

# 17%

Increase in gross profit per customer

To read more, see pages 14 and 15



5

## Strong partner relationships

We partner with hundreds of different software and hardware vendors to bring the latest and broadest range of technology to our customers, as well as numerous specialist service providers to augment the capabilities of our growing in-house teams.

# 200+

Number of vendors and partners

To read more, see pages 20 and 21





CAPACITY FOR  
**FUTURE**  
**GROWTH**

MARTIN HELLAWELL  
CHAIR

Our Company values are captured in four key words:

 RESPONSIBLE

We conduct our business with a strong code of ethics and demand honesty and integrity. We take social responsibility seriously and strive for equality and diversity.

 INTELLIGENT

We run our business intelligently and look to continuously improve it for the good of employees, customers and shareholders alike.

 FUN

We promote a positive, optimistic and energising environment where our employees can come to work and enjoy it. We celebrate success and value humility.

 PASSIONATE

We are positive and enthusiastic and we want to do an outstanding job for customers and partners, delivering world-class levels of service.

Let me start by thanking Softcat's team members, customers and suppliers for their part in what has been another very strong year for the Company. In particular I would like to thank Graeme Watt, who very successfully completes his first full financial year as CEO; Graham Charlton, our CFO; and my fellow Non-Executive Directors of the Board for their part in our continued success.

**Performance**

Softcat has enjoyed many years of consistent top and bottom-line growth but I thought this last financial year was particularly good. We went into the year with a degree of caution due in large part to the very strong previous financial year and the challenge of significantly outperforming that against a backdrop of some economic uncertainty. That caution was unfounded and the team delivered, and some, once again. Softcat outperformed the market, which itself continued to be buoyant.

We saw very strong performance on all our key metrics during the year. Growth in gross profit, our primary measure of income, was 21% to £211.1m. Growth in operating profit was 24% to £84.5m. Revenue growth was 24% with software, hardware and services all delivering double-digit growth.

We invested record levels in people across the business for future growth and I was particularly pleased to see the investments Graeme and the team made in making Softcat an even better place to work for our employees and in our capability to serve multinational customers across the globe.

It was good to see very strong performance across the sector both in the UK and overseas with the vast majority of our peers putting out good numbers as well. The need for companies to seek competitive advantage by ever smarter digital capability continues unabated and our sector is a direct beneficiary of that.

During the year, I was delighted that Softcat won the prestigious PLC 'Company of the Year' award. This award is open to all public companies and focuses on businesses which are well managed and have a sound strategy. To gain this recognition is a true indicator of how far we have come since our IPO four years ago.

More information on how we performed can be found in the Chief Executive's Statement on pages 6 to 8 and Financial Review on pages 22 and 23.



**I was delighted that Softcat won the prestigious PLC ‘Company of the Year’ award. This is a true indicator of how far we have come since our IPO four years ago.”**

### PLC Board matters

We conducted an external Board effectiveness review at the end of the financial year, the results of which were very positive. We have a cohesive Board with a good mix of personality styles and skills. Board meetings are interactive, lively and dare I say occasionally fun!

At the beginning of the year I wrote to our top 50 shareholders and the main proxy voting agencies offering to meet or speak with them to discuss anything they wish to outside of operational and performance matters. I enjoyed meeting with those who responded and used the opportunity to better understand their views. I thank our shareholders for their continued support.

While I am very conscious of the fact that it is not seen as best practice for a former CEO to be Chair of the same Company, we believe this is working well and this was very much supported in the Board effectiveness review. I am not involved in any operational matters outside the boardroom and Graeme is very clearly ‘the boss’ of the Company. As a Board we have a collaborative style and the Board as a whole agrees key matters such as our strategy after we have had a full debate. The effectiveness review highlighted that our Board was a relatively new one in terms of Softcat tenure and it served the Board well to have my ‘Company memory’ at its disposal particularly in a period of Board transition (see below). From the feedback we have had, we believe this is very much supported by most of our larger shareholders. More information on how the Board operates is in the Corporate Governance Report on pages 35 to 45.

I have now fully embraced the plural world and in addition to Softcat I have recently been appointed as chair of Raspberry Pi Trading Limited and Non-Executive Director of Team17 PLC. I’ve learnt a lot over the last couple of years about being a non-executive and thank the myriad of outstanding people who have given me encouragement, counsel and guidance as I establish this next stage of my career.

During the financial year Lee Ginsberg stepped down from the Board and was replaced by Robyn Perriss as Non-Executive Director and Chair of the Audit Committee. Robyn currently serves as Finance Director of Rightmove PLC and we are delighted to welcome her to the Company. Peter Ventress will step down from the Board at the end of the calendar year following his decision to join Bunzl plc as a Non-Executive Director and Chair Designate from 1 June 2019. We embarked on a process to appoint his successor on the Board and are delighted that Karen Slatford is joining us as a Non-Executive Director. Karen will be our Senior Independent Director and Chair of the Remuneration Committee. Both Robyn and Karen bring fresh perspectives to the Board which will be extremely beneficial. As a consequence of these changes more than one-third of our Board is now female and the future risk of Board members having to rotate at the same time is significantly reduced. On behalf of the Board, I thank Lee and Peter for their wise counsel and support over the years.

Softcat welcomes the 2018 UK Corporate Governance Code’s increased focus on Company culture and employee engagement. We have always seen culture as our (not so secret) secret sauce and protecting and evolving our culture takes very much centre stage in the Company and in our boardroom. The Board has

involved all levels of employees in Board meetings, we rotate meetings between offices, we hold ‘meet the Board’ sessions for all employees and the Board is given extensive employee feedback information at each Board meeting.

To further enhance this we have created a new position as Designated Non-Executive Director for Employee Engagement and we have remunerated this position in the same way as other Chairs of Committees in the Company. Vin Murria has been appointed to this position and is formulating the programme. She has already held a number of sessions directly with employees and approached this with her well known enthusiasm and vigour!

The Board equally embraces the desire for the Company to consider its contribution to society and in relation to other stakeholders. We commend Graeme and the team for extending the Company’s activities in raising money for chosen causes; actively contributing to charities, looking after employees’ welfare and improving work-life balance; and considering our impact on the environment and encouraging positive change in this area. The Board has also invited a key supplier to a Board meeting to discuss stakeholder relationships and our consideration thereof.

### Dividend

Our dividend policy remains a progressive one which targets an annual dividend of between 40% and 50% of the Company’s profits after tax in each financial year before any exceptional items. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time. We recommend a final dividend of 10.4p, taking the total dividend to 14.9p per ordinary share. In addition, we recommend a special dividend of 16.0p per ordinary share is paid at the same time as the final dividend. Shareholders will be asked to approve the final and special dividends at the AGM on 5 December 2019.

### Looking ahead

The Company and the Company’s Board are performing well but we believe we are far from the finished article and there is so much to improve on. New opportunities are abundant and it is important we navigate these carefully to ensure we take full advantage of them but do not unnecessarily distract the core business.

Our customers’ appetite to use IT to seek competitive advantage is undiminished. We could do without the political and economic uncertainty but after several years of a lot of that, I think we have learnt to not let those factors distract us. We have just got on with the job and we will continue in that vein. The business is in a confident mood.

We are proud of the Company’s employees and what they are achieving. They have a relentless focus on customer service and on contributing to their part in making Softcat a better Company. Again, on behalf of the Board I would like to thank those employees for their exceptional talent, fabulous work, positive spirit, teamwork and camaraderie. They give us great hope for the future.

**Martin Hellawell**  
Non-Executive Chair  
23 October 2019



MAINTAINING

STRONG

MOMENTUM

GRAEME WATT

CHIEF EXECUTIVE OFFICER



It's been another great year for Softcat in which we have delivered strong growth and financial success, but most importantly we have continued to strive to provide a first-class service to our customers while at the same time expanding offerings to them.

The basis of that success continues to be the attitude and skills of our people, and especially the way in which they collaborate and work closely together. Their efforts resulted in revenue and operating profit growth of 24%. Gross profit per customer increased by 17% and we were delighted to trade with 400 more customers than in the previous year.

This success demonstrates how our straightforward strategy continues to be well executed by the team. Whilst our key aims of winning new customers and selling more to existing customers remain unchanged, we are doing much to further expand our addressable market and as a result the Company enters the new financial year in a strong position and with good momentum. Customer requirements are becoming more complex and they are faced with greater choice. The opportunity for Softcat is growing and this underpins our willingness to invest in skills and expertise for the long term."

**It's the end of your first full financial year in charge of the Company; have you been pleased with performance?**

Performance this financial year has been very pleasing. We entered the year up against some incredibly tough comparative numbers and knew we had our work cut out to grow again on top of those – especially when considering that all our growth is organic. But the Softcat team has great momentum and I would like to thank and congratulate them all for another truly outstanding effort.

Gross profit, our most important measure of income, grew by 21% during 2019 to £211.1m. Revenue and operating profit both grew by 24%, respectively, and cash generation was again very healthy, resulting in our ability to announce another special dividend.

A notable aspect of our growth was once again how broad based it was. All eight of our regional offices that were operating throughout the year showed positive progression, and similarly all customer segments and technology categories were up on 2018.

We also saw strong growth in all our key vendors and received recognition for our performance from partners and other external parties. Dell awarded Softcat 'Transformation Partner of the Year' across EMEA, and Sophos, Mimecast, VMware, Varonis, Ivanti and AlienVault all rated us their 'Partner of the Year'. We won the coveted 'CRN Reseller of the Year' award, and were named 'Best Performing Company for Infrastructure Services' and 'EMEA Growth Partner of the Year' by Megabuyte and Canalys, respectively. We were also awarded 'Company of the Year' at the PLC Awards. Perhaps most pleasingly, CRN recognised a number of outstanding contributions from Softcat people in their inaugural Women in Channel awards.



# 12,300

(11,900 customers in FY18)

# £17.2k

(£14.7k gross profit per customer in FY18)

### Can you identify some of the key drivers of the growth you've seen?

Our key differentiator continues to be the attitude and ability of our people. As technology infrastructure continues to develop at pace it opens up myriad, and at times quite daunting, options for customers. More than ever, both customers and vendors look for a partner who can advise across a wide range of technology, piecing together multi-faceted solutions and, where necessary, helping implement and manage this new technology. This requires deep understanding of the customers' existing platform, as well as whole-of-market technical expertise. I think that much of our success in 2019 was born of our long-term strategy of investment in capability as well as scale. Each year we develop greater customer intimacy and extend and deepen our technical know-how. For example, this year we launched new services in areas such as cyber assurance and cloud consumption management. This continual augmentation of our offering serves to increase our relevance to both customers and suppliers. But all this capability is useless if our people can't work together effectively. That's why, first and foremost, we focus on building and maintaining world-class employee engagement. We give them a great amount of freedom and support, but I continue to be amazed by the spirit in which they work together and use the Company's resources to deliver first-class customer service. I am in no doubt that once again the attitude of our people has been the major factor in our success. Our culture is designed to create an environment that gets the best out of us all.


As a result of their efforts, customers place ever greater trust in us and our capabilities. Existing customers contributed 95% of total gross invoiced income during 2019 while gross profit from new customers grew 16% year on year. Overall gross profit per customer grew by 17%. Our annual customer survey was our largest ever and delivered an overall satisfaction score of 96%, with customers highlighting our people and their proactivity as our greatest strength.

### And market conditions, things have been buoyant despite Brexit and macroeconomic factors?

Market conditions have been good again this year. We previously reported that 2018 was a strong year for structural growth in our industry, which we saw again during 2019. Furthermore, this is a trend we think will continue over the medium term. The world is becoming ever more connected and the demand for digital infrastructure will only continue to grow.

### Does that market growth bring any new demands in terms of the service you provide to customers, or in regard to your partnership with vendors?

This growth is exciting for us, but it also means we must continue to listen carefully to the changing needs of both customers and vendors. Customer IT teams understand the opportunities afforded to them by new models of compute and storage, for example, and they look for partners to help design and deploy the right solutions for them from a complex array of technology offerings and pricing. They also need help evaluating the risks this change brings, including how they deliver that change while continuing to secure and manage their data in a manner compliant with new regulations.



## OUR PURPOSE

We help customers to use technology to succeed, by putting our employees first.





**We have worked hard this year on creating a diverse and inclusive environment. I am constantly amazed by the extraordinary levels of energy and support from our people for such initiatives."**

#### Continued

The array of options has never been greater, and so vendors also rely on us to communicate the value of their innovations to customers. In each year since our IPO in 2015, we have invested most heavily in our technical and specialist teams, including our design, delivery and service areas. We are also in the process of building up our multinational fulfilment capabilities. In the course of the year we have established four branches outside the UK and Ireland to help our UK and Irish customers deploy technology solutions across their organisations into other countries. This is net new business for us with a significant opportunity for growth in the near term. The expansion of further low cost, operational branches will continue to be customer led. Taken together these investments have significantly increased our capability to support both partners and customers in this exciting but challenging new landscape. We feel this is the beginning of a tendency towards greater reliance by customers on fewer, larger partners – a trend we think we are well positioned to benefit from given our broad range of technology and services.

Our customers are on a journey, investing at different speeds in their workspace, hybrid infrastructure and cyber security environments. They need help to design and deploy the right solutions for them from a complex array of technology offerings and pricing. The technology infrastructure of a company has become part of the fabric it requires to remain relevant and competitive in its given industry. Drivers for growth continue to be mobile workforce, security, hyperconvergence, software defined management, edge computing, analytics and cloud adoption, often to a hybrid multi-cloud environment. The arrival of the 5G network will drive further demand for devices, security, analytics, storage and compute at the edge of the network – the pace of technology innovation and adoption continues unabated.

#### Are there any changes in your strategic approach for the coming year?

We have a straight forward, proven strategy that remains largely unchanged and which we continue to execute well. We will continue to invest in our team to manage growth and deliver further gains by meeting and exceeding our customers' expectations. Customers will continue to invest in infrastructure technology and need help to navigate through the complexities they are faced with and we will continue to listen to our customers and vendors to make sure our offering remains relevant and competitive.

We have a relatively modest share of a highly fragmented market and see opportunities to partner deeper with our existing customers and attract new customers who have not historically bought from us.

#### Do you foresee any major challenges to Softcat at present?

Global macroeconomic factors may have some impact on the overall demand environment going forward, but we remain primarily focused on the things we can control. We will continue to deliver the highest levels of service whilst investing across the Company. We are well aware of the challenges that rapid organic growth might bring to our special culture and our service capabilities but are well practised in managing those risks too. We are also well prepared to cope with whatever the Brexit process may bring.

#### What can you tell us about Softcat's non-financial achievements during 2019?

We have worked hard this year on creating a diverse and inclusive environment by establishing a Supporting Women in Business network, a Family network and a Softcat Pride network. We are in the process of launching two further networks, namely a BAME network and a disability network. I am constantly amazed by the extraordinary levels of energy and support that go into such initiatives from our people all over the Company.

Softcat cares about things outside of the Company too: we have a Green Team that constantly drives environmental initiatives and our charitable efforts astonish me. At our annual Spring Charity Ball this year, a record £0.3m was raised in support of several charities including our lead charities MIND, focused on mental health, and Bethesda Khanko Foundation, focused on the education of underprivileged children in a village in North East India.

Thank you to all our staff, customers and partners for your help and support towards our performance this financial year – we couldn't do it without you.

#### Finally, how do you see the outlook for 2020?

Softcat is in great health and strategically well positioned. We think the structural drivers for growth in our industry will continue despite current political and economic uncertainty. The Board also remains confident in the Company's ability to gain market share and targets further growth during 2020. Trading in the first eleven weeks of the new financial year has been on track and we look forward to the rest of the year with confidence.

**Graeme Watt**  
Chief Executive Officer  
23 October 2019

**A SIMPLE YET EFFECTIVE STRATEGY**



We set ourselves two simple goals each year: to win new customers and to sell more to existing customers. If we can do that, we will be able to invest more in our offering and continue to build scale and expand our reach.

**ACQUIRE MORE CUSTOMERS**

**In 2019 customer numbers grew organically for the twelfth year in succession, but we still only serve around one in five from our target market.**

**Progress in 2019**

A net 400 new customers were added during the year, with success across each of our key segments: mid-market, enterprise and public sector. Gross profit from new customers grew 16% year on year.

**Future focus**

While we traded with 12,300 customers in 2019, that only reflects approximately 20% of the addressable market. We will continue to target new accounts through further investment in our sales force.

**KPIs**

- Customer numbers increased by 400 to 12,300
- Gross profit from new customers up 16% year on year
- 96% customer satisfaction

**SELL MORE TO EXISTING CUSTOMERS**

**The opportunity to help customers navigate a complex array of technology choices has never been greater.**

**Progress in 2019**

Cross-sell programmes and training have delivered significant results over the last few years and we have seen existing customers spend more with us across more business lines than ever before.

**Future focus**

Future growth in business line penetration and gross profit per customer is targeted for 2020 as we continue to roll out account planning, deploy new product and service offerings, and develop multinational sales capabilities.

**KPIs**

- Gross profit per customer increased by 17% during the year
- 96% customer satisfaction

**ENABLED BY OUR...**

**People and culture**

- Strengthened leadership team with the addition of new CIO Rob Parkinson
- Average headcount up 15% year on year
- Enhanced flexible working opportunities and maternity benefits
- Inclusion and diversity initiatives launched

**Operational excellence**

- Further vendor awards during the period and winner of CRN Reseller of the Year
- Accelerated customer eCat adoption
- Back-office systems, data and processes evolution underway

**Addressable market expansion**

- Ongoing development of security and public cloud practices
- Multinational sales capability
- New office in Birmingham opened in September 2019

OUR

MARKET

# OPPORTUNITY

We work with customers based in the UK and Ireland across both their domestic but also multinational operations. Whether medium, large or public sector organisations, we have the skills and capacity to serve their needs. In providing their digital infrastructure we operate in a dynamic, growing market that is full of opportunity. A market of not just financial opportunity, but one which also offers a chance to enhance the productivity of customer operations and which delivers prospects for our people to grow and develop their skills. It is a great time for the industry and we are determined to lead the way.

## The cloud

'The cloud' can mean many different things. For customers cloud technology can mean a more efficient way to consume workplace software; it might enable faster, more flexible datacentres for their critical applications, or possibly more timely access to vital security updates. In all its different guises, the cloud offers customers new choices. Our technical experts help customers navigate this complexity and choose the right options for them.

# 49%

Predicted proportion of the world's data that will be stored in the cloud by 2025

Source: IDC.



## Cyber security

As the world becomes increasingly digital and connected, securing data and protecting key assets have never been more important. The proliferation of security solutions in recent times provides customers with incredible choice and intricacy with which they need help. As the threat landscape evolves it is imperative customers upgrade and extend their security programmes.

Our security practice is one of the largest in the market and also one of our fastest growing areas of investment.

# +23%

Increase in the number of security incidents faced by UK companies in 2018

Source: PwC.



## Data management

Data is proliferating at an incredible rate, and this brings significant challenges for organisations which must not only secure it, but also manage it carefully to meet compliance obligations such as those contained within the General Data Protection Regulations ('GDPR'), but also drive value through analytics and the application of artificial intelligence. We support customers in building an infrastructure platform to address all of these challenges.

## 175 zettabytes

Predicted volume of world data by 2025, up from 33 zettabytes in 2018

Source: IDC.



## Hybrid infrastructure

Cloud computing suits some situations perfectly, but in many cases on-premises or hyperconverged processing and storage is still a better option. We support customers in understanding which workloads might best be placed where, and enable them to embrace 'best-of-both worlds' hybrid arrangements.

## 22%

Of enterprise workloads will be in a hybrid cloud environment by 2020

Source: Forbes.

## Multinational coverage



OUR

# COMPETITIVE EDGE

Our people are bright, motivated, driven and enthusiastic. Most importantly they care about the Company they work for and the customers they serve.

## WHAT SETS US APART

### 1 Our market share and offerings

Despite more than a decade of unbroken, organic growth, market share of just c.7% still affords us huge potential for growth. The investments we have made in our product and service offering have created a comprehensive and, we think, market-leading, technical proposition.

To read more, see pages 14 and 15

### 2 Our people

Our people are the keystone of our competitive edge. Their passion, intelligence, sense of fun and commitment to the long-term success of our customers is what really makes us stand out from the crowd.

To read more, see pages 16 and 17

### 3 Our customers

Our growth track record is best understood through the longevity of our customer relationships. Our business has grown for 14 consecutive years and during that time the number of customers we serve has more than trebled.

To read more, see pages 18 and 19

### 4 Our vendor partnerships

Technology vendors face intense competition and need partners that can accurately, reliably and credibly represent their value to tens of thousands of target organisations in the UK and Ireland. With our scale and expertise, we offer unrivalled access for both global and local partners to the UK and Irish markets.

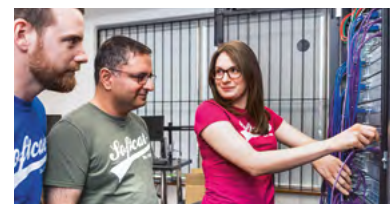
To read more, see pages 20 and 21

### 5 Our financial strength

In a world of risk and leverage, we are proud to be a bit different. We have never had any debt and maintain a strong balance sheet. We have a highly liquid business model and can comfortably fund both a progressive dividend policy and a long-term business reinvestment.

To read more, see pages 22 and 23

## STRATEGY FOR DELIVERY



Underpinned by our values:



RESPONSIBLE



INTELLIGENT



CREATING VALUE FOR OUR STAKEHOLDERS

**We recruit and train great people with high potential**

We work with universities and schools across the country and see thousands of candidates each year before selecting those that are right for Softcat. We look for exceptional people with the right attitude.



**We incentivise and engage our people to perform**

We create a great place to work where people are rewarded for success. We are known for our unique culture and believe it is the basis of our success.



**We deliver outstanding customer service**

We seek to provide truly 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 their level of engagement.



**We win new customers and sell more to existing customers**

Our goal is to win new customers and nurture the relationship over many years. In building trust we can create genuine loyalty.



**Addressable market expansion**

We have a strong track record of developing new revenue streams and are fast to move as the market evolves. Despite our success we see more opportunities for organic growth.

Customers

**96%**

Customer satisfaction

People

**92%**

Employee engagement

Shareholders

**14**

Years of consecutive organic profit growth



FUN



PASSIONATE

DIGITAL

# FIT FOR EVERYONE



The importance of digital technology to both corporate and public sector organisations continues to grow. Keeping pace with the expanding scale of customer requirements and evolving the range of our technical capabilities is an integral part of our strategy. We have been perfecting this approach for over a decade and are accelerating our investment in line with demand from customers.

In an increasingly digital and connected world the range of technologies available to companies and organisations is proliferating. This creates choice but also complexity and the risk of falling behind. Customers demand their partners for this digital transformation maintain current and relevant skills to embrace and make the most of the opportunities it affords.

At Softcat, we see the opportunity to cement our place as a trusted partner for the long haul. As a result, we are committed to expanding our capabilities into new and exciting areas each year. This has been part of our strategy for a long time now and, we believe, has produced a proposition that is as broad and deep as any in the market.



**We are accelerating our investment in skills and expertise to meet an exciting increase in demand from customers.”**

**Richard Wyn Griffith**  
Solutions Director



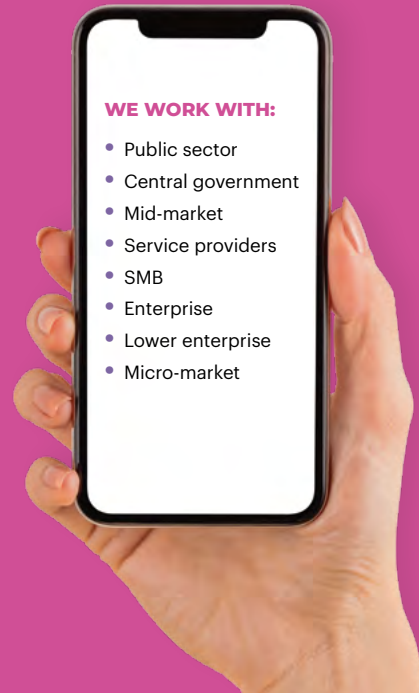






**TECHNOLOGY HAS NEVER BEEN MORE**

**IMPORTANT TO OUR CUSTOMERS**

The move to cloud or a cloud-like internal infrastructure that requires less manual intervention is an important trend: one which provides opportunity for planning and migration services, as well as ongoing management services to optimise technology across different platforms. In particular we see momentum in new offerings that allow customers to make use of cloud without retraining or redesigning applications. Such an approach enables customers to exploit advances in the use of data, including deployment of AI-enabled applications.

As data proliferates, focus on cyber security necessarily grows. An increase in visible threats, new legislation (including GDPR) and the reality that, in a digital world, trust is hard to gain and easy to lose are driving continued investment in security services and technologies. This is especially the case in those customers preparing for widespread adoption of Internet of Things technologies. Our customers are starting to explore the possibilities of a world in which everything is connected, and we are on that journey with them.



HOT INDUSTRY THEMES	SOFTWARE	HARDWARE	SERVICES
 <b>Hybrid infrastructure</b>	<ul style="list-style-type: none"> <li>■ Infrastructure automation and private cloud</li> <li>■ Public and hybrid</li> </ul>	<ul style="list-style-type: none"> <li>■ Flash and hybrid storage</li> <li>■ Converged and hyperconverged infrastructure</li> <li>▲ Next generation and software-defined networking</li> <li>■ Edge computing</li> </ul>	<ul style="list-style-type: none"> <li>■ Cloud adoption and assessment services</li> <li>■ Backup and disaster recovery as a service</li> <li>▲ Cloud connectivity and security</li> </ul>
 <b>Digital workplace</b>	<ul style="list-style-type: none"> <li>● VDI and application delivery</li> <li>▲ Identity and access management</li> <li>▲ Device management and security</li> </ul>	<ul style="list-style-type: none"> <li>● Windows 10 and multi-form factor services</li> <li>● Edge computing</li> <li>▲ Wireless networks</li> </ul>	<ul style="list-style-type: none"> <li>● Windows 10 and multi-form factor devices</li> <li>● Edge computing</li> <li>▲ Wireless networks</li> </ul>
 <b>Cyber security</b>	<ul style="list-style-type: none"> <li>▲ Machine-learning-based endpoint protection</li> <li>▲ Encryption</li> <li>▲ Security event and information management</li> </ul>	<ul style="list-style-type: none"> <li>▲ Firewalls</li> <li>▲ Load balancing</li> </ul>	<ul style="list-style-type: none"> <li>▲ Security assessment services</li> <li>▲ Managed SIEM</li> <li>▲ Incident response</li> </ul>
 <b>Data and IT intelligence</b>	<ul style="list-style-type: none"> <li>■ Analytics</li> <li>● Visualisation</li> </ul>	<ul style="list-style-type: none"> <li>■ Object storage</li> </ul>	<ul style="list-style-type: none"> <li>■ Assessment services</li> <li>■ Support and managed services</li> </ul>

**Key:** ■ Datacentre and cloud ▲ Networking and security ● Workplace technology

OUR PEOPLE ARE OUR

**BIGGEST**

**INVESTMENT**



Softcat is a business that's built around our people. We work hard with a smile on our faces and we make sure every employee feels supported, inspired and valued. The opportunities, in a growing number of offices, across a growing number of customers, around a growing variety of technologies, are both exceptional and accessible. We're down to earth, we're authentic and, whilst we take the business seriously, we don't take ourselves too seriously.

**1,330**

Employees as at 31 July 2019



**I've never seen employee engagement scores like ours at Softcat. I'm so proud to work for a company that values its people so highly."**

**Rebecca Monk**  
HR Director

**SUCCESS**

**THE SOFTCAT WAY**

We are firm believers that our engaged employees drive our incredible customer satisfaction, which in turn makes our business as successful as it is. So if the key to success is employee engagement, how do we do it? Well, to give a few examples: we only open a new office when we have an employee to promote from within to run it. And we only hire corporate sales people at entry level, so they have all the progression opportunities open to them without having to worry about senior people being hired in above them. Not to mention the little things like no one having an office and the senior team sitting in the middle of the open-plan sales floor.

We regularly review what we offer our employees to retain them and keep them motivated. This year we introduced a new benefits platform, Perklife, to showcase our fantastic array of employee benefits. On top of this, we cut our working hours by two hours per week, an initiative that has had an incredible impact on our employees' work-life balance.



**15%**

Growth in average headcount

**NEW OFFICE OPENED**

**IN BIRMINGHAM**



CREATING

# COMPETITIVE ADVANTAGE



If there is a single reason why we have been able to deliver sustainable growth, then the strength of our customer relations is it. We have tripled our customer count since 2007 and 95% of our gross invoiced income in 2019 came from existing customers. But despite our success we are still only working with approximately one in five customers from our target market in the UK. Our strategy therefore is now focused on winning new customers and selling more to existing customers.

## CASE STUDIES



### Virgin Money

#### The challenge

Virgin Money Group wanted to understand the details of its Microsoft environment in order to develop a plan to move into the cloud. With so many users and applications, it needed to see its licensing options, in a complicated IT landscape, so that it could put together a strategy for the most appropriate migration.

#### The solution

Softcat established Virgin Money Group's effective licensing position before guiding it through the range of Microsoft products available to it and helping it select the most appropriate licensing agreement, based on its situation and business objectives. The team quickly developed a strong, supportive relationship to help Virgin Money Group to negotiate the best value agreement. Softcat was also able to assist with defining a strategy for cloud migration.

The solution offered clear advice, aligned with Virgin Money's business strategy and objectives, resulting in a licensing decision that provided the best value for money. It now enables Virgin Money to be flexible, operating from a commercially strong standing to provide the excellent service its customers expect, at an affordable price.





## Cambridgeshire and Bedfordshire Fire and Rescue Services

### The challenge

Cambridgeshire and Bedfordshire Fire and Rescue Services' IT infrastructure was hosted at separate sites and was nearing the end of its life. Unable to provide robust disaster recovery ('DR')/ failover capability, it could not guarantee the availability required by a 24/7 emergency service.

The shared service recognised that to guarantee the enhanced resilience, availability and performance its operations demanded, major upgrades to the datacentre, network, storage and compute infrastructure were required. It also wanted to ensure its ICT networks were future-proof.

### The solution

Softcat carried out a comprehensive assessment to understand its business needs, identifying that the existing network infrastructure couldn't fully support the leading-edge flash-based storage and DR solutions the team wanted to implement. The datacentre network was upgraded to ensure optimal performance, resilience and security, enabling the shared service to implement its preferred Pure storage solution and transform ICT delivery through leveraging VMware's High Availability features, Cisco switching and HPE server technologies.

The project covered multiple sites and, in close collaboration with the in-house IT team, Softcat's comprehensive project management ensured successful and timely deployment, testing and migration of existing services onto the new platform.

What began as a search for simply a hardware refresh evolved into a transformative IT infrastructure implementation, delivering massive improvements in functionality, resilience and security. Softcat's hands-on approach, deep industry knowledge and experience ensured the fire services shared ICT team secured the most performant solution possible within the available budget.

PARTNERSHIP IS A KEY

# PART OF OUR STRATEGY



We work with hundreds of vendors and partners to bring the latest technology options to our customers. Our roster comprises the largest technology firms in the world, as well as exciting new names with pioneering solutions. We listen very carefully to the needs and opinions of our customers as we evolve our partner strategy each year, forming the strongest relationships in the areas that matter most to them. We take our responsibilities seriously, working collaboratively to deliver good outcomes for all.



HP and Softcat have enjoyed a strong partnership for the last 15 years. Our formidable relationship enables our two businesses to work closely together to deliver exemplary customer outcomes. Proven by the many thousands of satisfied business customers who rely on the professionalism, commitment and industry knowledge of the Softcat/HP team everyday."

**Neil Sawyer**  
Commercial Channel Director (UK&I)  
Head of Education & Mid-Market Sales  
(UK&I) HP Inc.

SOME RECENT AWARDS



Transformation Partner of the Year: EMEA



Partner of the Year



Partner of the Year



Partner of the Year



Partner of the Year



Social Responsibility Partner of the Year



Reseller of the Year



Best Performing Company for Infrastructure Services



EMEA Growth Partner

SOME OF OUR VENDOR PARTNERSHIPS





# GROWTH, INVESTMENT AND STRONG CASH RETURNS

GRAHAM CHARLTON

CHIEF FINANCIAL OFFICER



Our investment in people continued to drive organic growth and strong financial returns.”

Financial summary	FY19	FY18	Growth
Revenue	£991.8m	£797.2m	24.4%
<b>Revenue split</b>			
Software	£476.5m	£378.8m	25.8%
Hardware	£430.9m	£349.1m	23.4%
Services	£84.4m	£69.3m	21.8%
Gross invoiced income ('GII')	£1,414.1m	£1,081.7m	30.7%
<b>GII split</b>			
Software	£788.9m	£563.7m	40.0%
Hardware	£453.0m	£366.9m	23.5%
Services	£172.2m	£151.1m	14.0%
Gross profit	£211.1m	£175.2m	20.5%
Gross profit margin	21.3%	22.0%	(0.7% pts)
Operating profit	£84.5m	£68.0m	24.3%
Operating profit margin	8.5%	8.5%	0.0% pts
Gross profit per customer	£17.2k	£14.7k	17.0%
Customer numbers	12.3k	11.9k	3.4%
Cash conversion	92.2%	97.7%	(5.5% pts)

## IFRS 15 revenue restatement

The Company has adopted IFRS 15, the new international accounting standard for revenue, during the 2019 financial year. The impact on the financial statements is consistent with the disclosures made in our 2018 Annual Report and Accounts, creating an equal and opposite reduction in both revenue and cost of sales, such that gross profit, operating profit and cash flow are unchanged. Management continues to regard pre-IFRS 15 gross revenue, referred to within this 2019 Annual Report and Accounts as 'gross invoiced income', as a key measure of business mix and will continue to use this measure for internal reporting. As a result, gross invoiced income will continue to be reported externally as an alternative KPI alongside General Accepted Accounting Principles ('GAAP') revenue. This alternative performance measure enables a better year-on-year comparison of invoiced sales

trends and also allows for a better understanding of the movements in both trade receivables and trade payables, which are more reflective of the movements in gross invoicing. Further information is contained in note 2 to the financial statements.

As previously stated, gross profit continues to be the Company's primary measure of income performance and growth.

## Gross profit, revenue and gross invoiced income

Gross profit grew by 20.5% to £211.1m, up from £175.2m in the prior year, and from £136.3m in 2017. This performance over the past two financial years represents an acceleration in the level of growth within an unbroken 14-year-long sequence of consecutive, entirely organic growth.



As our primary indicator of income, gross profit growth reflects the customer metrics discussed below, resulting from a relentless focus on customer service alongside long-term investment in our technical proposition. As in previous periods, the growth has been broad based, with no single customer accounting for more than 2% of gross profit.

Gross invoiced income ('GII') rose 31% to £1,414m (2018: £1,082m). This reflects double-digit growth across all technology areas and customer segments. Growth was especially strong in both Enterprise (comprising 21% of total GII) and Public Sector (comprising 35% of total GII) which are the most recently developed elements of our offering and continue to catch up with our share of the mid-market. These results reflect market share gains which, in part, result from our growing stature with larger customers for complex engagements. GII growth across the different technology categories (Workplace, Data Centre & Cloud Infrastructure, and Networking & Security) were each in excess of 25% and mix was relatively stable, reflecting the broad nature of customer investment in their IT platforms and our ability to provide support across the full stack.

Revenue as reported under IFRS 15 was £991.8m, up 24.4% on the restated comparative from 2018 of £797.2m.

### Customer KPIs

Investment in our technical skills, coupled with sales initiatives to promote cross-selling efforts, once again led to very strong growth in average revenue and gross profit per customer, with the latter rising by 17% to £17.2k (2018: £14.7k). Despite this growth, we estimate that our average share of wallet from existing customers is no more than 30%. Selling more to existing customers continues therefore to be a key aim of our strategy for the coming years.

While the nature of our business does not lend itself to the generation of contracted revenue, we believe that the trust we establish with customers over many years of working together provides an even stronger platform for repeat business. During 2019, 95% of gross profit was earned from existing customers and grew year on year by 21%.

Total customer numbers also continue to be a key indicator of strategic progress. During the year we traded with an additional 400 customers for a total of 12.3k, up 3.4% from 11.9k in 2018, and gross profit earned from new customers grew by 16% year on year. While contributing relatively modest levels of in-year income (accounting for 5% of gross profit in 2019), the addition of new customers underpins our opportunity for future growth.

### Investments for growth and operating profitability

Our strategy of ongoing investment in scale and capability manifests in our efforts to recruit and retain people with great skills and attitude. During the year average headcount grew 15% and we closed the year with 1,330 people. Investment in both new and existing team members, together with increased sales commissions reflecting the growth in income, combined to increase overheads by 18% year over year. This was outstripped by growth in gross profit of 21%, and as a result operating profit grew by 24% to £84.5m (2018: £68.0m).

That meant that our key measure of operating profitability, the ratio between operating and gross profit, rose for the second consecutive year to 40.0%, up from 38.8% in 2018 and 36.8% in 2017. This upward trend is the result of the acceleration in gross profit growth in the last two years. Our long-term plan continues to involve significant investment in people and capabilities, together with expansion and upgrade of our internal systems and processes. As a result, we expect this ratio to fall back over the medium term as we build both scale and additional capability, rather than seek to maximise short-term profitability. With an estimated 7% share of the UK digital infrastructure market, our plans for growth span the medium term and our investment in people will continue to cover all areas of the business as we build for the future.

### Corporation tax charge

The effective tax rate for 2019 was 19.3% (2018: 19.3%), reflecting a stable statutory rate of 19.0% in both years, together with the relatively marginal impact of non-deductible expenses.

### Cash and balance sheet

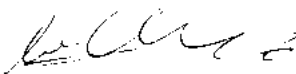
Cash conversion, defined as operating cash flow net of capital expenditure as a percentage of operating profit, was above 90% for the third consecutive year at 92% (2018: 98%). Cumulative cash conversion in the four years since IPO now stands at 94%. This reflects the unchanged and highly liquid nature of the business model, with no significant stock holding, with the inventory value at the balance sheet date mainly reflecting stock in transit between distribution partners and customers, as well as a short working capital cycle.

The Company's closing cash balance was £79.3m (2018: £72.8m), reflecting the broadly offsetting impact of cash generated from trading, net of corporation tax payments, and dividend payments during the period which totalled £56.2m (2018: £45.3m). The Company remains entirely debt free.

### Dividend

A final dividend of 10.4p per share has been recommended by the Directors and if approved by shareholders will be paid on 13 December 2019. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 8 November 2019. Shares in the Company will be quoted ex-dividend on 7 November 2019. The dividend reinvestment plan ('DRIP') election date is 22 November 2019.

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 16.0p has been proposed. If approved this will also be paid on 13 December 2019 alongside the final ordinary dividend. Together these two payments will bring total cash returned to shareholders since the 2015 IPO to £197.9m.



**Graham Charlton**  
Chief Financial Officer  
23 October 2019

## SUMMARY RESULTS AND KPIs

The financial and non-financial key performance indicators shown below demonstrate the Company's progress against strategic goals and delivery of financial performance and shareholder value. These metrics are referred to throughout this report and each is discussed in more detail within the Financial Review on pages 22 and 23.

### Financial

#### Revenue\* £m

19	991.8
18	797.2
17	n/a

#### Strategic link



#### Comments

- Revenue includes all income from the resale of third party software, hardware and services, as well as the sale of the Company's own services.

#### Gross profit £m

19	211.1
18	175.2
17	136.3

#### Strategic link



#### Comments

- Gross profit comprises revenue net of third party product costs, supplier rebates and certain internal direct costs.

#### Operating profit £m

19	84.5
18	68.0
17	50.2

#### Comments

- Operating profit comprises gross profit net of administrative expenses.

#### Link to Directors' remuneration

- Operating profit is the sole KPI of reference for the Executive Directors' bonus, reflecting its central role in measuring the delivery of in-year shareholder value.

\* Revenue is reported under IFRS 15, the new international accounting standard on revenue, for the first time. Restated revenue is therefore not available for periods prior to 2018. See note 1 to the financial statements for more information.

#### Gross invoiced income £m

19	1,414.1
18	1,081.7
17	832.5

#### Comments

- Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued items and is consistent with our previously applied revenue policy.

#### Basic earnings per share p

19	34.6
18	27.9
17	20.4

#### Comments

- Basic earnings per share ('EPS') is defined as profit after tax divided by the number of shares in issue at the balance sheet date.

#### Link to Directors' remuneration

- Basic EPS forms 50% of the weighting of the Executive Directors' LTIP targets.
- Delivery of EPS growth will also contribute indirectly to share price performance, an important element in total shareholder return ('TSR'). TSR also forms 50% of the weighting of the LTIP targets.

#### Cash conversion %

19	92
18	98
17	97

#### Comments

- Cash conversion is defined as operating cash flow before tax but after capital expenditure, as a percentage of operating profit.
- The five-year average for cash conversion is in excess of 90%, reflecting the highly liquid nature of the business operations and a disciplined approach to working capital management.

## Non-financial

### Employee engagement score %

19	92
18	95
17	98

#### Strategic link



#### Comments

- The employee engagement score is derived from responses to an annual survey of all staff.
- Enthusiastic, motivated people are at the core of the Softcat business model and customer proposition.

### Customer satisfaction %

19	96
18	97
17	99

#### Strategic link



#### Comments

- Customer satisfaction is defined as the percentage of customers who rate themselves as either 'satisfied' or 'very satisfied' in response to an annual survey (possible responses also include 'dissatisfied' and 'very dissatisfied'). In 2019 the survey had 1,526 respondents (2018: 928).

### Gross profit per customer £'000

19	17.2
18	14.7
17	12.0

#### Strategic link



#### Comments

- Gross profit per customer is defined as gross profit divided by the number of customers.
- New customers are included in the calculation and tend to create dilution of the metric.
- The growth in this metric therefore demonstrates the high value of ever deepening long-term relationships, and the Company's ability to sell an increasing range of technologies based on trusted partner status.

### Customer numbers '000

19	12.3
18	11.9
17	11.4

#### Strategic link



#### Comments

- Customer numbers are defined as the total number of unique entities that traded with Softcat during the period.
- Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.
- Growth in customer numbers therefore underpins future growth as well as contributing to in-year performance.

## Link to strategy:



Sell more to existing customers



Win new customers



Develop offering



Build scale

Read more in our Financial Review, see pages 22 and 23

## RISK MANAGEMENT AND SECURITY

The Board has established mechanisms to identify, evaluate and manage risks with the aim of protecting its employees, customers and partners and safeguarding the interests of the Company and its shareholders.

### Our approach

The Board has overall responsibility for ensuring that risk is managed and has identified the risks facing the Company and considered the likely impact that each could have on the business. This has enabled the Board to target risks on a prioritised basis.

Consideration of risks is set against a backdrop of a 'risk appetite', which the Board considered during the year. The Company operates a cautious approach to risk and in general its risk appetite is relatively low. However, we also have a strong desire to grow our technical capabilities, our customer base and our income. As a result, we rely on our open culture to empower our employees to develop the business and will review individual opportunities as they arise. In situations where our financial and/or reputational exposure is limited or can be mitigated, our appetite for risk in order to achieve strategic growth may be higher.

Ownership for each risk has been assigned to a member of the senior management team based upon alignment with operational duties. Risk owners take responsibility for designing appropriate internal controls and policies to mitigate the likelihood and potential impact of the risk materialising.

A risk register is maintained which captures the assessment of each risk together with existing controls and further actions in progress. The risk register is reviewed periodically by both the Board and the senior management team to ensure that it remains current as the business and its markets evolve, and that controls remain effective and actions are progressed.

Consideration of the risk profile is factored into strategic planning and annual budgeting.

The Company's internal control framework is based on a three lines of defence model. The first line of defence comprises operational management, which is responsible for the direct management of risk. This includes ensuring appropriate mitigating controls are in place and that they are operating effectively. The second line of defence is made up of the Company's internal compliance and oversight functions such as company secretariat, finance and legal. The third line includes both internal and external audit reporting to the Audit Committee.

The Audit Committee receives reports from management and the outsourced internal audit function on key areas of risk and control and challenges management on the timelines and effectiveness of corrective action. The Audit Committee also considers the findings and recommendations of the external auditor with regards to financial controls.

Set out below is the Board's view of key risks currently facing the Company, along with commentary on how this might impact us and impact on our strategic goals. We provide a view on the change in risk compared to the prior year's assessment. There is a process to escalate promptly any material emerging risk to the attention of the Board. No new principal risks were identified during the 2019 financial year.

An explanation of how the Company manages financial risks is also provided in note 19 to the financial statements.

### Risk management framework

STRATEGIC GOVERNANCE			
BOARD			
Audit Committee			
Remuneration Committee			
Nomination Committee			
Operational and financial governance	First line of defence	Second line of defence	Third line of defence
Senior management team	Operational management	Central support functions	Audit and risk function (including internal audit, risk management and external advisers)

**Link to strategy:**



Sell more to existing customers



Win new customers



Develop offering



Build scale

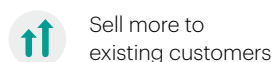
**Principal risks and uncertainties**

Business strategy		Operational	
<p><b>Customer dissatisfaction</b></p> <hr/> <p><b>Change from 2018</b></p> <p>— No change</p> <p><b>Potential impacts</b></p> <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Loss of competitive advantage</li> </ul> <p><b>Management and mitigation</b></p> <ul style="list-style-type: none"> <li>• Graduate training programme</li> <li>• Ongoing vendor training for sales staff</li> <li>• Annual customer survey with detailed follow-up on negative responses</li> <li>• Process for escalating cases of dissatisfaction to MD and CEO</li> </ul> <p><b>Link to strategy</b></p>	<p><b>Failure to evolve our technology offering with changing customer needs</b></p> <hr/> <p><b>Change from 2018</b></p> <p>— No change</p> <p><b>Potential impacts</b></p> <ul style="list-style-type: none"> <li>• Loss of customers</li> <li>• Reduced profit per customer</li> </ul> <p><b>Management and mitigation</b></p> <ul style="list-style-type: none"> <li>• Processes in place to act on customer feedback about new technologies</li> <li>• Training and development programme for all technical staff</li> <li>• Regular business reviews with all vendors</li> <li>• Sales specialist teams aligned to emerging technologies to support general account managers</li> <li>• Regular specialist and service offering reviews with senior management</li> </ul> <p><b>Link to strategy</b></p>	<p><b>Cyber and data security, including GDPR compliance</b></p> <hr/> <p><b>Change from 2018</b></p> <p>— No change</p> <p><b>Potential impacts</b></p> <ul style="list-style-type: none"> <li>• Inability to deliver customer services</li> <li>• Reputational damage</li> <li>• Financial loss</li> </ul> <p><b>Management and mitigation</b></p> <ul style="list-style-type: none"> <li>• Company-wide information security policy</li> <li>• Appropriate induction and training procedures for all staff</li> <li>• External penetration testing programme undertaken</li> <li>• ISO 27001 accreditation</li> <li>• In-house technical expertise</li> </ul> <p><b>Link to strategy</b></p>	<p><b>Business interruption</b></p> <hr/> <p><b>Change from 2018</b></p> <p>— No change</p> <p><b>Potential impacts</b></p> <ul style="list-style-type: none"> <li>• Customer dissatisfaction</li> <li>• Business interruption</li> <li>• Reputational damage</li> <li>• Financial loss</li> </ul> <p><b>Management and mitigation</b></p> <ul style="list-style-type: none"> <li>• Operation of backup operations centre and datacentre platforms</li> <li>• Established processes to deal with incident management, change of control, etc.</li> <li>• Continued investment in operations centre management and other resources</li> <li>• Ongoing upgrades to network</li> <li>• Regular testing of disaster recovery plans</li> </ul> <p><b>Link to strategy</b></p>



## Principal risks continued

### Link to strategy:



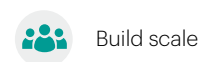
Sell more to existing customers



Win new customers



Develop offering



Build scale

## Principal risks and uncertainties continued

Operational	Financial	People	
<b>Macroeconomic factors including Brexit</b>	<b>Profit margin pressure including rebates</b>	<b>Culture change</b>	<b>Poor leadership</b>
<b>Change from 2018</b>	<b>Change from 2018</b>	<b>Change from 2018</b>	<b>Change from 2018</b>
Slight increase	No change	No change	No change
<b>Potential impacts</b>	<b>Potential impacts</b>	<b>Potential impacts</b>	<b>Potential impacts</b>
<ul style="list-style-type: none"> <li>• Short-term supply chain disruption</li> <li>• Reduced margins</li> <li>• Reduced customer demand</li> <li>• Reduced profit per customer</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced margins</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced staff engagement</li> <li>• Negative impact on customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of strategic direction</li> <li>• Deteriorating vendor relationships</li> <li>• Reduced staff engagement</li> </ul>
<b>Management and mitigation</b>	<b>Management and mitigation</b>	<b>Management and mitigation</b>	<b>Management and mitigation</b>
<ul style="list-style-type: none"> <li>• Close dialogue with supply chain partners to ensure all potential Brexit scenarios are planned for</li> <li>• Customer-centric culture</li> <li>• Breadth of proposition and customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing training for sales and operations teams to keep pace with new vendor programmes</li> <li>• Rebate programmes are industry standard and not specific to the Company</li> <li>• Rebates form an important, albeit minority, element of total operating profits</li> </ul>	<ul style="list-style-type: none"> <li>• Culture embedded in the organisation over a long history</li> <li>• Branch structure with empowered local management</li> <li>• Quarterly staff survey with feedback acted upon</li> <li>• Regular staff events and incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Succession planning process</li> <li>• Experienced and broad senior management team</li> </ul>
<b>Link to strategy</b>	<b>Link to strategy</b>	<b>Link to strategy</b>	<b>Link to strategy</b>

## Managing the impact of Brexit

The Company continues to monitor the progress of negotiations with the EU and the evolving political situation in the UK.

Management is committed to maintaining robust plans to ensure the Company is well prepared for any and all potential outcomes, including an abrupt and disorderly no deal exit. Since the UK's EU referendum in 2016, the Directors do not believe the Company has suffered any adverse effects from the Brexit process, but continue to assess the changing severity of associated risks.

In particular, the Board has considered the following market and competitive factors:

- Softcat operates in a highly fragmented but growing market. Industry estimates place our market share in the range of 5–7% with market growth in recent years at 5–12%. As such, even in very difficult market conditions our key strategic goals of winning new customers and selling more to existing customers will remain valid opportunities for growth.
- A significant proportion of Softcat's revenue (c.30%) comes from software renewals and subscriptions. In addition, much of the income the Company earns from service and warranty contracts is considered to be non-discretionary spend. These factors may mitigate any downturn in customers' IT budgets.
- Softcat competes in the UK labour market for graduate and other new talent. Any downturn in the job market would potentially increase our ability to recruit new team members. We are committed to our long-term investment and growth strategy and would not reduce our own recruitment efforts as the result of macroeconomic shock.

## Viability statement

The Board conducted the viability review for a three-year period to July 2022, corresponding with the period covered by its strategic three-year plan process and reflecting the rapid pace of change in the technology sector. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company both individually and in aggregate, including those risks that would threaten Softcat's business model, future performance, solvency or liquidity. The key factors supporting Softcat's prospects are included in the Strategic Report. Our forecasts are updated on an annual basis and reflect an assessment of the Company's prospects and the Company's aspirations to grow, increased depth of customer offerings and available internal and financial resources without the need for external funding. They also consider profits, cash flows, funding requirements and other key financial ratios over the three-year period, as well as the desired minimum cash float.

The principal risks are set out above and the most relevant potential impact of these risks on viability was considered to be:

- a substantial and sustained shortfall in revenue and gross invoiced income compared to the budget and strategic three-year plan resulting from a loss of Softcat culture or inability to satisfy customer needs;
- a substantial fall in achievable gross margins resulting from margin pressure associated with a fall in levels of customer service and/or significant reduction in supplier rebates; and
- an ongoing increase in the working capital cycle.

The Board overlaid the potential impact of the principal risks which could crystallise and affect the financial position in 'severe but plausible' scenarios onto the three-year forecasts and concluded that the business would remain viable. As part of this, it performed sensitivity analyses and stress tests that flexed the forecasts

The Company has also carried out a detailed review of operational risks associated with Brexit. Overall the Board considers the risk of operational disruption to be low as:

- We are a UK domiciled business with limited exposure to EU customers or suppliers. Notwithstanding that limited exposure, our recent expansion into Ireland, together with our investment in multinational fulfilment capabilities, further mitigates any risk in this area.
- While many of the products we sell have a cost price which can fluctuate in relation to the strength of Sterling (especially against the US Dollar), our customers are well used to accepting such fluctuations being reflected by prices (i.e. costs can be passed on by Softcat). This situation occurred in the aftermath of the referendum vote in 2016 and the Company experienced no reduction in either profit margin or customer demand as a result.
- The risk of stock shortages resulting from customs delays is being mitigated by the efforts of our suppliers to both secure alternative import routes as well as build up additional inventory at key distribution hubs in the UK.

Our approach to managing the balance sheet has been conservative, resulting in a very simple debt-free position. We therefore have no refinancing or interest-related risks.

including reduced income, profitability and increased working capital cycle, both individually and in unison, to reflect these severe but plausible scenarios. This included the following stress testing over a three-year period:

(i) against the budget approved by the Board for the 2020 financial year; and (ii) against the remaining two financial years (i.e. 2021 and 2022) of the three-year plan:

- a 5% year-on-year reduction, compared to the budget and three-year strategic plan, in revenue and gross invoiced income;
- reduced gross profit margins of 0.5% year on year;
- reduced rebate income of 50% for each of the three years; and
- extending the length of debtor days by three days for each of the three years (thus negatively impacting on working capital).

The combined impact of the above measures reduces year-on-year profit after tax in 2020 by 31%, a further reduction of 32% in 2021, and a further reduction of 47% in 2022. This trend compares to an actual cumulative average growth rate in the period 2015–2019 of +27%.

Our significant free cash flow generation and the strength of the Company's simple debt-free balance sheet provides comfort around our ability to absorb the impact of the stress tests outlined above. Depending on the severity of impact, if necessary, mitigating actions (for example, the ability to adjust the level of discretionary special dividend) would be available for the Board's consideration.

Based on the results of the procedures outlined above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

### TAKING

# CARE OF BUSINESS



At Softcat we aim to maximise the impact we have on our employees and the communities we operate in, whilst minimising the impact we have on the environment.

### OUR PEOPLE

Our focus on employee engagement never wavers and this year we were delighted to see a response rate of 92% for our annual employee engagement survey. We were pleased to see that we maintained our high engagement, including 92% of employees agreeing or strongly agreeing that they feel positive about Softcat as their employer. After a detailed analysis of the results, we identified three key areas of improvement and so we followed up halfway through the year with a pulse survey to check back in with our employees on these areas. Each area had seen a significant increase and we were particularly satisfied that employees' rating of Softcat supporting their work-life balance rose from 70% to 86% in a six-month period.

2019 has seen us open a new office in Birmingham, following on from the success of our first international office opening in Dublin last year. We've also stepped up our focus on serving our multinational customers abroad, with branches active in Singapore, Australia, Hong Kong and the US.

We continue to drive growth in our business through the hiring of graduates and apprentices throughout the financial year. This year we have concentrated our efforts on our employer brand, resulting in a new careers website, advertising materials and targeted social media campaigns. The work we put into the retention of our salesforce last year has yet to pay off with attrition increasing by 2% amongst Account Managers year on year. However, we expect improvement over time as results of our continued efforts will take time to embed.

Our investment in training and developing our employees has not slowed down either. With the introduction of a Leadership Foundations Programme for our high potential mid-level managers, Career Ownership workshops, revamping the format of our induction offering and newly designed sales programmes, all our employees have seen improvements to the learning opportunities available to them.

Continuing our efforts from last year, health and wellbeing remains one of our key focus areas. In addition to our two dedicated Health and Wellbeing Weeks each year, we have put financial health at the forefront of our agenda.

We increased our pension contributions in April, offering an option above the statutory minimum for the first time, and we are holding regular pension, mortgage and Independent Financial Adviser sessions.

Softcat has worked hard to raise awareness about mental health to ensure that as a company, we are supporting our colleagues and helping make it easier for everyone to talk more openly about mental health illness, in the same way as physical health. Our commitment to supporting our employees' mental health has ramped up again this year, with additional employees becoming Mental Health First Aiders, across more of our office locations. With our employees overwhelmingly choosing the mental health charity Mind as their nominated charity recently, we are looking forward to working closely with them on this topic.

One of the areas that we are most proud of is our work with apprentices. Expanding our scheme again this year, we took on 34 employees across a range of business areas. Each of them will be completing their qualifications over a 12- or 18-month period, ideally resulting in them staying with Softcat in a permanent role after the successful completion of their apprenticeship programme. To recognise our efforts in this area, we were awarded Best Graduate/Apprentice Scheme at the CRN Sales & Marketing Awards 2019.

### Diversity

We have made many positive strides in our focus on diversity this year. Initially focusing on gender diversity, we have continued to enjoy a productive working group, 'Supporting Women in Business'. This group is currently undertaking a variety of initiatives, including introducing our first female mentoring scheme, hosting guest speaker sessions, participating in panel events and entering awards recognising women in our industry. We are now monitoring several key metrics on a quarterly basis to track our progress in this area. Finally, it is important to note that the Hampton-Alexander Review on Board diversity set a target of 33% women on FTSE 250 boards by 2020 and we have reached that target a year early.

In addition to our focus on gender diversity, we have put a great deal of effort into kick-starting the Softcat Pride Network, comprising our LGBT+ employees and straight allies. The activities were launched with the LGBT+ History Month in February and, for the first time, each office is celebrating Pride during the month of July.

Softcat's Family network is a networking group that enables our employees with caring responsibilities to meet on a regular basis for an open discussion about how we can offer them the support they need. This has prompted a review of the experience of mothers and fathers returning from maternity and paternity leave respectively, along with practical learnings such as a child first aid course.

Our overall gender balance has improved by 1%, but continues to be fairly static year on year. This is in part due to the fact that the majority of roles advertised attract more male applicants. We continue to take action to attract more female candidates including working in the community to build awareness and education about Softcat. We have made changes to the language used in job advertisements and are pleased to see these small improvements. We endeavour to make further improvements and measure the impact of our changes.

### Gender breakdown (as at 31 July 2019)

 Male  Female

#### Board of Directors



#### Executive Leadership Team



#### Total permanent employees



#### Softcat is proud to take its social responsibilities seriously. We:

- strive to look after and develop our employees, respecting their diversity;
- support a wide variety charitable activities; and
- have a well-established team which is dedicated to minimising our environmental impact.



## OUR RESPONSIBILITIES

### Ethical behaviour

We do not operate a specific human rights policy at present. Our policies and Code of Conduct already operate within a framework to comply with relevant laws, to behave in an ethical manner and to respect the rights of our employees and other stakeholders in the business. Most of our business is focused in the UK and in jurisdictions where human rights are generally observed.

We are conscious human rights risks exist within our business and supply chain, including labour risk, unsafe workplace conditions and bribery and corruption. We therefore continue to be compliant with the annual reporting requirements contained within Section 54 of the Modern Slavery Act 2015, being a relevant commercial organisation as defined by Section 54, and produced an updated Modern Slavery Statement this year, which is available on our website.

We also operate a Speak Up hotline for all employees to widen employees' channels of raising any issues they may encounter. This provides our employees with an externally provided, secure and confidential channel to voice issues, in addition to internal channels already available. We also operate an anti-bribery policy. The anti-bribery policy provides that we take a zero-tolerance approach to bribery and corruption and that we are committed to acting professionally, fairly and with integrity in all our dealings.

The policy also sets out the types of behaviour which are unacceptable in the conduct of business and procedures to prevent bribery. Underpinning our approach to ethical behaviour is our Code of Conduct, which is applicable to all employees and to those who work for or on behalf of Softcat. The Code of Conduct sets out the expected standard of behaviour.

During the year the Audit Committee also noted our disclosures in respect of payment practices reporting to our trade suppliers. We take a responsible approach for these responsibilities and the vast majority of invoices due are paid within the agreed terms.

The Company adopts an open and honest relationship when dealing with government agencies. For example, during the year the Board approved an update to Softcat's tax strategy, which has been published on our website ([www.softcat.com/corporate-responsibility](http://www.softcat.com/corporate-responsibility)). The tax strategy includes an outline of our approach to dealing with HMRC and confirms that Softcat's primary tax objective is to ensure that it pays the right amount of tax, in the right jurisdiction, at the right time, as dictated by legislation.

### Charities

Softcat strives to be an ethical and responsible workplace, supporting all of our stakeholders. Our dedicated charity team is responsible for managing corporate social responsibility at Softcat with each office having at least one representative. We recognise the importance of giving back to the communities in which we operate and strive to provide continuing support. This financial year we raised a total of £400,000 (FY18: £272,000) and our charity work has helped to raise over £2.4m to date. We strive to grow this in the years to come.

Softcat's annual Charity May Ball continued to be a success in 2019 raising a total of £330,000. We continue to support an array of local, national and international charities including: Mind, Bethesda Khankho Foundation, Prince's Trust, Comic Relief, Macmillan Cancer Research, Wycombe Homeless Connection and Children in Need.

Furthermore, Softcat has launched the Love2Volunteer campaign focused on promoting and encouraging our employees to demonstrate the difference we can make together. Each employee can choose to use their two free charitable days at one of the many scheduled events throughout the year focused on four key areas: environment, community, homelessness and animals.



Scan the QR code to view the video.





## Environment

### Softcat's impact on the environment.

Over the past few years The Green Team has made great strides in making Softcat a more environmentally minded Company. It has guided the Company in gaining our ISO 14001 (environmental management) and ISO 50001 (energy management) accreditations in every office, providing free rail cards to our employees, promoting a cycle to work scheme, installing LED lighting which automatically shuts off when not being used, removing disposable plastic cups from our offices, pushing for e-invoicing (which has been taken up by 96% of our customers) and litter picking around the Marlow office.

The installation of a managed print solution has continued to make environmental savings. This year it has saved 75,480 pages (94,251 last year) which is equal to four and a half trees. These savings have resulted in a reduction of 2,082kg of carbon dioxide emissions.

This year was Graeme Watt's first full year with The Green Team and it has built on prior successes. The Green Team has had an enormous rise in memberships; 70,000 bees have joined the team in Marlow. Softcat has had two hives installed on the roof of the office. The Team hopes that the addition of the hives will help to increase the population of the bees and in turn the bees will help with pollination and biodiversity in the local area. The Green Team is buzzing with excitement.

The fleet of low emissions pool cars has been joined by two electric vehicles. Softcat has also had charging stations installed in the Marlow office for employees to charge their own electric cars. Alongside the cycle to work scheme, rail cards and the car share parking spaces employees have a variety of greener options for their commute.

The passion of The Green Team is infectious, inspiring Softcat employees to do what they can, even in small ways. In Marlow and Bristol, the offices recycle so much of their waste that 89% of Marlow's and 90% of Bristol's was diverted from land fill and recycled in FY19.

# 2,082kg

Reduction of carbon dioxide emissions

## GHG emissions

Our emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from DEFRA and DECC.

- Scope 1 comprises emissions from our pool cars and natural gas burnt in boilers we control.
- Scope 2 comprises our electricity consumption in leased and owned buildings.

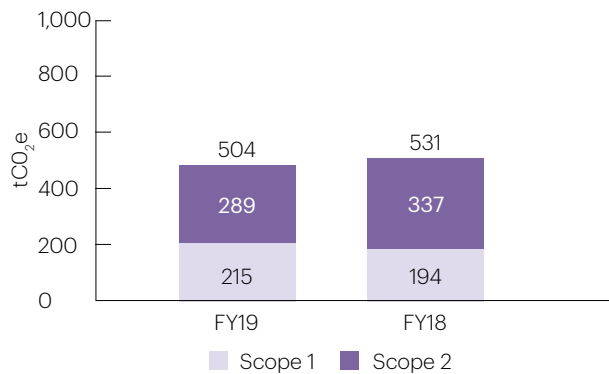
### Softcat intensity measurements

We have chosen to present our total emissions relative to the average number of employees, in order to represent how our emissions are impacted by the growth of our business. We are pleased to report a 16.8% reduction per employee.

	FY19	FY18
tCO <sub>2</sub> e/£m	0.51	0.67
tCO <sub>2</sub> e/employee	0.39	0.46

The prior year revenue intensity measure has been restated for revenue reported under IFRS 15. FY18 revenue is restated to be 0.67.

## GHG emissions



# CORPORATE GOVERNANCE

## Compliance with the UK Corporate Governance Code

We have structured this year's report in the following way, based upon the principles set out in the 2016 UK Corporate Governance Code, which is applicable for this financial year.

### In this section:

- 35 Introduction to governance
- 36 Board of Directors
- 38 Governance report
- 46 Audit Committee report
- 52 Nomination  
Committee report
- 56 Remuneration  
Committee report
- 86 Directors' report

## LEADERSHIP

The Board has clear divisions of responsibility and is collectively responsible for the long-term success of Softcat.

▮ To read more, see pages 36 and 37

## EFFECTIVENESS

We evaluate the balance of experience, skills, knowledge and independence of the Board to ensure we are effective.

▮ To read more, see pages 41 to 44 and 52 to 55

## ACCOUNTABILITY

We present a fair, balanced and understandable assessment of Softcat's position and prospects. Our decisions are discussed within the context of the risks involved.

▮ To read more, see pages 46 to 51

## RELATIONS WITH SHAREHOLDERS

Strong relationships with our shareholders are crucial for the Company's success.

▮ To read more, see page 45

## REMUNERATION

Director remuneration is set to promote the long-term success of Softcat.

▮ To read more, see pages 56 to 85



# INTRODUCTION TO GOVERNANCE



**Your Board continues to take its responsibilities seriously.”**



## Dear shareholder

I am pleased to confirm that your Company has complied with the principles and provisions of the 2016 UK Corporate Governance Code (the ‘2016 Code’) during the year with the following exceptions:

- 1) **Provision A.3.1** – I was not independent on my appointment as Chair in April 2018. When deciding on my appointment the Board recognised that the Code states that the chair should on appointment meet the independence criteria and that ordinarily the chief executive should not go on to be the chair of the same company. We disclosed the Board’s intention to appoint me as Chair in last year’s report. More information on this matter can be found in the report from the Nomination Committee on pages 52 to 55.
- 2) **Provision A.4.1** – Until 30 June 2019, Lee Ginsberg held the position of our Senior Independent Director (‘SID’). Following Lee’s resignation, Peter Ventress had also informed the Board of his intention to resign with effect from 31 December 2019 and a search process for Peter’s replacement commenced. Given the changes in the non-executive composition, the Board decided that it would be most appropriate to agree the new SID once the new appointments had been made. We announced on 23 October 2019 that Karen Slatford will join the Board on 5 December as a Non-Executive Director and as the SID. We will therefore have a temporary period of just over 5 months without a SID.

The 2016 Code (a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk)) is applicable to Softcat for the financial year ended 2019. We have, however, considered the new 2018 Corporate Governance Code in advance of the requirement to report against it in next year’s Annual Report. We have already taken steps to adopt the 2018 Code, for example:

- the appointment of Vin Murria as the NED designated for workforce engagement;
- agreeing a formal purpose statement for the Company;
- formalising our process to in respect of escalating major emerging risks to the Board;
- adopting a clearer articulation of our risk appetite;
- improved interaction with our stakeholders;
- having a clearer view on workforce remuneration; and
- the Code requires a greater focus on corporate culture. This was already a focal point for the Board.

Your Board continues to take its responsibilities seriously. Together we can continue to maintain a strong and effective governance system to enable the business to set and deliver its strategy, generate shareholder value and safeguard our shareholders’ long-term interests. I would like to thank my fellow Directors for their continuing support.

The following reports explain how Board and its Committees operate and explain some of the work they have undertaken during the year.

**Martin Hellawell**  
Non-Executive Chair  
23 October 2019

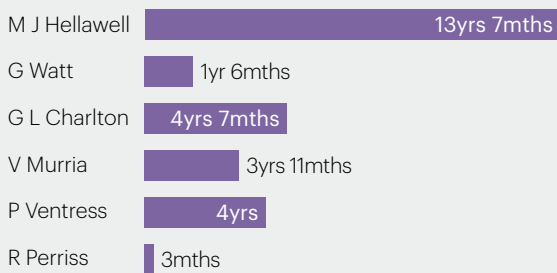
# LEADERSHIP

Our business is led by our Board of Directors. Biographical and other details of the Directors as at 23 October 2019 are as follows:

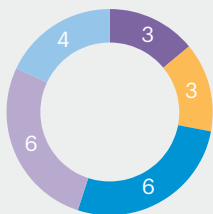


### Tenure of Directors

#### Director

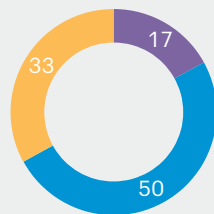


### Directors' experience



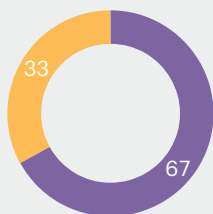
- Finance
- Marketing
- Operations
- Management
- Technology

### Board composition (%)



- Chair
- Independent Non-Executive Directors
- Executive Directors

### Board gender diversity (%)



- Male
- Female

#### Key

- (A) Audit Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- (D) Disclosure Committee
- Chair

### MARTIN HELLAWELL

#### Chair

#### Appointed to the Board

24 March 2006 (and became Chair on 1 April 2018)

#### Committee membership

(N) (D)

#### Key strengths

- Over 13 years' experience at the Company, with a detailed understanding of all operations
- Significant experience within the IT industry
- Developing people and teams to be successful
- Strategy and development execution

#### Current external commitments

Chair of Raspberry Pi Trading. Non-executive director of Team17 Group plc.

#### Previous roles

Martin spent 13 years at Computacenter plc, where he was responsible for the marketing function, ran Computacenter's French subsidiary and led acquisitions in the United Kingdom, Belgium and Germany. He was part of Computacenter's initial public offering team in 1998, ran operations, chaired Computacenter's international joint venture, ICG, and was chief operating officer of the dot-com spin-off Biomni Limited. Martin has also worked for Specialist Computer Centres PLC and for Canals.com Limited as an independent consultant. Martin started his career at Miles 33, a software solutions provider for the publishing industry.

### GRAEME WATT

#### Chief Executive

#### Appointed to the Board

1 April 2018

#### Committee membership

(D)

#### Key strengths

- Extensive knowledge of the sector, distribution and the reseller channel
- Strong commercial skills
- Business and system transformations
- Mergers and acquisition experience
- Strong leadership skills and delivery of growth in very sizeable business units
- Wealth of financial and risk knowledge

#### Current external commitments

None.

#### Previous roles

With 30 years of experience in the IT distribution industry, Graeme was most recently senior vice president EMEA, advanced and specialist solutions, Tech Data Corporation ('Tech Data'), a position he held from March 2017. Prior to that, he was president for Avnet Technology Solutions, EMEA for almost seven years and a member of Avnet's global executive committee. He previously spent six years at Bell Micro (as president of global distribution) and his earlier career included roles at Tech Data (president EMEA) and Computer 2000 (Managing Director UK & Ireland). Graeme is a qualified accountant (ICAEW).



#### GRAHAM CHARLTON

##### Chief Financial Officer

**Appointed to the Board**  
19 March 2015

**Committee membership**  
D

##### Key strengths

- Strong financial and commercial skills
- Extensive experience in both financial and general management
- Significant experience of financing and capital raising

**Current external commitments**  
None.

##### Previous roles

Graham previously spent four years as finance director at comparethemarket.com. Prior to that, Graham spent one year as finance director at See Tickets (the trading name of See Group Limited) and over five years in various roles, including group financial accountant, finance manager and finance director, decision analytics, at Experian Ltd. Graham is a Chartered Accountant and began his career with Andersen.

#### VIN MURRIA OBE

##### Independent Non-Executive Director and Designated NED for Workforce Engagement

**Appointed to the Board**  
3 November 2015

**Committee membership**  
A N R

##### Key strengths

- A seasoned and successful entrepreneur with extensive board experience
- A strong background in technology-based businesses coupled with a strong network
- Well-developed strategic and commercial skills

##### Current external commitments

Non-executive director at Sophos Group plc, DWF Group plc and finnCap Group plc and a partner at Elderstreet Investments. Director at Pythagoras Communications Limited.

##### Previous roles

Prior to joining Softcat, Vin spent seven years as the founder and chief executive at Advanced Computer Software plc prior to its acquisition by Vista Equity Partners in 2015, and five years as chief executive of Computer Software Group plc prior to its acquisition by HG Capital and then Hellman & Friedman in 2007. Previously, Vin was also a non-executive director at Zoopla Plc and Chime Communications plc and chief operating officer at Kewill Systems plc.

#### PETER VENTRESS

##### Independent Non-Executive Director

**Appointed to the Board**  
1 October 2015

**Committee membership**  
A N R

##### Key strengths

- Broad international chief executive experience
- Experienced B2B leader
- Strong leadership skills developed across different cultures and industries
- Well-developed strategic and commercial skills

##### Current external commitments

Chair of Galliford Try plc and non-executive director of BBA Aviation plc. Non-executive director and Chair Designate of Bunzl plc.

##### Previous roles

Peter spent five years as chief executive of Berendsen plc. Prior to this he held several senior executive roles including international president at Staples Inc. and a non-executive director of Staples Solutions B.V. He was chief executive at Corporate Express NV prior to its acquisition by Staples Inc. and held a number of other general management positions across a number of different businesses in a variety of industries.

#### ROBYN PERRISS

##### Independent Non-executive Director

**Appointed to the Board**  
1 July 2019

**Committee membership**  
A N R

##### Key strengths

- Wealth of financial and risk knowledge
- Extensive experience on strategic roles, particularly within a dynamic and fast-paced progressive environment

##### Current external commitments

Finance Director at Rightmove plc.

##### Previous roles

Before being appointed as Finance Director at Rightmove plc, the UK's largest property portal, Robyn also held senior roles as Financial Controller and Company Secretary. Prior to joining Rightmove, Robyn was Group Financial Controller at the online media business Auto Trader. She qualified as a Chartered Accountant in South Africa with KPMG and worked in both audit and transaction services.



# OUR GOVERNANCE

## FRAMEWORK

### OUR BOARD

#### Role and responsibilities

The Board is collectively responsible for the oversight of our business. It is responsible for Softcat's long-term success and provides leadership to the Company. The Board reviews important aspects of the business with management and monitors management performance against targets. The Non-Executive Directors provide constructive challenge to management so we have a robust assessment of how the business is operating. The Board sets the Company's strategic aims and has oversight as management ensures we have the right skills and resources for the Company to meet its objectives.

#### Matters reserved for the Board

The Board has a formal schedule of matters reserved for the Board's approval which was reviewed and updated during the year. Matters include:

- our strategy, business objectives and annual budgets to ensure we can deliver long-term value to our shareholders;
- annual and half-year results and our dividend policy;
- material acquisitions, disposal and contracts;
- major changes to internal controls, risk management or financial reporting policies and procedures;
- determining our risk appetite;
- changes to capital, corporate or management structure; and
- succession planning for the Board and senior management.

Matters reserved can be found at [www.softcat.com/investors](http://www.softcat.com/investors).

The Code expects certain roles of the Board to be clearly set out. The Board has a formal document outlining the key aspects of the role of the Chair, Chief Executive, Senior Independent Director ('SID') and Non-Executive Directors ('NEDs'). This is regularly reviewed and an updated version was agreed by the Board during the year. The statement on the roles of the Board can be found at [www.softcat.com/investors](http://www.softcat.com/investors).


### BOARD COMMITTEES

The Board delegates a set of defined responsibilities and authorities to the Audit, Nomination and Remuneration Committees so that specific functions and duties can be undertaken. This helps to support the overall good governance of the Board and the interests of shareholders and other stakeholders. Each Committee operates within written terms of reference which are regularly reviewed to make sure the Committees focus their attention on matters which are relevant for the good governance of the business. A summary of the key responsibilities of each Committee is briefly outlined below and the full terms of reference can be found on our website at [www.softcat.com/investors](http://www.softcat.com/investors).

#### Audit Committee

Provision of effective governance over:

- the appropriateness of the Company's financial reporting;
- the performance and appointment of both the internal audit function and the external auditor; and
- the Company's system of internal control, risk management and compliance activities.

 To read more, see pages 46 to 51

#### Disclosure Committee

- Supports the Board in overseeing the accuracy and timeliness of Softcat's formal business disclosures, including disclosures made in Softcat's half and full-year results.

### Nomination Committee

- Evaluates Board composition and ensures Board diversity and a balance of skills
- Reviews Executive succession plans, performance on diversity and plans to improve diversity in the business
- Oversees the performance evaluation of the Board, its Committees and individual Directors

To read more, see pages 52 to 55

### Remuneration Committee

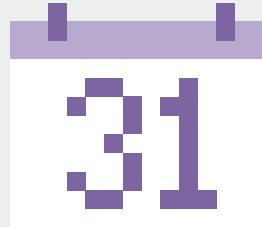
- Sets, reviews and recommends the policy on remuneration of the Chair, Executive Directors and Executive Leadership Team
- Sets the pay of the Executive Directors and agrees their participation in bonus plans and share-based incentives
- Sets a Remuneration Policy for approval by shareholders and then manages the implementation of the Policy

To read more on see pages 56 to 85

## EXECUTIVE LEADERSHIP

### Executive Leadership Team

- Focuses on strategy implementation, financial and competitive performance, commercial developments, below Board-level succession planning and organisational development



### Board meeting attendance

The Board met seven times during the year at a number of the Company's different offices across the country including a strategy meeting in February 2019. In line with the Company's philosophy to be open and transparent and to engage fully with its employees, the Board has also held question and answer sessions with employees and met with various leadership teams at offices. The Company held three meetings of the Audit Committee, five meetings of the Remuneration Committee and five meetings of the Nomination Committee and attendance for each Committee is shown in the respective Committee report.

Name	Board
Martin Hellawell	●●●●●●●●
Graeme Watt	●●●●●●●●
Graham Charlton	●●●●●●●●
Lee Ginsberg	●●●●○●●●
Vin Murria	●●●●●●●●
Robyn Perriss	●●●●●●●●
Peter Ventress	●●●●●●●●

● Attended ○ Did not attend ● N/A

#### Notes to the above table

1. Lee Ginsberg stepped down from the Board on 30 June 2019. Robyn Perriss was appointed to the Board on 1 July 2019.
2. Lee Ginsberg was unable to attend one meeting during the year due to a scheduling conflict.

## WHAT THE BOARD

## DID THIS YEAR



### Strategy

The development and implementation of Softcat's strategy remained a key focus for the Board. This has been covered in a number of ways including:

- general updates from the CEO;
- specific strategy review discussions with the Board in February 2019;
- presentations from members of the Executive Leadership Team on strategy implementation in their business line; and
- development of our proposition on a multinational strategy.

[To read more, see page 9](#)



### Performance monitoring

The Board has a robust process in place for setting expectations and regular monitoring of business performance. During the year this included:

- review and approval of a three-year plan at the same time as the strategy review;
- approval of an annual budget and forecast, followed by a report each month comparing performance against budget and forecast;
- approval of the year-end and half-year results; and
- setting of a dividend policy after taking into account performance, the Company's financial situation and the needs of the business.



### Stakeholder engagement

The Board knows the importance of being aware of the views of its key stakeholders. These include our shareholders, employees, customers and vendors. During the year we maintained and improved our engagement with stakeholders, which included the following:

- We discussed feedback from investors' and analysts' meetings following the release of our annual and half-year announcements. We have an investor relations programme of meetings with existing and potential shareholders.
- The Board met with some key stakeholders during the year including a vendor and we discussed industry and other issues.
- The Board appointed Vin Murria as the Designated Non-Executive Director for Workforce Engagement. Vin reported back to the Board regularly and actions are being taken to address the key issues raised.
- The Chair undertook an investor engagement programme with our top 50 shareholders and with the key proxy advisory agencies to strengthen our mutual understanding of governance matters. Martin updated the Board regularly.
- The Remuneration Committee Chair engaged with our top shareholders on the Remuneration Policy which will be proposed at the 2019 Annual General Meeting.
- The Board reviewed the outcomes of Softcat's annual customer satisfaction survey and the actions to further improve relations with customers.
- Through the Audit Committee, we monitored Softcat's performance and disclosures on paying our trade creditors under the Payment Practice legislation.



### Governance and risk

During the year the Board:

- reviewed reports on governance and legal issues, including developments in corporate governance, succession planning and executive remuneration;
- reviewed the Company's principal risks and uncertainties;
- received updates on the potential impact of Brexit on the business and our plans to prepare for it; and
- received regular accounting and regulatory updates.



### People, vision and values

During the year the Board:

- received regular updates on people and HR matters;
- considered the results of the annual employee survey and the quarterly management team surveys;
- met management teams and employees in our Marlow, London, Bristol and Manchester offices; and
- approved plans for improved offices in London, Marlow and Manchester.

[To read more, see pages 16 and 17](#)

### Other

- Approved the 2019 Annual Report and Accounts.
- Approved the 2019 Notice of AGM.
- Received and reviewed monthly reports which analysed changes in our key shareholder base.

## EFFECTIVENESS

### BOARD EVALUATION



**The Board is a diverse group of highly committed individuals who work well together, providing a range of relevant skills and experience. Executives and Non-Executives have worked hard since the IPO to develop the business into a well-governed public company.”**

Extract from the external evaluation report prepared by Independent Audit Limited



**The Chairman in particular, given his previous role as CEO, brings to the Board a deep reservoir of prior knowledge and experience. He is highly respected by his colleagues for the dynamics and atmosphere he has fostered at Board meetings, and the way he has managed the potentially tricky transition to becoming a Non-Executive. He and the new CEO get on well, and Board members feel their relationship has developed into a good one.”**

Extract from the external evaluation report prepared by Independent Audit Limited

#### Process

Each year the performance of the Board is assessed through an evaluation exercise. For the first time, during 2019 the process was conducted independently and externally. Following a tender process, the Board appointed Independent Audit Limited (‘IAL’), which has no other connections with the Company, to conduct the review. The key stages of the process were:

##### Stage 1



IAL reviewed Board and Committee papers and minutes over the past year

##### Stage 2



IAL interviewed each Director, selected executives, the Company Secretary and some advisers to the Board’s Committees

##### Stage 3



In July 2019, IAL observed meetings of the Board and Committees. This provides a useful insight into the work, dynamics and culture of the Board

##### Stage 4



IAL prepared a comprehensive report which they discussed with the Board

#### Outcome

The outcome of the report was positive and the report concluded that the Board and its Committees were operating in an open and supportive way, and that they were focusing well on Softcat’s strategies and culture.

In order to make sure the report was tailored to potential major recent impacts on Board effectiveness, the review also considered, for example, how well the Chair had settled into his role since last year and his relationship with the CEO, as these are critical foundations for any well-functioning board. The report concluded that the Chair had migrated well into his role and was working well with the CEO, spending an appropriate amount of time on his responsibilities with a clearly understood definition of his role versus that of the CEO. He leads meetings well, fostering a constructive boardroom atmosphere, characterised by effective challenge and collaboration between the Non-executive Directors and the Executive Directors.

### EFFECTIVENESS CONTINUED

#### Board evaluation continued

#### Recommendations

The Board was pleased with the outcome of the independent Board evaluation, which reflects the Directors' commitment to the business. The Board discussed the outcome of the evaluation with the reviewer present, considering ways in which the many strengths which were highlighted can be maintained but also the areas for improvement suggested by IAL. The Board is planning development actions based on these suggestions which include:

- further reviewing Board succession plans and the mix of NED skills in relation to the size of the Board;
- further clarity on some elements of strategy, particularly on assessing potential new strategic opportunities;
- considering additional interactions with the business outside of Board meetings;
- meetings to supplement the range of meetings already taking place (oversight of culture was noted by the reviewer as being a strength of the Board); and
- additional coverage of key projects, such as an investment programme to expand and upgrade our internal systems and processes.

The Company Secretary is preparing an action plan based on the recommendations which the Board will discuss and approve.

Progress on the actions will be reviewed by the Board during the coming year and an update will be provided in next year's Annual Report.

#### Actions taken on the 2018 Board evaluation

The Board considers that it has made good progress against the conclusions identified from the 2018 review, which was conducted internally. For example:

- the relationship between the Chair and Chief Executive continues to strengthen;
- the Board continued to devote time on strategy and issues which may affect the Company over the longer term; and
- the Board spent time in the business, including holding 'Q&A' and 'round-table' sessions with staff. The Board also introduced formal Workforce Engagement meetings run by Vin Murria, who took on the extra responsibility of the Designated Non-Executive Director for Workforce Engagement. Vin has already held meetings in our London, Marlow, Bristol and Manchester offices.



#### Our review does not raise any major issues for the Softcat Board."

Extract from the external evaluation report prepared by Independent Audit Limited



## GOOD GOVERNANCE

### OPERATION OF THE BOARD

#### Dividend and distributions policy

The Board is responsible for:

- setting Softcat's dividend policy;
- deciding on the Company's capital structure; and
- approving any key decisions in respect of capital allocation.

In respect of dividends, the Board approves the interim dividend and recommends the final and any special dividend for shareholders' approval. Softcat's dividend policy remains a progressive one which targets an annual dividend of between 40% and 50% of the Company's profits after tax in each financial year before any exceptional items. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time. In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Company;
- future cash commitments and investment needed to sustain the long-term growth prospects of the business; and
- potential strategic opportunities.

Softcat's constitution does not limit or oblige the Company to any minimum or maximum dividend payments. However, no dividend may exceed the amount recommended by the Directors and all dividends shall be paid in accordance with any relevant legislation.

The Audit Committee on behalf of the Board reviews the distributable reserves of the Company as part of its half-year and full-year reviews. The Board then considers the Audit Committee's review as part of its process to approve or recommend dividends. Consideration is also made of the balance on the retained earnings reserve, which as at 31 July 2019 amounted to £110.3m (as disclosed in the Statement of Financial Position).

Softcat is well positioned to continue to fund its dividends which is well covered by the cash generated by the business. Details of the Company's continuing viability and going concern can be found on page 29 and page 92 respectively. Details of total dividend distributions for the financial year can be found on page 23 and in note 6 to the financial statements.

The Company intends to seek shareholders' approval at the 2019 AGM to permit the Directors, should they consider exercising the authority, to repurchase up to 10% of the ordinary issued share capital. The Directors have no current intention of exercising this authority, which is sought in the best interest of shareholders to allow the flexibility to react promptly where such market purchases may be desirable.

#### Board development and support

The Chair is responsible for ensuring that all Non-Executive Directors receive ongoing training and development, with the assistance of the Company Secretary. All Directors are provided with frequent briefings of current, relevant issues. Topics during the year included changes in UK corporate governance reform, diversity, Brexit and changes in narrative reporting and in accounting regulations which may affect our published financial statements. The Board also receives updates on our public reporting commitments, such as gender pay gap reporting, creditor payment practices and risks of modern slavery.

Where a new Director has been appointed, it is important to accelerate their learning of the business so the Director can contribute more effectively to the Board and can undertake their responsibilities successfully. An extensive induction programme was prepared and tailored accordingly following the appointment of Robyn Perriss. The programme included meetings with Chair, Chief Executive, Chief Financial Officer and members of the Executive Leadership Team, members of the Finance Team and both the Company's internal auditor and external auditor.

In addition, all Directors have the opportunity to approach the Company Secretary (who acts as Secretary to the Board and all its Committees) for advice. The Company Secretary is appropriately qualified and highly experienced and is responsible for advising the Board on certain regulatory, legislative and governance matters and other ad hoc issues when required. Each Board meeting includes an update from the Company Secretary on any major developments of which the Board should be aware. The role of the Company Secretary also includes:

- assisting the Chair by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information; and
- ensuring that the correct Board procedures are followed.

The removal of the Company Secretary is a matter for the Board as a whole.

### EFFECTIVENESS CONTINUED

#### Good governance – operation of the Board continued

##### Role of the Non-Executive Directors

All of Softcat's Non-Executive Directors, including the Chair and SID, are required by their role to perform certain functions to improve the effectiveness of the Board. In particular they:

- constructively challenge and contribute to the development of strategy;
- scrutinise the performance of management in meeting agreed goals and objectives;
- have oversight to ensure compliance with key listed company requirements;
- through the Audit Committee, satisfy themselves that financial information is accurate and that internal controls and systems of risk management are robust;
- through the Remuneration Committee, take responsibility for determining appropriate levels of remuneration for senior executives; and
- through the Nomination Committee, undertake the role of recommending the appointment and, where necessary, the removal, of positions on the Board and on diversity and succession planning.

##### Organisation of Board meetings

The following are key features of how our Board and Committee meetings are organised to support the good governance of the business:

- Board meetings are scheduled to consider issues requiring Board oversight and adequate time for discussion of each agenda item is provided. Agendas are set to provide the Directors with opportunities to discuss the longer-term outlook of the business.
- An annual calendar of scheduled Board and Committee meetings is structured to allow the Board/Committees to review cyclical and ad hoc items, such as key projects.
- Non-Executive Board members make themselves available outside of the usual calendar of scheduled meetings should the need occur.
- Reporting packs are provided for each Board/Committee meeting, which are designed to be clear, analytical and concise. Papers are distributed and retained in an electronic system which is managed by the Company Secretary and this provides Directors with instant access to papers at any time.

- Reporting packs are normally prepared and presented by the Executive Directors and other senior managers. Packs are distributed by the Company Secretary to the Board around five days in advance of Board meetings. This enables the reporting packs to be as up to date as possible whilst allowing sufficient time for their review in advance of the meeting. Verbal updates cover any subsequent material developments.
- A summary of the actions arising at Board and Committee meetings is circulated by the Company Secretary following each meeting. The Company Secretary then ensures progress is made in respect of each action.
- Financial updates with commentary are distributed to the Board monthly. This gives the Directors the opportunity to review performance and any emerging issues in 'real time'.
- The development of strategy is led by the executives with input, challenge, examination and ongoing testing from the Non-Executive Directors.
- Board discussions are held in an open and collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge. This supports decisions on which the Board seeks a consensus.

##### Independence and conflicts

The Board, excluding the Chair, is currently comprised of three Independent Non-Executive Directors and two Executive Directors and therefore complies with the independence requirements of the UK Corporate Governance Code.

The independence of the Non-Executive Directors is reviewed annually by the Nomination Committee (described in the Nomination Committee Report on page 55). Their independence could be impinged where a Director has a conflict of interest, and the Board therefore operates procedures to identify and manage situations where such a conflict could arise. An element of the procedure operates to restrict a Director from voting on any matter in which they have a material personal interest unless the Board unanimously decides otherwise and, where necessary, Directors are required to absent themselves from a meeting of the Board while such matters are being discussed.

During the year, all Directors confirmed that they are able to allocate sufficient time to discharge their responsibilities effectively. Directors are also required to notify the Board of any major changes to their external commitments that arise during the year with an indication of the time commitment involved.

# RELATIONS WITH SHAREHOLDERS

The Board ensures that it has a proactive and constructive engagement with its stakeholders and recognises within this the important and valuable role that shareholders play. The Chair undertook an extensive engagement programme with the Company's largest shareholders during the year on governance matters. Feedback from these sessions was as reported back to the Board to make sure the Board fully understood their views.

As part of an ongoing investor relations programme, there was extensive interaction with institutional shareholders and market analysts across the year. The Chief Financial Officer provides the Board with briefings and reports on these interactions and on any material changes in the shareholder base of the Company.

In the event that shareholders have any concerns, which the normal channels of communication to the Chair or Chief Executive have failed to resolve or for which contact is inappropriate, our Senior Independent Director or any independent Non-Executive Director is available to address such issues. The Board continues to make itself available, when requested, for meetings with shareholders on issues relating to the Company's governance and strategy.

Annual General Meeting	Shareholder meetings	Results roadshows
<p>The 2019 Annual General Meeting will be held on 5 December 2019 at Softcat plc, Fieldhouse Lane, Marlow SL7 1LW. Details of the meeting and the resolutions to be proposed are set out in the Notice of AGM which is available to download on our website (<a href="http://www.softcat.com/investors">www.softcat.com/investors</a>). In addition to shareholders voting on key business issues, the Annual General Meeting gives shareholders, in particular our private shareholders, an opportunity to hear about the general development of the business and to ask questions to the Board.</p>	<p>Throughout the year, numerous meetings and conference calls were held with existing and potential shareholders. These meetings were attended by either the Chief Executive or the Chief Financial Officer or sometimes both. The meetings focus primarily on trading operations and the implementation of our business strategy. Any significant views expressed are recorded and reported to the Board to keep them up to date with shareholder and investor sentiment. Strict protocols are observed to make sure that no unpublished price sensitive information is discussed during these meetings.</p>	<p>Following the release of our full year preliminary results announcement and our half-year results, the Chief Executive and Chief Financial officer undertake extensive investor engagement roadshows. Analyst presentations from our announcements are available on our website.</p>



**There was extensive interaction with institutional shareholders and market analysts across the year.”**

ACCOUNTABILITY

AUDIT COMMITTEE

REPORT

Members

- R Perriss (Chair)
- P Ventress
- V Murria



Attendance of the Audit Committee

Name	Committee attendance 2019
R Perriss	● ● ●
L Ginsberg	● ● ●
V Murria	● ● ●
P Ventress	● ● ●
<b>Total meetings held</b>	● ● ●

● Attended ○ Did not attend ● N/A

Lee stepped down from the Board on 30 June 2019. He attended all Audit Committee meetings before he stepped down. Robyn joined the Board on 1 July 2019 and she has attended all Audit Committee meetings following her appointment.



**I am pleased to present my first report as Chair of Softcat’s Audit Committee. The Committee continued its good work overseeing the Company’s reporting disclosures and its control environment.”**

Introduction

I am pleased to present my first report as Chair of the Audit Committee (the ‘Committee’) following my appointment to the Board on 1 July 2019. I would like to thank Lee Ginsberg, who served as Committee Chair until 30 June 2019.

I had a detailed induction to the Softcat business following my appointment as a Non-Executive Director with additional emphasis and tailoring in relation to my responsibilities as Chair of the Committee. My induction included:

- meetings with the CFO and Softcat’s Finance Team;
- meetings with Ernst & Young LLP (our external auditor) and Grant Thornton LLP (which provides our internal audit service);
- a handover meeting with Lee Ginsberg;
- a review of the key reporting issues in the prior financial year; and
- a review of the minutes, reports and papers submitted to the Committee for the 2019 financial year.

This was very helpful in getting quickly up to speed with key financial reporting and control matters and I would like to thank all of those who provided assistance during my induction.

The Committee is an essential part of Softcat’s governance framework to which the Board has delegated oversight of the accounting, financial reporting and internal control processes, risk management, the outsourced internal audit function and the relationship with the external auditor. The main activities of the Committee are set out on page 47 of this report and particular areas of focus in 2019 included our approach to new accounting standards, reviewing our published results and approving both the external and internal audit plans for the year.

Looking forward to the 2020 financial year, a key activity of the Committee will be to closely monitor the implementation of a new finance system to support greater automation and further strengthen the financial control environment as the Company continues to scale and grow. I will be available at the AGM and happy to answer any questions about the work of the Committee.

## Responsibilities

The Board has approved terms of reference for the Committee which are available at [softcat.com/investors](http://softcat.com/investors). These provide the framework for the Committee's work and can be summarised as providing oversight of the:

- appropriateness of the Company's external financial reporting;
- relationship with, and performance of, the external auditor;
- Company's system of internal control, including the risk management framework, key and emerging risks and the work of the internal audit function; and
- Company's system of compliance activities.

A whistleblowing policy and procedure for colleagues to raise issues regarding possible improprieties in matters of financial reporting or other matters is in place and operated during the year. The Company also operates anti-bribery procedures which support compliance with the UK Bribery Act.

Written terms of reference that outline the Committee's authority and responsibilities are published on the investor relations section of the Group's website at [softcat.com/investors](http://softcat.com/investors) and are available in hard copy form from the Company Secretary.

## Membership

The membership of the Committee has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities and the membership meets the requirements of the 2016 UK Corporate Governance Code (the 'Code'), which is applicable for the financial year ended 31 July 2019. Given my experience as a qualified Chartered Accountant and as a finance director of a listed UK company, I have been designated as the financial expert on the Committee for the purposes of the Code. Vin Murria has considerable sector experience, in accordance with Code provision C.3.1. Furthermore, in order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which Softcat operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting and accounting matters. Changes to the membership of the Committee during the year are shown opposite and all members are Independent Non-Executive Directors of the Company. The Company Secretary acts as secretary to the Committee.

### Main activities during 2019

The calendar activities below summarise the areas of focus for the Committee in the 2019 financial year.

#### October 2018

- 2018 full-year results: management reviews and reports, review of the draft 2018 full-year results and draft Annual Report and Accounts
- Discussion with EY regarding the external audit reports on the 2018 full-year results
- Annual review of the control environment and principal risks
- Review of compliance against the UK Corporate Governance Code
- Review of internal audit work undertaken
- Consideration of the reappointment of the external auditor
- Private meetings of the Committee with the external auditor (without management present)

#### March 2019

- 2019 half-year results: management reviews and reports and review of the draft 2019 half-year results
- Discussion with EY regarding the external audit reports on the 2019 half-year results
- Review of internal audit work undertaken
- Risk management update, review and discussion

#### May 2019

- Review and approval of the external audit plan for the 2019 financial year
- Review and approval of the internal audit plan for the 2020 financial year
- Review of Q3 trading
- Discussion regarding Softcat's approach to tax. Review and recommendation for the Board to approve and publish an annual tax strategy
- Review and approval of a revised policy on the independence of the external auditor

#### Standing items at each Committee meeting include:

- Review of recent reports issued by internal audit
- Approval of previous Committee meeting minutes and review of follow-up on outstanding actions
- Governance updates for Committee review or approval. During the year this included reviews of:
  - the Committee's terms of reference;
  - payment practice reporting; and
  - policy on non-audit services.

The Company Secretary also prepares a twelve-month rolling plan for the Committee which is reviewed regularly.

### ACCOUNTABILITY CONTINUED

#### How the Committee operates

The Committee met three times during the year and each meeting had full attendance. Meetings of the Committee generally take place on the same day as the Board meeting to maximise the efficiency of interaction with the Board.

The external auditor, Ernst & Young LLP ('EY'), is invited to each meeting together with the Company Chair, the Chief Executive, the Chief Financial Officer ('CFO') and the Company Secretary. This means that each member of the Board is present at Committee meetings. However, I shall as needed report to the Board as a separate agenda item on the activity of the Committee and matters of particular relevance to the Board in the conduct of the Committee's work. The Board as a whole regularly reviews the performance of the business via monthly reporting packs and a CFO's report at each Board meeting. This provides the Committee with a good ongoing understanding of the financial standing of the business which accumulates towards the formal half-year and full-year results.

The Committee also meets separately with each of EY and the CFO without others being present.

#### Financial reporting

The Committee's primary responsibility in relation to the Company's financial reporting is to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the UK Corporate Governance Code;
- any correspondence from regulators in relation to our financial reporting; and
- assisting the Board in an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist it in making the statement required by the UK Corporate Governance Code.

#### Accounting policies and practices

The Committee received reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and proposed disclosure of these in the 2019 Annual Report. The Committee's review of IFRS 15 ('International Reporting Standards') is explained below and there were no other material changes to significant accounting policies during 2019. The Committee also discussed the impact and implementation of IFRS 9 Financial Instruments but noted that this would not have a material impact.

Following discussions with management and the external auditor, the Committee approved these critical accounting judgements, significant accounting policies and disclosures which are set out in note 1 'Basis of preparation' to the financial statements.

#### New revenue recognition standard

Revenue is now reported under IFRS 15, the new international accounting standard for revenue, and Softcat reported its revenue under IFRS 15 for the first time in its 2019 half-year results. As discussed in last year's report from the Audit Committee, the Committee continued to discuss with management the impact of adopting IFRS 15 on the Company's accounting policies, procedures and disclosures. Management had shared with the Committee the work they had undertaken in this regard. This was a focus area of EY's external audit for the year.

The Committee also reviewed and endorsed the disclosure of an alternative performance measure ('APM') for revenue (gross invoiced income) which reflects gross income billed to customers, adjusted for deferred and accrued revenue items consistent with the historic revenue policy under IAS 18 to allow for better year on year comparison of invoiced sales trends. Presenting this APM also allows the users of the accounts to understand the movements in both trade receivables and trade payables which are more reflective of the movements in gross invoicing. Management also undertook work to ensure that the APM had been appropriately defined and reconciled to Generally Accepted Accounting Principle ('GAAP') measures and the Committee reviewed the disclosures in this regard. The Committee was satisfied with the work undertaken by management to present revenue under IFRS 15 and under the APM.

#### Significant judgements and issues

An important part of the Committee's responsibilities is to assess key issues in respect of published financial statements and the Committee pays particular attention to any matters which it considers may affect the integrity of Softcat's financial statements, with a view to satisfying itself that each matter has been treated appropriately. The significant areas of focus considered and the actions taken by the Committee in relation to the 2019 Annual Report are outlined below.

We discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 94 to 100.



Matter considered	Action
Inappropriate revenue recognition: misstatement of revenue recognised at or near year end	The Committee has reviewed the Company's revenue recognition policy and discussed in detail with management and members of the Finance Team the processes applied to accurately record revenue at period ends. The Committee also receives detailed monthly reporting on business performance which includes revenue recognition data and trends. The Committee discusses the performance and data trends as needed with the CFO. The Committee has concluded that the timing of recognition is in line with current IFRS requirements.
Misstatement of rebate income	The Committee has taken steps to understand the nature and quantum of supplier rebates received by the Company. The Committee receives management information on rebates accrued as part of monthly performance reporting and monitors trends against prior period results. The Committee is satisfied with management's ability to accurately record rebates earned within the financial period.
Adoption of IFRS 15	<p>The Committee is aware that inappropriate adoption of IFRS 15 may result in erroneous presentation and disclosure of revenue in the 2019 financial year and prior year comparative. As noted above, the Committee discussed the impact of adopting IFRS 15 with management. Management presented additional analysis on the impact of IFRS 15 which had been audited by EY. In addition, IFRS 15 requires additional disclosures relating to adoption and judgements in the financial statements and management's work on this was drawn to the attention of the Committee as part of the review of the year-end results. EY has audited the adoption of IFRS 15 and presented the results of their procedures to the Committee. The above provided the Committee with comfort that an appropriate approach had been taken on the adoption of IFRS 15.</p> <p>Also as noted above, Softcat has adopted an APM relating to revenue and in accordance with required practice the Committee reviewed the adequacy of the definition of the APM and that GAAP revenue measures were given equal prominence.</p>

## Other matters

The Committee also undertook a range of further activities in relation to the Company's accounting and external reporting in the year:

### Fair, balanced and understandable

The processes and controls that underpin the Committee's assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, performance, business model and strategy include ensuring that:

- all team members who provide a material contribution to drafting the Annual Report and Accounts are fully briefed by the Company Secretary on the fair, balanced and understandable requirement;
- an experienced core team is responsible for the co-ordination of content submissions, verification, detailed review and challenge;
- the Annual Report and Accounts follows a framework which supports the inclusion of key messaging, market and performance overviews, principal risks and other governance disclosures. Sufficient forward-looking information is also provided and a balance is sought between describing potential challenges and opportunities;
- information in the different parts of the Annual Report is consistent;

- the Annual Report is written to avoid jargon where possible and is presented free of unnecessary clutter;
- senior management confirms that the content in respect of its areas of responsibility is considered to be fair, balanced and understandable; and
- the Committee receives an early draft of the Annual Report to enable timely review and comment.

Following its review, the Committee is of the opinion that the 2019 Annual Report, taken as a whole, is fair, balanced and understandable allowing the Committee to provide positive assurance to the Board to assist it in making the statement required by the UK Corporate Governance Code.

### Going concern and viability statements

The Committee received a report on both the Company's ability to continue operating as a going concern and on the rationale and the tests conducted to support the viability statement (which appear on pages 92 and 29 of this report respectively). The Committee confirms that, following review, it has recommended both statements for approval by the Board.

### External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing its independence on an ongoing basis and negotiating the audit fee.

### ACCOUNTABILITY CONTINUED

#### Auditor appointment

The Committee is responsible for making recommendations to the Board in relation to the appointment of the external auditor. EY was appointed as auditor of the Company in July 2013. The current external audit engagement partner is David Hales, who has held this role since August 2017. A timeline setting out the tenure of EY as auditor is set out below:

#### External audit tendering timeline

##### Prior to July 2013

Rayner Essex LLP conducted the external audit immediately prior to FY 2013

##### July 2013

EY appointed as auditor and conducted the external audit for FY 2013

##### November 2015

Softcat becomes a publicly listed entity

##### August 2017

Mandatory appointment of new audit lead partner after five years

##### July 2023

Competitive tender will take place by this date, being ten years since last audit tender

The Committee continues to review the auditor's appointment and the need to tender the audit, ensuring the Company's best interests are considered and ensuring compliance with reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Company confirms that it complied with the provisions of the Competition and Markets Authority's Order 2014 for the financial year under review. There are no contractual obligations restricting Softcat's choice of external auditor.

For the financial year ending 31 July 2020, the Committee has recommended to the Board that EY be reappointed under the current external audit contract and the Board has endorsed that recommendation. The Board has therefore proposed the reappointment of EY at the Annual General Meeting to be held in December 2019. There are currently no active plans to commence a tendering for the external audit.

#### Audit risk

At the start of the audit cycle we received from EY a detailed audit plan identifying its audit scope, planning materiality and assessment of key audit risks.

The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the key risks for the 2019 financial year closely aligns to the significant judgements and issues above. The key risks identified were:

- inappropriate revenue recognition;
- misstatement of rebate income; and
- the appropriate adoption of IFRS 15 and related disclosures.

Should the need ever occur, the Committee has the authority to request for additional areas to be reviewed if it is deemed to be relevant for the integrity of Softcat's financial statements.

EY also outlined other areas of audit focus which included a combination of standing matters usually associated with an external audit each year and additional matters which reflect potential changes in Softcat's risk profile, such as exposure to Brexit. Key audit risks are regularly reviewed by the Committee or the Board.

#### Working with the external auditor

The external auditor attended all Committee meetings in 2019 and received all Committee reading papers and minutes. We hold private meetings with the external auditor to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present.

Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on it by management, the independence of its audit and how it has exercised professional scepticism. I also met with the external lead audit partner outside the formal Committee process.

#### Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of EY. The effectiveness of the external audit process is dependent on a number of factors. These include the quality, continuity, experience and training of audit personnel, business understanding, technical knowledge and the degree of rigour applied in the review processes of the work undertaken, communication of key accounting and audit judgements, together with appropriate audit risk identification at the start of the audit cycle. This Committee also took into account an assessment of the firm-wide audit quality inspection report issued by the FRC in July 2019 together with EY's responses to that report.

Based on this review, the Committee concluded that there had been appropriate focus and challenge on the primary areas of audit focus from EY and concluded that the performance of EY remained efficient and effective.

The Board engaged Independent Audit Limited ('IAL') to conduct an external evaluation of Board effectiveness in 2019 (see pages 41 and 42). The evaluation included an interview with the lead partner of EY in order to ensure matters of Committee effectiveness from their perspective were included in IAL's report.

#### Independence and objectivity

The Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes EY from providing certain services. The policy was reviewed and updated during 2019 and can be found at [softcat.com/investors/our-governance/](http://softcat.com/investors/our-governance/). All non-audit services provided by the external auditor are reported to the Committee and a record is kept so that the total costs regarding non-audit work during a financial year are monitored.

For certain specific permitted services, the Committee has pre-approved that EY can be engaged by management, subject to the policy set out above, and subject to a total 10% of the current external audit fee on an annual basis.

For all other services or those permitted services that exceed these specified fee limits, I, as Committee Chair, or in my absence another Committee member, can pre-approve permitted services.

The Committee also received confirmation from EY that there are no relationships between the Company and EY that may have a bearing on its independence.

In respect of the audit of the 2019 financial statements, the Committee considered the ongoing fee proposal and, following the receipt of formal assurance that its fees were appropriate for the scope of the work required, agreed a charge from EY and related member firms of £255,000 for statutory audit services.

In addition to the statutory audit fee, EY and related member firms charged the Company £33,000 for audit-related services primarily in connection with the review of the Company's ongoing IFRS 15 assessment and related disclosures. The Committee agreed a fee of £25,000 in respect of EY's review of the 2019 half-year results, which was classified as a non-audit fee. Further details of the fees paid, for audit and non-audit services, to EY for the 2019 and 2018 financial years can be found in note 3 to the financial statements.

The Committee is aware of the requirements of the Statutory Auditors and Third Country Auditors Regulations 2016 (the '2016 Regulations'). The 2016 Regulations provide for a cap on non-audit services of a maximum of 70% of the average of the audit fees paid on a rolling three-year basis. In order to ensure this limit is not exceeded, the Company shall in usual circumstances seek that permitted non-audit fees shall not exceed 50% of the average audit fee over the three preceding financial years in each case. The first three-year measurement period covers the 2017, 2018 and 2019 financial years and is 11.5%, which is considerably below the cap.

### Internal control and risk management

The Committee has the primary responsibility for the oversight of the Company's system of internal control, including the risk management framework and the work of the internal audit function (see below). During the year the Committee closely monitored the Group's internal control and risk management systems and received regular reports from management and the internal audit team covering the major risks and/or events faced by the business.

### Assessment of the Company's system of internal control, including the risk management framework

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our activity here was driven primarily by the Company's assessment of its principal risks and uncertainties, as set out on pages 26 to 29.

The Company has in place an internal control environment to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls.

The Committee has completed its review of the effectiveness of the Company's system of internal control, including risk management, during the year and up to the date of this Annual Report, in accordance with the requirements of the Guidance

on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC.

Through the processes outlined above, the Audit Committee has considered all significant aspects of internal control for the year and up to the date of this Annual Report allowing it to provide positive assurance to the Board to assist it in making the statements required by the UK Corporate Governance Code. No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Committee and the Board confirm that necessary actions would have been taken to remedy them.

### Internal audit


Monitoring and review of the scope, extent and effectiveness of the activity of Grant Thornton LLP ('Grant Thornton'), the Company's internal auditor, is regularly considered by the Committee. Management discusses with Grant Thornton the selection of appropriate areas and controls within the business for internal audit. This is then presented by Grant Thornton as a proposed annual internal audit plan prior to the start of each financial year. The audit plan is then reviewed and approved by the Committee. The Committee then receives updates from Grant Thornton on the audits and receives an audit report on each audit undertaken, which includes the results of any unsatisfactory audits, recommendations for changes and management action plans to address any unsatisfactory audits or recommendations. The Committee also receives from management regular progress updates on previously undertaken audits in order to ensure those actions have been completed or closed.

The internal audit plan for 2019 covered a broad range of core financial and operational processes and controls, focusing on specific risk areas. Specialist reviews were undertaken or which will be completed include reviews of:

- processes and controls in respect of payroll;
- processes and controls in respect of supplier management; and
- IT infrastructure management, covering both physical and virtual assets.

Grant Thornton has access to the relevant documentation, premises, functions and employees to enable it to perform its activities. The appointment and removal of the internal audit function is a matter reserved to the Committee.

Grant Thornton is a major professional services firm with experience in consulting, assurance and audit and the relationship with the Audit Committee is led by an experienced partner of Grant Thornton. Through a review of Grant Thornton's work and the quality of staff made available for the internal audit work required, the Committee is satisfied that the internal audit function provides the quality, experience and expertise appropriate for the business.



### Robyn Perriss

Chair of the Audit Committee

23 October 2019

EFFECTIVENESS

NOMINATION

COMMITTEE REPORT



Members

- M J Hellowell (Chair)
- V Murria
- R Perriss
- P Ventress

Attendance of the Nomination Committee

Name	Committee attendance 2019
M J Hellowell	●●●●●●
L Ginsberg	●●●○●●
V Murria	●●●●●●
R Perriss	●●●●●●
P Ventress	●●●●●●
<b>Total meetings held</b>	●●●●●●

● Attended ○ Did not attend ● N/A<sup>1</sup>

Lee Ginsberg retired from the Board on 30 June 2019. Robyn joined to the Board on 1 July 2019 and she attended the only Committee meeting which was held following her appointment but before the end of the financial year.



I am pleased with the progress made this year on the Board’s composition.”

Committee Chair’s introduction

The key responsibilities of the Nomination Committee (the ‘Committee’) are to advise on appointments to the Board, review Board composition and review succession planning both for the Board and for senior management. This is critical to ensure the Board and executive leadership comprises individuals with the necessary skills, knowledge and experience to be effective in discharging their responsibilities.

We deliberately run a small Board with me as Chair, three independent Non-Executive Directors and two Executives. We are open to extending this to a seventh member of the Board in 2020 should we feel that person would provide significant value add to the existing team.

The Board has a diverse range of skills, experience, personalities and backgrounds. I believe that combination works well and provides the right combination of challenge and support to the business.

I am pleased with the progress made this year on the Board’s composition. We were delighted to welcome Robyn Perriss to the Board towards the end of the financial year and we are delighted to have Karen Slatford joining from 5 December 2019.

The Board devotes significant time to the issue of diversity in the Company. We have made strong progress in this area at Board level and are pleased with the actions taken by the executive team to promote a more diverse workforce at all levels in the Company. This is a long-term endeavour and we recognise it as such.

Membership, meetings and operation of the Committee

The members of the Committee are set out above and all the members are Non-Executive Directors. The biographies of the members of the Committee can be found on pages 36 and 37. The Chief Executive is invited to attend meetings and the HR Director where appropriate. The Committee met five times during the year and meetings generally take place on the same day as the Board meeting to maximise the efficiency of interaction with the Board. If needed, the Committee Chair will report to the Board, as a separate agenda item, on the actions taken by Committee. The Company Secretary acts as Secretary to the Committee.

### Key activities during the year

The calendar of activities below provides an overview of the key topics for the Committee during the year.

#### October 2018

- Approval of the 2018 Nomination Committee Report
- Recommendation to reappointment Directors at the 2018 AGM

#### February 2019

- Recommendation to reappoint NEDs for a further three-year term

#### March 2019

- NED recruitment discussion

#### May 2019

- NED recruitment discussion – recommendation to appoint Robyn Perriss
- Review and update on diversity

#### July 2019

- Review of Board composition and succession planning
- Review of Executive Leadership Team succession planning
- NED recruitment discussion
- Review of updated Committee terms of reference

Any Director who intends to join the Board is required to disclose all significant outside commitments prior to appointment. On joining the Board, Non-Executive Directors receive a formal appointment letter, which, amongst other things, identifies the time commitment expected of them. During the year, Lee Ginsberg, Vin Murria and Peter Ventress' letters of appointment expired after their three-year initial term. The Committee considered each of the Non-Executive Directors' reappointments and determined that each Director continued to contribute effectively to the Board. Each continued to have sufficient time to meet their Board responsibilities and were willing to be reappointed. It was recommended to the Board to reappoint each Non-Executive Director for a further three-year period. The Board endorsed this recommendation.

The Committee also considered and recommended that each Director willing to stand for re-election be proposed for reappointment at the 2018 AGM. The Board endorsed all the appointment and reappointment recommendations of the Committee.

### Board appointments

In light of Lee Ginsberg's decision to step down as Non-Executive Director with effect from 30 June 2019, the Committee commenced a search to find a replacement. When considering a suitable replacement, the Committee firstly considered the current composition, expertise and skills of the Board, the Board's strategic priorities and the attributes best required to complement the Board. The Committee then prepared a detailed description of the role required for Lee's replacement.

An external executive search firm, Spencer Stuart, was appointed to assist in finding suitable candidates. Spencer Stuart has no other business relationship with the Company. As the Committee is committed to the Board having a diverse mix, we will only engage with search firms which have signed up to the relevant Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. Spencer Stuart subscribes to the both the

Standard and the Enhanced Voluntary Code of Conduct for Executive Search Firms. By using such firms the Committee can maximise the ability to consider a wide range of suitable candidates.

The Committee reviewed potential candidates and undertook a rigorous series of interviews with the proposed candidate. Robyn Perriss stood out with her extensive and relevant experience both in finance and strategic roles within a dynamic, fast-paced and progressive environment. The Committee was delighted that Robyn accepted the Board's invitation to join both as a Non-Executive Director and as Chair of the Audit Committee.

Robyn was provided with an extensive, full and tailored induction programme, prepared by the Company Secretary and overseen by me. This included meeting with the Executive Leadership Team, senior managers in the Finance Team and the Company's internal and external auditors. There was also a comprehensive handover with Lee Ginsberg so Robyn could assume the responsibilities of the Audit Committee Chair.

In May 2019, Peter Ventress advised the Board of his intention to step down as a Non-Executive Director and as Chair of the Remuneration Committee, with effect of 31 December 2019. This followed his decision to join Bunzl plc as a Non-Executive Director and Chair Designate from 1 June 2019. In light of Peter's planned departure, the Committee once again considered the existing composition of the Board and prepared a role profile.

We worked with Spencer Stuart and our own network of potential candidates. Karen Slatford stood out as the outstanding candidate particularly with her very in-depth sector knowledge and her highly extensive experience as a Non-Executive Director. The Board was pleased to announce on 23 October 2019 that Karen will join the Board as a Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee with effect from 5 December 2019.



### EFFECTIVENESS CONTINUED

#### Succession planning

Succession planning is of high importance to the Committee. Particular attention is given to succession planning for both the CEO and CFO and we regularly review our plans and consider both internal and external potential candidates.

As most of the Non-Executive Directors were appointed broadly at the same time, the Committee is conscious that this had the potential to create a 'bottleneck' as their Board retirement dates would also be similar. Considerations of longer-term Board succession planning have as a result come to the forefront. The departures of Lee and Peter have had the effect of creating a more robust and diverse mix of tenure, which will support the Committee's approach to Board refreshment over the longer term.

The Committee works with the HR Director and the CEO and reviews the plans which are in place for orderly succession planning on our Executive Leadership Team. The review also considers how we are developing a more diverse pipeline amongst the leadership roles. We will keep succession planning under review and monitor the progress being made.

#### Board member review process

As Chair I conduct the review process of the CEO and Non-Executive Board members. The CEO review was held in May and in preparation I gathered feedback from the other Board members, a large number of the executive team and stakeholders, including key suppliers. We are delighted with the way Graeme Watt has embraced the Company and its culture and how the Company has embraced him. A number of areas were highlighted as priorities to focus on for the following year and these are regularly reviewed between the Board and the CEO.

Individual annual reviews took place with each of the Non-Executive Directors. The CEO reviewed the CFO and shared feedback with the Board. Graham Charlton continues to go from strength to strength and the Board very much recognises the outstanding job he does for the Company.

We also conducted our external Board effectiveness review which resulted in a very positive assessment of the Board's performance but equally some valuable pointers on how to further improve both individually and as a collective body.

The Non-Executive Directors met privately to discuss my performance. I very much appreciate the support the Board has given me and their advice and guidance including on my performance. I am acutely aware that it is not seen as best practice for a CEO to become Chair of the same public company. This decision was not made lightly and the Board and key investors discussed this at length before proceeding. At the time, the then Chair, Brian Wallace, and the Non-Executive Directors were strongly of the view that the appointment of me as Chair was overwhelmingly in the best interests of the Company and Softcat's subsequent strong performance and creation of shareholder value can, in part, be attributable to the governance arrangements put in place.

Reasons for my appointment included:

- the relative lack of tenure of the new Board given the Company only went public in late 2015 and the subsequent need for my corporate memory bank on the Board;
- the Board's belief that I would be able to and want to step away completely from operations and fully play the role of a Non-Executive Chair; and
- my understanding of the market and what makes the Company more successful than its competitors and the value of my guidance to the Board and notably the CEO.

We regularly review the premise for that decision and consider whether me being Chair is the best option for our Company and our shareholders. This is also regularly discussed with our key shareholders and I have encouraged dialogue with the proxy voting advisory agencies. We believe our current structure is working exceptionally well for the Company, our shareholders and our stakeholders but we keep a very close eye on this and welcome discussion on the matter which can initially be addressed through me, our Senior Independent Director, Karen Slatford, or our Company Secretary, Luke Thomas.

#### Diversity and inclusion

The Committee is supportive of and recognises the importance of diversity and inclusion both for the effective functioning of the Board and more widely in the Company. The Board has a diverse range of experience by way of expertise and background and it recognises the benefits that different viewpoints can contribute to better decision making.

The Hampton-Alexander Review recommended a target for FTSE 350 companies to reach 33% of their board and leadership teams to comprise females by 2020. Following the recruitment of Robyn Perriss and Karen Slatford, the Committee is pleased to report that the Board now meets the target set by Hampton-Alexander. Whilst we have reached the target set by Hampton-Alexander, the Committee has not set a quota in terms of the diversity mix on the Board as the primary criteria for an appointment is that it is made on merit and the best fit with the Board.

It is acknowledged, however, that there is more work to be done to improve diversity within our Executive Leadership Team and in other areas of the business. Both the Committee and the Board have received several briefings during the year on the initiatives to improve diversity and inclusion and the Company employs a dedicated resource to co-ordinate our efforts. The briefings received included not only diversity regarding gender, but also on race, sexual orientation and disability.



### Assessment of the independence of the Non-Executive Directors

The Committee and the Board are satisfied that the external commitments of its Chair and the other Non-Executive Directors do not conflict with their duties and commitments as Directors of the Company. Our Directors must:

- report any material changes to their commitments to the Board;
- notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation; and
- complete an annual conflicts questionnaire.

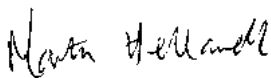
Any conflicts identified are considered and, as appropriate, authorised by the Board.

Each year the Committee reviews the independence of the Non-Executive Directors and all Non-Executive Directors (excluding the Chair) are currently considered independent.

### Documents available for inspection

Non-executive Directors are appointed for an initial three-year term, extendable by a further two additional three-year terms. The letters of appointment for Non-Executive Directors and the service contracts of the Executive Directors are available to shareholders for inspection at the Company's registered office during normal business hours and at the AGM.

The formal responsibilities of the Committee are set out in terms of reference. During the year the Committee reviewed an update to the terms of reference, which was subsequently approved by the Board. The Committee's Terms of Reference are available at [www.softcat.com/investors](http://www.softcat.com/investors).



**Martin Hellowell**

Chair of the Nomination Committee

23 October 2019

# REMUNERATION CHAIR'S ANNUAL STATEMENT



## Members

- P Ventress (Chair)
- R Perriss
- V Murria

## Attendance of the Remuneration Committee

Name	Committee attendance 2019
P Ventress	●●●●●
L Ginsberg	●●○●●
V Murria	●●●●●
R Perriss	●●●●●
<b>Total meetings held</b>	●●●●●

● Attended ○ Did not attend ● N/A

Lee stepped down from the Board on 30 June 2019. Robyn joined the Board on 1 July 2019 and she has attended the only Committee meeting following her appointment but before the end of the financial year.

In addition to the five meetings, there was one formal written resolution considered and passed by the Committee during the financial year. All of the relevant Committee members participated in approving the written resolution.



**The Committee has reviewed its existing Remuneration Policy and concluded that overall it is working well. We propose some minor changes as part of our new Remuneration Policy.”**

## Dear shareholder

Following last year’s significant change with a new CEO and Company Chair, I am very pleased that Softcat continues to perform very well. Our performance and progress are explained in more detail in the Strategic Report and below I highlight some key achievements:

- Revenue growth: 24%
- Gross profit growth: 21%
- Operating profit growth: 24%
- Employee engagement: 92%
- Customer satisfaction: 96%

We are proud of the Company’s continued strong performance and the value we continue to deliver to our shareholders.

## Remuneration outcomes during the year

The senior management team continues to work well in implementing the Company’s strategy. During the financial year, the Board regularly reviewed Softcat’s financial performance and we confirmed in a trading update announcement earlier in the year that our full-year results would be ahead of previous expectations. This strong performance resulted in an overachievement in many of the Company’s KPIs (outlined on pages 24 and 25), including performance against our operating profit targets, leading to 100% of the maximum annual bonuses being earned by the Executive Directors.

Good performance has of course been sustained for the past few years and during the financial year the first LTIP awards following IPO vested. The Committee also assessed the vesting outcome for the LTIP and concluded that maximum targets had been exceeded against the performance metrics of total shareholder return (‘TSR’) and earnings per share (‘EPS’).

During the year the Committee did not exercise any discretion to determine any remuneration outcomes for the Executive Directors.

## What we have done during the year

To provide a backdrop of the activities for the Committee during the year, this should be put into the context of last year’s changes on the Board and the commitments I made in last year’s Remuneration Report.

Last year, I explained how the remuneration packages for both the new CEO and CFO had been restructured. As a result of the changes, the structure of both packages became more closely aligned to the market but the value of each remains below the median of FTSE 250 external comparator data. The Committee considered that it is not necessary therefore to consider a further major restructuring of the Executive Directors’ packages.

Our Remuneration Policy expires later this year and we are proposing an amended Policy for shareholders to consider and approve at our AGM in December 2019. I committed in my Committee Chair's Statement in the 2018 Annual Report that the Committee would undertake a wider review of the Remuneration Policy ahead of its renewal and that process has now been completed. The approach to our proposed Remuneration Policy is summarised on page 58 and the full new proposed Policy is set out on pages 72 to 85.

The calendar activities below summarise the Policy review and other areas of focus for the Committee during the 2019 financial year.

### Changes in Executive remuneration

As can be seen from the activities during 2019, the Committee reviewed Executive remuneration and agreed the implementation of the changes below, all of which are within our existing Remuneration Policy. Further details are provided in the Annual Report on Remuneration.

Firstly, following a review of market practice and after listening to employee feedback, it was agreed during 2019 to improve the level of employer pension contributions for all employees. The Committee agreed to make an equivalent increase in employer contributions to 5% of salary for the CEO and CFO and it should be noted that this new level remains in line with the wider workforce.

Each year we consider whether to award rises in basic pay across the workforce, in order to maintain the competitiveness of our rewards. The Committee agreed a rise of 3% for each of the CEO and CFO, which was in line with the pay rises for most of the workforce.

#### Main activities during FY19

##### October 2018

- Review and approval of the annual bonuses awarded to Executive Directors for FY18
- Consideration of the annual bonus arrangements for the Executive Directors for FY19
- Consideration of the proposals for the grant of LTIPs to Executive Directors for FY19 and other share-based awards to senior managers below Board level
- Approval of the 2018 Remuneration Report

##### January 2019

- Consideration of the vesting outcomes in respect of an award of LTIPs granted in 2015

##### March 2019

- Initial reviews of Executive remuneration and the proposed new Remuneration Policy
- Initial discussion of arrangements for the annual Company-wide pay review for the FY20 year

- Approval of improvements in workforce employer pension contributions
- Update on shareholding targets for Executive Directors and approval of a formal policy on share ownership requirements

##### May 2019

- Further review of Executive remuneration and the proposed new Remuneration Policy
- Update on pay, benefits and the reward policy below Board level across the Company

##### July 2019

- Further review of Executive remuneration and the proposed new Remuneration Policy
- Update on Company-wide pay review for FY20
- Annual consideration and approval of increases in basic pay for the Executive Directors and the Executive Leadership Team for FY20

#### Regular or standing items at each Committee meeting include:

- Approval of previous Committee meeting minutes and review of follow-up on outstanding actions
- Governance updates for Committee review or approval. During the year this included reviews of:
  - the Committee's terms of reference;
  - the outcomes of shareholder voting on the 2018 Remuneration Report;
  - the operation of all-employee share plans;
  - remuneration-related aspects of the new 2018 UK Corporate Governance Code; and
  - market trends in remuneration and developments in governance

The Company Secretary also prepares a twelve-month rolling plan for the Committee so that matters can be planned and considered over the longer term.

### REMUNERATION CONTINUED

#### Chair's annual statement continued

#### Changes in Executive remuneration continued

The Committee also considered the operation of the annual incentives in respect of the Executive Directors and determined that it was appropriate to adjust the operation of the annual bonus in respect of FY20. The current Policy allows for a maximum bonus opportunity of 200% of salary and for FY19 the maximum opportunity was set at 100% of salary. For FY20 the maximum opportunity will be set at 150% of salary. To further align the operation of the annual bonus plan to the interests of our shareholders:

- any bonus awarded above 100% of salary will be deferred into shares (in addition to the one-third deferral into shares for any award below 100% of salary); and
- the increased maximum bonus opportunity can only be awarded by achieving a new increased level of stretch in the targets set by the Committee.

#### Proposed Remuneration Policy (the 'Policy')

Our current Policy was approved by shareholders at the 2016 AGM with a vote of 99.56% and already reflects many good points of practice and governance. The Committee wishes to ensure that any changes do not move the Policy significantly away from one which has gained such widespread support from shareholders. When reviewing the Policy the Committee considered in advance the approach it would adopt. The key components were:

- how the current Policy was aligned to the 2018 UK Corporate Governance Code and what changes were required to ensure compliance;
- the growth of the Company and maturity from a newly listed organisation to an established FTSE 250 organisation;
- how the Policy aligns with Company strategy and changes to the management team over the past 18 months; and
- the high level of shareholder support for the current Policy.

These parameters allowed the Committee to ensure that any changes were considered holistically and a comprehensive review was undertaken.

Key changes being proposed take into account the above key components and include:

- formally incorporating into the Policy that levels of Company pension contributions will reflect that of the wider workforce;
- formally incorporating into the annual bonus arrangements the deferral of part of any award into shares;
- the introduction of a mandatory two-year post-vesting holding period in respect of the LTIP; and
- strengthening the shareholding targets through the introduction of a two-year post-cessation shareholding requirement.

#### In conclusion

The Committee has been focused on ensuring that our remuneration arrangements remain fit for purpose for the future and aimed at ensuring alignment of both shareholders and our management team as they strive to continue driving the business forward. We have consulted with our largest shareholders and with certain proxy advisory agencies and obtained significant shareholder support in respect of the key elements of the above changes in Executive remuneration and in respect of our proposed Remuneration Policy. I trust that we will have your support on the resolutions at our AGM.

The Annual Report on Remuneration (pages 59 to 71) together with this letter will be subject to an advisory shareholder vote at the forthcoming AGM on 5 December 2019. The revised Remuneration Policy (pages 72 to 85) will be subject to a binding vote at the AGM.

Our goal has been to be thoughtful and clear in the layout of these reports. I welcome any feedback from the Company's shareholders on either the report or on the remuneration resolutions being proposed at the AGM.

As previously announced, I will be stepping down from the Board on 31 December 2019 so this will be my last report as Chair of Softcat's Remuneration Committee. I have enjoyed my time as Committee Chair and I would like to thank the other members of the Committee for their support over the past years. Karen Slatford will succeed me as Committee Chair and I wish her all the best.



**Peter Ventress**

Chair of the Remuneration Committee

23 October 2019

#### Notes:

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended and the provisions of the current Corporate Governance Code and the Listing Rules. The report consists of three sections:

- the Annual Statement by the Remuneration Committee Chair;
- the Annual Report on Remuneration, incorporating:
  - an 'at a glance' section summarising our proposed Remuneration Policy, including proposed changes; and
  - details of payments made to the Directors and details of the link between Company performance and remuneration for the 2019 financial year.
- the Directors' Remuneration Policy.

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM to be held on 5 December 2019. The proposed Remuneration Policy will be subject to a binding vote at the AGM. If approved, the Policy will formally supersede the previous Policy with immediate effect.

# PART A

## AT A GLANCE

### Introduction

In this section, we set out our proposed Remuneration Policy, including the key changes we are proposing, its link to corporate strategic objectives and the performance and remuneration outcomes for the 2019 financial year.

### Our Remuneration Policy and its link to our Company strategy

The Company’s strategy is laid out on page 9.

Ensuring the alignment of the Remuneration Policy to the Company strategy was key for the Remuneration Committee in developing the Policy below in conjunction with our core principles of remuneration.

The key elements of the Company’s strategy and how its successful implementation is linked to the Company’s remuneration policy are set out in the following table.

Proposed Remuneration Policy (from the date of shareholder approval)	Strategic priorities			Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
	Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers		
<p><b>Annual bonus</b></p> <p>The maximum bonus (including any part of the bonus deferred) under the Annual Bonus Plan (‘ABP’) will not exceed 200% of a participant’s annual base salary. For 2020, the maximum bonus opportunity is 150% for the CEO and CFO respectively.</p>	✓	✓	✓	✓	✓
<p><b>Operating profit</b></p> <p>The key performance indicator for the Company. The Committee believes that the Directors should focus on this key metric during the financial year to maintain high profit growth and the success of the business to deliver value for our shareholders.</p> <p>Growth in this metric is a direct demonstration of the successful execution of our business strategy, including winning new customers and growth of profit from existing customers.</p>					
<p><b>LTIP</b></p> <p>Maximum annual award is normally 200% of salary. Awards will vest at the end of three years. The performance conditions for awards are equally weighted between:</p> <ul style="list-style-type: none"> <li>• earnings per share (‘EPS’) growth; and</li> <li>• comparative total shareholder return (‘TSR’).</li> </ul> <p>The current annual award is 100% for the CEO and CFO respectively.</p>	✓	✓	✓	✓	✓
<p><b>EPS and TSR</b></p> <p>The success in maximising profit growth will be measured through the long-term EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company, which will be measured through the Company’s TSR performance under the LTIP.</p>					
<p><b>TSR</b></p> <p>The generation of profit growth targeted by the annual bonus will help enhance the value of the Company, which will be measured through the success of the Company’s TSR performance against its comparators (a performance condition under the LTIP).</p>					
<p><b>EPS</b></p> <p>An incentive to grow this market in the longer term is provided through EPS growth targeted by the LTIP. The success of this element of the strategy should be reflected in long-term TSR performance.</p>					
<p><b>Share Incentive Plan (‘SIP’)</b></p>				✓	✓
<p><b>Minimum shareholding requirements</b></p> <ul style="list-style-type: none"> <li>• Chief Executive: 200% of salary</li> <li>• Chief Financial Officer: 150% of salary</li> </ul>				✓	

### REMUNERATION CONTINUED

#### Part A – at a glance continued

##### Our core principles of remuneration:

- to ensure Senior Executives are attracted, retained and motivated to drive the Company in its next stage of development;
- to incentivise the management team in extending the Company's position in the IT infrastructure solutions industry; and
- to deliver long-term sustainable growth.

##### Statement of consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping Remuneration Policy and practice. Shareholder views are considered when evaluating and setting the remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy.

Last year the Committee consulted with major shareholders to explain and provide the rationale for changes to the CEO package and, as a result of this rebalancing, the changes introduced to the CFO's package. This year the Committee has once again consulted with major shareholders in advance of the new Remuneration Policy which will be proposed at the Company's 2019 AGM. We have obtained significant shareholder support as a result of the consultations. The Committee also consulted with certain proxy voting advisory bodies, including the Investment Association ('IA') and the Institutional Shareholder Services ('ISS').

Shareholder support remains strong in respect of the implementation of the existing Remuneration Policy. The advisory vote for the Annual Report on Remuneration at the 2018 AGM received 96.07% votes for, and the Committee is grateful for the continuing support of shareholders.

##### Considerations of employment conditions elsewhere in the Company

The Remuneration Policy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle was followed in our Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success. This is facilitated through the annual bonus and LTIP for Executive Directors and for some members of the senior team and the SIP for all eligible employees.

The table below shows how our incentive schemes support the Company strategy.

Plan	Purpose	Eligibility	Strategic objectives				
			Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers	Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
<b>SIP</b>	To broaden share ownership and share in corporate success over the medium term.	All eligible employees				✓	✓
<b>Annual bonus</b>	Incentivise and reward short-term performance. At senior level, an element of bonus is deferred in shares.	Executive Directors, senior executives, senior managers and managers	✓	✓	✓	✓	✓
<b>LTIP</b>	Incentivise and reward long-term performance.	Executive Directors, senior executives and senior managers	✓	✓	✓	✓	✓

The Company does not use remuneration comparison measurements. A formal Employee Forum has been established within the business where staff can raise any issue they feel to be relevant with the Designated Non-Executive Director for Workforce Engagement. Whilst remuneration issues of an operational nature amongst the wider workforce have been discussed by some of the employees attending the forum meetings, they have not raised the topic of Executive remuneration or the Remuneration Policy.

In setting the Remuneration Policy for Directors, the pay and conditions of other employees of the Company are taken into account, including any base salary increases awarded and the level of employer pension contribution. During the year the Committee received updates on pay and benefits across the general workforce. The Committee also reviews and approves the remuneration structure for the management-level tiers below the Executive Directors and the proposed framework for annual pay rises and uses this information to ensure consistency of approach.



## How we performed during the 2019 financial year (audited)

In respect of FY19, the bonus awards payable to Executive Directors were agreed by the Committee having carefully reviewed the Company's results. The performance measures and targets under the Annual and Deferred Bonus Plan for the 2019 financial year and the extent to which they were satisfied are set out below:

Performance condition	Performance period	Threshold	Target	Maximum	Actual	Actual as a % of maximum opportunity	Annual bonus payout	
							Graeme Watt	Graham Charlton
<b>Adjusted operating profit<sup>1</sup></b>	FY19	<£67m	£67m	£74.5m	£86.8m	100%	£450,000	£300,000

### Notes:

- As disclosed in last year's Annual Report, the Company no longer reports adjusted operating profit as a performance measure. However, this is still used for bonus purposes in FY19 and is defined as operating profit before exceptional items and share-based payment charges. There were no exceptional items in FY19. Note 23 to the Financial Statements shows share-based payments in FY19 of £2.3m, which has been added to the reported operating profit of £84.5m, resulting in an actual FY19 outcome of £86.8m for bonus purposes.

No discretion was exercised by the Committee in relation to the outcome of the annual bonus awards. The FY19 bonus will be paid two-thirds in cash and one-third in deferred bonus shares.

## Long-term incentives awarded in FY19 (audited)

On 21 November 2018 the following annual awards of nil-cost options under the Company's Long Term Incentive Plan ('LTIP') were made to the CEO and CFO:

Executive Director	LTIP award (% of salary)	LTIP award (shares)	Award date	Share price
Graeme Watt	100	75,000	21/11/18	£6.00
Graham Charlton	100	50,000	21/11/18	£6.00

50% of the award will be subject to the Company's relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) over a three-year performance period and the remaining 50% will be subject to adjusted EPS targets at the end of the period. Further details are on page 66.

## Single figure remuneration for our Executive Directors

The tables below set out the single total figure of remuneration and breakdown for each Executive Director in respect of FY19.

Executive Director	Salary	Taxable benefit	Bonus	LTIP <sup>2</sup>	Pension	SIP	Other	Total
Graeme Watt (CEO)	£450,000	£3,018	£450,000 <sup>1</sup>	—	£16,500	—	—	£919,518
Graham Charlton (CFO)	£300,000	£3,283	£300,000 <sup>1</sup>	£1,127,273	£8,000	—	—	£1,738,556

### Notes:

- One-third of the annual bonus is settled in deferred bonus shares which vest after three years.
- LTIP awards made on 21 December 2015 to Graham Charlton vested during FY19. The award was calculated by reference to the Company's IPO offer price of £2.40 per share. As a result of full achievement of the performance criteria, nil-cost options over 141,666 ordinary shares were exercised at a share price of £7.00 per share. Participants may also receive a cash payment representing the value of dividends on the shares over the performance period and a cash dividend equivalent payment was made upon vesting which is included in the above.

## Remuneration changes for the Board

During the year, the Committee was briefed on the pay reviews and on proposed average increases for the general workforce. The Committee (in respect of the Executive Directors) and the Board (in respect of the Non-Executive Directors) agreed an increase of 3% in the basic pay and fees for the Executive Directors and Non-Executive Directors, respectively, with effect from 1 August 2019. This level reflects the increases implemented for much of the workforce. Further details are provided on page 65.

## Remuneration Policy table summary

In accordance with the remuneration reporting regulations, approval of a new Remuneration Policy is being sought at the Company's 2019 AGM, which is intended to replace the existing Policy with immediate effect upon approval.

The Committee's objective is to operate this Policy to ensure that our Executive Directors have a remuneration structure and total remuneration opportunity that is aligned to Softcat's business and is competitive when assessed against the market in which we compete for talent.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part A – at a glance continued

#### Remuneration Policy table summary continued

The implementation of the Policy for period up to the 2019 AGM is outlined on pages 70 and 71.

Element of remuneration    Operation

<b>Salary</b>	<p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"><li>• remuneration practices within the Company;</li><li>• the general performance of the Company;</li><li>• salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking;</li><li>• any change in scope, role and responsibilities; and</li><li>• the economic environment.</li></ul> <p>In general, salary increases for Executive Directors will be in line with the increase for employees.</p> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy – not applicable.</b>
<b>Benefits</b>	<p>The Executive Directors receive private health insurance, critical illness, life insurance and death-in-service benefit. Additional benefits may be offered, such as relocation allowances on recruitment. The maximum will be set at the cost of providing the benefits described.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy – not applicable.</b>
<b>Pensions</b>	<p>The Executive Directors are entitled to receive a maximum employer contribution into the DC scheme or a salary supplement in lieu of pension of 20% of basic salary per annum.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy – Executive Directors' pensions will be aligned with the employer contributions for the wider workforce, currently 5% of salary.</b>
<b>Annual and Deferred Share Bonus Plan (the 'Bonus Plan')</b>	<p>The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 200% of salary.</p> <p>The maximum value of deferred shares is up to 50% of the bonus earned, which vest after a minimum deferral period of three years based on continued employment. The bonus contains clawback and malus provisions.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy:</b> <ul style="list-style-type: none"><li>• No change to the previous Policy maximum.</li><li>• Introduction of mandatory deferral of one-third of bonuses up to 100% of salary and all bonuses above 100% of salary into shares.</li><li>• The maximum bonus opportunity increase from 100% (2019) to 150% (2020) is within the existing approved Policy. Payment above the previous maximum is linked to an increased level of stretch in the targets set.</li></ul>
<b>Long Term Incentive Plan ('LTIP')</b>	<p>LTIP maximum grant is 200% of salary p.a. (250% in exceptional circumstances).</p> <p>The Committee considers and sets the performance measures and targets for each LTIP award. See page 66 for the performance conditions of the grant made in the year.</p> <p>The LTIP contains clawback and malus provisions.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy – introduction of mandatory two-year post-vesting holding period.</b>
<b>Share Incentive Plan ('SIP')</b>	<p>The Company operates a SIP in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff) to encourage employees to become shareholders in the Company and thereby align their interests with shareholders.</p>
<b>Proposed Policy:</b>	<b>Key changes from previous Policy – not applicable.</b>

**Minimum shareholding requirement** The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (% of salary)
Chief Executive	200
Chief Financial Officer	150

The Committee retains the discretion to increase the shareholding requirements.

**Proposed Policy:** **Key changes from previous Policy – introduction of a two-year post-cessation holding period.**

**Non-Executive Director and Chair fees** The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chair’s fees.

Non-Executive Directors are paid an annual fee and additional fees for chairing Committees. The Chair does not receive any additional fees for membership of Committees.

Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group.

Non-Executive Directors and the Chair do not participate in any variable remuneration or benefits arrangements.

The Company will pay reasonable expenses incurred and may settle any tax incurred in relation to these.

**Proposed Policy:** **Key changes from previous Policy – not applicable.**

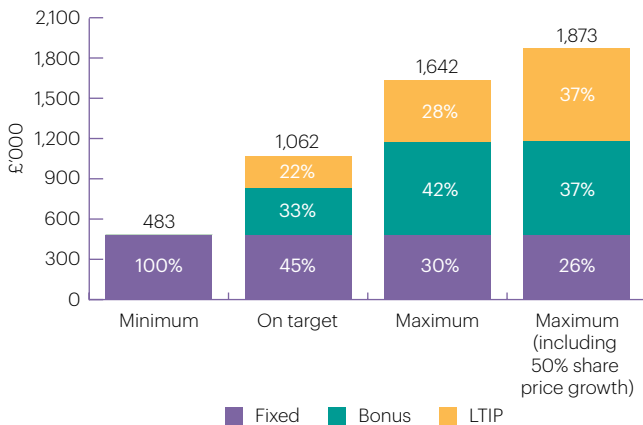
The implementation of the Policy for the 2019/2020 financial year is outlined on pages 70 and 71. The proposed revised Remuneration Policy, which if approved by shareholders will apply from the date of the 2019 AGM is set out in full on pages 72 to 85.

**Illustrations of the application of the Remuneration Policy**

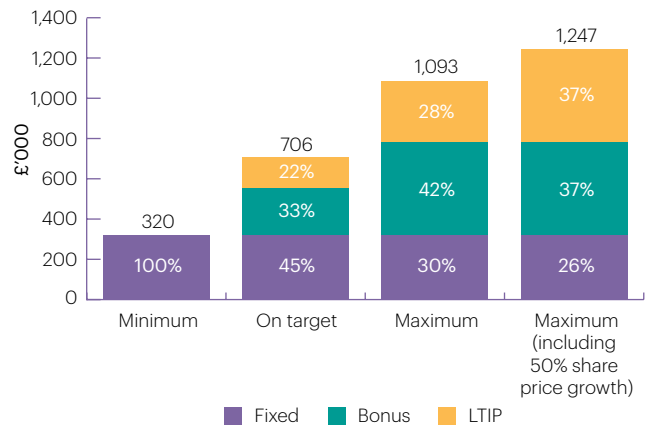
The charts below illustrate the remuneration that would be paid to each of the Executive Directors for the 2020 financial year under three different performance scenarios: (i) minimum; (ii) on target; and (iii) maximum. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus (deferred bonus); and (iii) LTIP.

In line with the regulations on policy scenarios, we have also included an additional reference point to show indicative share price growth of 50% over three years (being the performance period of the LTIP) at maximum.

**Chief Executive (Graeme Watt)**



**Chief Financial Officer (Graham Charlton)**



## Remuneration Committee report continued

### REMUNERATION CONTINUED Part A – at a glance continued

#### Illustrations of the application of the Remuneration Policy continued

The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios set out in the charts above.

Element	Description	Minimum	Target	Maximum	Maximum including 50% share price growth
<b>Fixed<sup>1</sup></b>	Salary, benefits and pension	Included	Included	Included	Included
<b>Annual bonus<sup>2</sup></b>	Annual bonus (including deferred shares) Maximum opportunity of 150% of salary	No annual variable	50% of maximum bonus	100% of maximum bonus	100% of maximum bonus
<b>LTIP<sup>2,3</sup></b>	Award under the LTIP Maximum annual award of 100% of salary	No multiple-year variable	50% of the maximum award	100% of the maximum award	100% of the maximum award plus 50% share price growth

#### Notes:

- Based on 2019 benefits payments and pension values as per the single figure table. The actual benefits and pension contributions for FY20 will only be known at the end of the financial year. Basic pay reflects the 3% increase awarded for FY20.
- Share price growth has been included in the final illustration in accordance with the required regulations. Dividend equivalents have not been added to the deferred share bonus and LTIP share awards.
- Participation in the SIP has been excluded given the relative size of the opportunity levels.

#### Executive Director contracts and letters of appointment for Chair and Non-Executive Directors

Executive Directors	Name	Date of service contract	Nature of contract	Notice periods		Compensation provisions for early termination
				From Company	From Director	
	Graeme Watt	1 April 2018	Rolling	Twelve months	Twelve months	None
	Graham Charlton	29 October 2015	Rolling	Twelve months	Twelve months	None

#### Non-Executive Directors

Name	Date of letter of appointment
Martin Hellawell	1 April 2018
Vin Murria	3 November 2015
Peter Ventress	29 September 2015
Robyn Perriss	21 May 2019

#### Notes:

The Committee's policy for setting notice periods is that a twelve-month period will apply for Executive Directors.

The Non-Executive Directors of the Company (including the Chair) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each Independent Non-Executive Director's term of office runs for a three-year period. The Chair is subject to three months' notice from either the Company or the Chair. The other Non-Executive Directors do not have notice periods.

The initial terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election. All Directors will be put forward for re-election by shareholders on an annual basis.

**PART B****ANNUAL REPORT ON REMUNERATION****Single total figure of remuneration (audited)****Executive Directors (audited)**

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY19 and FY18.

€'000	Salary		Taxable benefits <sup>1</sup>		Bonus <sup>2</sup>		LTIP <sup>3</sup>		Pension		SIP		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Graeme Watt (CEO) <sup>4</sup>	450.0	150.0	3.0	1.0	450.0	150.0	—	—	16.5	4.5	—	—	—	—	919.5	305.5
Martin Hellawell <sup>5</sup> (Former CEO)	—	176.8	—	2.3	—	353.6	—	—	—	—	—	—	—	—	—	532.7
Graham Charlton (CFO)	300.0	200.0	3.3	1.7	300.0	240.0	1,127.3	—	8.0	6.0	—	—	—	—	1,738.6	447.7

**Notes:**

- See section below setting out details of the benefits provided.
- Details of the bonus targets, their level of satisfaction and the resulting bonus earned in FY19 are set out on page 61. One-third of the annual bonus is settled in deferred bonus shares which vest after three years.
- The first grant of LTIP awards made in December 2015 vested in December 2018. The second grant of LTIP awards made in December 2016 will vest in December 2019 and is therefore not included in the above.
- Graeme Watt joined the Board as Chief Executive on 1 April 2018. The single figure includes his remuneration since joining the Company.
- Martin Hellawell stepped down from his role as CEO and was appointed Non-Executive Chair with effect from 1 April 2018. He received time a pro-rated bonus in respect of 2018 and his unvested nil-cost options awarded under the LTIP were time pro-rated and outstanding awards will vest, subject to achievement of the relevant performance conditions, at the normal vesting dates. The single figure includes his remuneration until 31 March 2018.

**Non-Executive Directors (audited)**

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director.

Non-Executive Director	2019 fees <sup>1</sup>	LTIP	2019 total	2018 fees <sup>1</sup>	Roles
Martin Hellawell <sup>2</sup>	153,897	1,199,743	1,353,640	50,835	Non-Executive Chair
Brian Wallace <sup>3</sup>	—	—	—	70,727	Independent Non-Executive Chair
Lee Ginsberg <sup>4</sup>	60,099	—	60,099	63,654	Senior Independent Non-Executive Director and Chair of the Audit Committee
Vin Murria	53,742	—	53,742	47,741	Independent Non-Executive Director and Designated Director for Workforce Engagement
Robyn Perriss <sup>5</sup>	5,008	—	5,008	—	Independent Non-Executive Director and Chair of the Audit Committee
Peter Ventress	60,116	—	60,116	58,350	Independent Non-Executive Director and Chair of the Remuneration Committee

**Notes:**

- The fees are proportionate to time in service to reflect total fees paid during the financial year.
- Martin Hellawell was appointed Non-Executive Chair with effect from 1 April 2018; prior to that he was CEO and he participated in Softcat's LTIP programme. As explained in last year's Annual Report, the Committee approved that Martin's outstanding LTIPs shall be pro-rated with effect from him stepping down as CEO. LTIP awards made on 21 December 2015 to Martin vested during FY19. As a result of full achievement of the performance criteria, nil-cost options over 158,125 ordinary shares were exercised at a share price of £6.63 per share. Participants may also receive a cash payment representing the value of dividends on the shares over the performance period and a cash dividend equivalent payment was made upon vesting which is included in the LTIP figure above.  
Also as reported in last year's Annual Report, the Remuneration Committee exercised its discretion to allow Martin to continue to receive his medical insurance as Chair. The cost of providing this cover from during FY19 and other P11D benefits was £3,397.69 and is included in the figure for Martin's fees above. The fees also include a payment of £500 which is the standard payment made to any employee who makes a successful referral for a new employee to join the Company.
- Brian Wallace stepped down on 31 March 2018 and his fees were time pro-rated up to that date.
- Lee Ginsberg stepped down on 30 June 2019 and his fees were time pro-rated up to that date.
- Robyn Perriss was appointed with effect from 1 July 2019.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part B – annual report on remuneration continued

#### Taxable benefits

Benefits in the year for the Executive Directors comprised private health insurance, critical illness and life cover.

#### 2019 annual bonus outcomes

In respect of 2019, the bonus awards payable to Executive Directors were agreed by the Committee, having carefully reviewed the Company's results. The annual bonus structure operating in 2020 is outlined on pages 70 and 71.

Details of the targets used to determine bonuses in respect of FY19 and the extent to which they were satisfied are shown in the table on page 61. These figures are included in the single figure table.

#### Long-term incentives awarded (audited)

Awards under the Company's LTIP made in FY19 are shown in the table on page 61. The awards were subject to the following performance conditions:

Measure	Weighting	Details
Adjusted EPS	50%	<ul style="list-style-type: none"><li>• 20% vesting of this element for adjusted EPS at end of performance period of 29.3p (FY18: 23.7p)</li><li>• Full vesting for 35.7p (FY18: 26.9p)</li><li>• Straight-line vesting between these points</li></ul>
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	50%	<ul style="list-style-type: none"><li>• 30% vesting for median performance against the comparators</li><li>• Full vesting for upper quartile performance</li><li>• Straight-line vesting between these points</li></ul>

The EPS targets were set following the end of the 2018 financial year based on an assessment of the business. The adjusted basic earnings per share for the purposes of the LTIP performance measure is calculated as basic earnings per share in accordance with IAS 33, adjusted for exceptional items as determined by the Committee.

#### Pension entitlements

The Company operates a defined contribution pension scheme which the Executive Directors can participate in, or they can take a cash supplement in lieu of pension.

In FY19, Graham Charlton received 3% of salary either as an employer pension contribution into the defined contribution scheme or as a pension cash allowance. Graeme Watt received a 3% pension cash allowance. During FY19, the Company agreed to increase the employer pension contributions for the general workforce and the Committee agreed to maintain the alignment of contributions for the Executive Directors. The Committee therefore approved an increase in employer contribution/cash allowance to 5% for the Executive Directors.

None of the Directors receive an entitlement under a defined benefit plan.

#### Share Incentive Plan ('SIP')

The table below sets out the free shares awarded to the Directors.

The Executive Directors have an entitlement to purchase partnership shares under the SIP. Graham Charlton and Graeme Watt purchased 236 and 47 partnership shares respectively during the year in addition any entitlement to the receipt of free shares below, which vested during FY19. The total SIP holdings are provided on page 67 as part of the Directors' share interests table.

Director	Free shares awarded in FY16	Award date	Market price on award date	Vested during period
Graeme Watt	—	—	—	—
Martin Hellowell	1,204	11/12/15	£3.00	1,204
Graham Charlton	301	11/12/15	£3.00	301

There were no free shares awarded in FY19 (FY18: nil).



**Payments to past Directors/payments for loss of office (audited)**

There were no payments for loss of office made to Directors in the year.

Lee Ginsberg stepped down as a Non-Executive Director on 30 June 2019 and he received his respective fees to that date. He did not receive any other payments.

Martin Hellowell stepped down as CEO on 31 March 2018 and the remuneration arrangements in respect of this were fully disclosed in the 2018 Annual Report on Remuneration.

**Statement of Directors' shareholding and share interests**

Director	Shareholding requirement (% of salary) <sup>1</sup>	Current shareholding (% of salary) <sup>2</sup>	Beneficially owned <sup>3</sup>	Other shares held		Options			Shareholding requirement met?
				LTIP interests subject to performance conditions	Deferred shares not subject to performance conditions	Vested and unexercised	Unvested	Exercised	
<b>Executive Directors</b>									
Graeme Watt	200	0.1%	47 <sup>3</sup>	141,684	6,383 <sup>4</sup>	—	—	—	No
Graham Charlton	150	195.6%	61,519 <sup>3</sup>	243,841	28,390 <sup>4</sup>	—	—	—	Yes
<b>Non-Executive Directors</b>									
Martin Hellowell <sup>5</sup>	n/a	n/a	6,405,889	76,968	n/a	n/a	n/a	n/a	n/a
Lee Ginsberg <sup>6</sup>	n/a	n/a	17,361	n/a	n/a	n/a	n/a	n/a	n/a
Vin Murria	n/a	n/a	295,397	n/a	n/a	n/a	n/a	n/a	n/a
Robyn Perriss <sup>7</sup>	n/a	n/a	—	n/a	n/a	n/a	n/a	n/a	n/a
Peter Ventress	n/a	n/a	30,000	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

- Graeme joined the Company in March 2015 and currently meets the minimum shareholding requirement. Graeme, who joined the Company in April 2018, does not meet the shareholding requirements and will be building up his shareholding. The Committee expects the minimum shareholding requirements to be built up over a five-year period.
- This is based on a closing share price of £9.54 at 31 July 2019 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
- This includes investment in partnership shares under the SIP. Graeme and Graham have each purchased 47 partnership shares between the year end and the date of this report, which is not included above.
- This is in respect of awards of nil-cost options granted under the Deferred Share Bonus Plan in 2017 and 2018 for Graham and in 2018 for Graeme.
- Includes ordinary shares held by, or in trust for, Martin and/or his family members. Martin stepped down as CEO and was appointed Non-Executive Chair with effect from 1 April 2018. His LTIP outstanding awards were time pro-rated and will vest, subject to achievement of the relevant performance conditions, at the normal vesting dates.
- This is in respect of Lee's holding when he stepped down from the Board on 30 June 2019.
- Robyn joined the Board on 1 July 2019.

**Fees retained for external non-executive directorships**

Executive Directors may hold positions in other companies as non-executive directors and retain the fees. Graeme and Graham currently hold no such external directorships.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

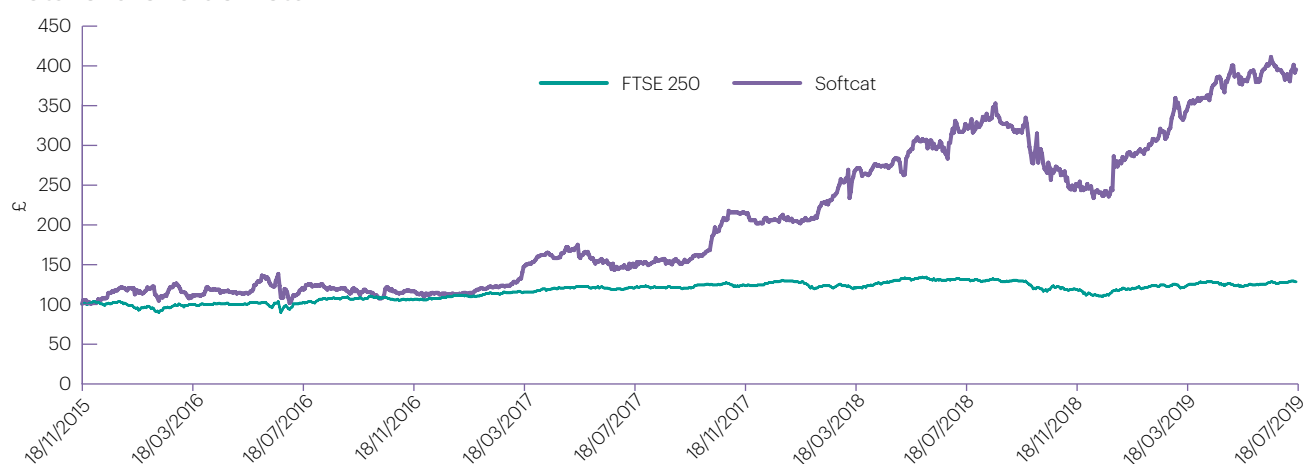
#### Part B – annual report on remuneration continued

#### Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index. The graph shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since the first review of the index since the IPO. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 18 November 2015 and therefore only has a listed share price for the period of 18 November 2015 to 31 July 2019.

#### Total shareholder return



#### Chief Executive's historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive over the last year valued using the methodology applied to the single total figure of remuneration.

Chief Executive		2019	2018	2017	2016	2015
G Watt	Total single figure	<b>£919,518</b>	£305,539	—	—	—
M Hellawell <sup>1</sup>		—	£532,716	£774,908	£562,117	£335,762
G Watt	Annual bonus payment level achieved (% of maximum opportunity)	<b>100</b>	100	—	—	—
M Hellawell <sup>1</sup>		—	100	100	99	72
	LTIP vesting level achieved (% of maximum opportunity)	<b>n/a</b>	n/a	n/a	n/a	n/a

**Note:**

1. Martin stepped down from his role as Chief Executive on 31 March 2018 and Graeme joined as Chief Executive on 1 April 2018. The single figure includes remuneration paid for the role as Chief Executive during the financial year.

#### Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2019 financial year. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2019 financial year	Disbursements from profit in 2018 financial year
Profit distributed by way of dividend	<b>£56.2m</b>	£45.3m
Total tax contributions <sup>1</sup>	<b>£27.1m</b>	£21.9m
Overall spend on pay, including Executive Directors	<b>£97.6m</b>	£83.1m

**Note:**

1. Includes corporation tax and employer's National Insurance contributions. The total tax contributions have been included because of the size of the contributions in comparison to other payments.

## Change in the Directors' remuneration compared with employees

	% increase/(decrease) in remuneration in 2019 compared with remuneration in 2018 <sup>1</sup>		
	Salary or fees	Bonus <sup>2</sup>	Benefits <sup>3</sup>
Graeme Watt	0%	0%	0%
Graham Charlton	50%	25%	94%
Martin Hellawell <sup>4</sup>	(34%)	(100%)	(3%)
Lee Ginsberg	3%	—	—
Vin Murria	13%	—	—
Robyn Perriss <sup>5</sup>	—	—	—
Peter Ventress	3%	—	—
Employees <sup>6</sup>	4%	(2%)	(1%)

### Notes:

- For the Directors, the percentage change reflects the figures set out in the Single Figure Table on page 61. Figures are on an annualised basis where the Director joined or left during the year.
- Excludes commissions for employees.
- Includes private medical insurance only for employees.
- Martin Hellawell was CEO until 31 March 2018 and Non-Executive Chair thereafter.
- Robyn Perriss joined the Board in July 2019.
- For employees, figures represent Softcat plc, which is a single entity company. Details are in respect of the average percentage change in respect of the remuneration of employees on a full-time equivalent basis. In order to make the comparisons meaningful, the average percentage change in respect of each of salary, bonus and benefits for employees is a per capita figure. The reduction in bonus and benefits shown above reflects a lower mix of senior managers in FY19, which has reduced the overall average bonus and benefits.

## CEO pay ratios

The UK Government recently passed new legislation which requires certain companies with over 250 employees to disclose annually the ratio of their CEO's single figure total remuneration to that of the UK workforce. Whilst this legislation does not require Softcat to comply until the financial year ending 31 July 2020, we have voluntarily chosen to disclose the full requirements a year early. CEO pay ratio data is presented below for 2019. The data shows how the CEO's single figure remuneration for 2019 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	38:1	24:1	12:1

The Government's methodology of 'A' Option has been used to calculate the remuneration of 1,322 employees who were employed on the assessment date of 31 July 2019. All individuals in employment at this date were included in the calculation, with applicable components of individual remuneration annualised for employees not employed for the full twelve months. This option was selected given as it was considered to be the most efficient and robust approach in respect of gathering the required data for 2019 and in particular was considered to be the most accurate way of identifying the best equivalents of the 25th, 50th and 75th percentiles.

We calculated our total remuneration for full-time equivalent employees to include:

- annual salary and allowances;
- annual bonus earnings (for the period relating to 2019 performance);
- gains realised from exercising awards granted under the SIP or LTIP share plans; and
- the value of taxable benefits (including pension contributions).

Pay in respect of the CEO and UK workforce is shown in the table below.

	CEO	All employees		
	(See single figure table, page 61)	25th percentile	Median	75th percentile
2019 salary	£450,000	£23,243	£35,804	£64,987
2019 total pay	£919,518	£24,286	£39,122	£76,616

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part B – annual report on remuneration continued

#### Consideration by the Directors of matters relating to Directors' remuneration

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the Remuneration Policy and for determining specific packages for the Executive Directors and other selected members of the senior management team. The Company consults with key shareholders in respect of the Remuneration Policy and the introduction of new incentive arrangements.

The terms of reference for the Committee are available on the Company's website, [softcat.com/investors](http://softcat.com/investors), and from the Company Secretary at the registered office.

Our main responsibilities are:

- to determine and agree with the Board the broad Remuneration Policy for the Executive Directors and other selected members of the senior management team;
- to review the ongoing appropriateness and relevance of the Remuneration Policy; and
- to review any major changes in employee benefit structures throughout the Company and to administer all aspects of any share scheme.

The Committee receives assistance from the Company Secretary, who will attend meetings. The Chief Executive and the Chief Financial Officer attend by invitation and when appropriate.

#### Advisers to the Remuneration Committee

During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and selected members of the senior management team. PwC was appointed by the Committee following IPO in November 2015. PwC also provided the Company with tax and assurance work during the year. The Committee is satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the Voluntary Code of Conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £67,500 (2018: £45,000) were provided to PwC during the year in respect of remuneration advice received.

#### Statement of voting at general meeting

The table below shows the binding vote approving the Directors' Remuneration Policy on 8 December 2016 and the advisory vote on the Annual Report on Remuneration at the 2018 AGM.

	Votes for	%	Votes against	%	Votes withheld
Directors' Remuneration Policy	133,263,599	99.56	591,311	0.44	5,788,068
Annual Report on Remuneration	144,964,758	96.07	5,928,900	3.93	1,406,860

#### Statement of implementation of the Remuneration Policy in the 2019/2020 financial year

The Remuneration Committee has reviewed and considered the key components of remuneration to ensure that the Remuneration Policy (summarised below) is fit for purpose, continues to drive success within the remuneration framework and meets the shareholder and governance expectations of a FTSE 250 company. In respect of the implementation in 2019/2020 below, a revised Remuneration Policy will be proposed at the 2019 AGM and where applicable the implementation will be subject to the new Remuneration Policy being approved by shareholders.

	Implementation in 2019/2020	What was implemented in 2018/2019
<b>Base salary</b>	<b>For 2020, base salaries for the CEO and CFO will be £463,500 and £309,000 respectively. The above increases represent a rise of 3%, consistent with the base salary increase for the overall employee population.</b>	For 2019, base salaries for the new CEO and CFO were £450,000 and £300,000 respectively.
<b>Pension</b>	<b>The Company agreed to increase employer contributions for employee population to up to 5%. The Remuneration Committee agreed to make an equivalent increase for the Executive Directors. The proposed Remuneration Policy includes an amendment to reduce the maximum from 20% to be in line with the wider workforce.</b>	Pension contributions/cash alternatives of 3% were paid.
<b>Benefits</b>	<b>No change.</b>	No change.

	Implementation in 2019/2020	What was implemented in 2018/2019
<b>Annual Bonus Plan ('ABP')</b>	<p>For FY20 the maximum opportunity will be set at 150% of salary. To further align the ABP to the interests of our shareholders:</p> <ul style="list-style-type: none"> <li>any bonus awarded above 100% of salary will be deferred into shares (in addition to the existing one-third deferral into shares for any award below 100% of salary); and</li> <li>the increased maximum bonus opportunity can only be awarded by achieving a new increased level of stretch in the targets set by the Committee. Up to 20% shall vest at threshold performance.</li> </ul>	<p>The maximum bonus opportunity for the CEO and CFO was 100% of salary (the Remuneration Policy allows for awards up to 200% of salary to be made). One-third of the award is deferred into shares.</p>
<b>LTIP</b>	<p>2019 LTIP awards:</p> <ul style="list-style-type: none"> <li>No change in the LTIP grant levels.</li> <li>No change to the performance measures or their weighting.</li> <li>The Committee will review the EPS performance target range in light of the Company's strategic plan over the next period. Taking into account these factors the Committee will set the EPS range for the 2019 LTIP grant at challenging levels over the next period. The targets will be communicated on grant.</li> </ul> <p>The proposed Remuneration Policy includes an amendment to introduce a mandatory two-year post-vesting holding requirement.</p>	<p>2018 LTIP awards:</p> <ul style="list-style-type: none"> <li>The maximum award levels for the CEO and CFO were 100% of salary.</li> <li>The performance measures and weightings were 50% EPS growth and 50% relative TSR.</li> <li>The Committee reviewed the EPS performance target range in light of the Company's strategic plan and took into account these factors when setting the EPS range for the 2018 LTIP grant at challenging levels. The targets were communicated on grant in November 2018.</li> </ul>
<b>Shareholding requirements</b>	<p>No change in target requirements.</p> <p>The proposed new Remuneration Policy includes an amendment to introduce a post-cessation shareholding requirement:</p> <ul style="list-style-type: none"> <li>Executive Directors must hold 100% of their shareholding requirement for one year post-cessation and 50% of their shareholding requirement for a further year post-cessation.</li> <li>Applicable to future share awards vesting under the ABP and LTIP.</li> </ul>	<p>CEO: 200% of salary CFO: 150% of salary To be built up over five years from appointment.</p>
<b>Chair and Non-Executive fees</b>	<p>Chair fee: £154,500 Board fee: £50,648 Senior Independent Director: £5,627 Committee chairship (per Committee) and fee for the Designated Director for Workforce Engagement: £11,254</p> <p>The above increases represent a rise of 3%, consistent with the base salary increase for the overall employee population.</p> <p>In accordance with the recommendations of the 2018 UK Corporate Governance Code, during the year, the Board agreed to allocate additional responsibility for workforce engagement to one of the existing Non-Executive Directors. The fee reflects the additional time commitment required.</p>	<p>Chair fee: £150,000 Board fee: £49,173 Senior Independent Director: £5,464 Committee chairship (per Committee): £10,927</p> <p>Following the appointment of Martin Hellawell as Chair, the Chair annual fee was an increased from £106,090 and was more aligned with the external market.</p> <p>The NED annual fees for the 2018 financial year represented a rise from the previous year of 3%, consistent with the base salary increase for the overall employee population.</p>



**Peter Ventress**  
Chair of the Remuneration Committee  
23 October 2019

## PART C

# DIRECTORS' REMUNERATION POLICY

### Introduction

In accordance with the remuneration reporting regulations, the Directors' Remuneration Policy (the 'Policy') as set out below will become formally effective at the AGM on 5 December 2019, subject to shareholder approval, and will apply for a period of three years from the date of approval unless a new Policy is approved by the Company's shareholders prior to expiry.

The Company's core principles of remuneration are:

- to ensure top Executives are attracted, retained and motivated to drive the Company in its next stage of development;
- to incentivise management in extending the Company's leadership in the IT infrastructure solutions industry; and
- to deliver long-term sustainable growth.

The Committee will review annually all elements of remuneration, including: the base salary, annual bonus levels and annual and long-term incentive performance conditions for the Executive Directors and selected members of the senior management team, drawing on trends and adjustments made to all employees across the Company and taking into consideration:

- our business strategy;
- overall Company performance;
- market conditions;
- views of key stakeholders of the business;
- corporate governance considerations; and
- changing views of institutional shareholders and their representative bodies.

The Remuneration Committee is comprised of independent Non-Executive Directors. The Committee operates within terms of reference which:

- authorises it to review and implement the Remuneration Policy; and
- provides a framework to avoid conflicts of interest.



**Our Remuneration Policy and its link to our Company strategy**

The Company’s strategy is laid out on page 9.

Ensuring the alignment of the proposed Remuneration Policy to the Company strategy was key for the Remuneration Committee in refining the existing Policy as proposed below. The key elements of the Company’s strategy and how its successful implementation is linked to the Company’s remuneration are set out in the following table.

Remuneration Policy (from the date of shareholder approval)	Strategic priorities				Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
	Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers			
<p><b>Annual bonus</b> The maximum bonus (including any part of the bonus deferred into an ABP award) deliverable under the ABP will not exceed 200% of a participant’s annual base salary.</p>	✓	✓	✓	✓	✓	✓
	<p><b>Operating profit</b> The key performance indicator for the Company. The Committee believes that the Directors should focus on this key metric during the financial year to maintain high profit growth and the success of the business to deliver value for our shareholders. Growth in this metric is a direct demonstration of the successful execution of our business strategy, including winning new customers and growth of profit from existing customers.</p>					
<p><b>LTIP</b> Maximum annual award is normally 200% of salary. Awards will vest at the end of three years. For 2019 the performance conditions for awards are equally weighted between:</p> <ul style="list-style-type: none"> <li>adjusted earnings per share (‘EPS’) growth; and</li> <li>comparative total shareholder return (‘TSR’).</li> </ul>	✓	✓	✓	✓	✓	
	<p><b>EPS and TSR</b> The success in maximising profit growth will be measured through the long-term EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company, which will be measured through the Company’s TSR performance under the LTIP.</p>	<p><b>TSR</b> The generation of profit growth targeted by the annual bonus will help enhance the value of the Company, which will be measured through the success of the Company’s TSR performance against its comparators (a performance condition under the LTIP).</p>	<p><b>EPS</b> An incentive to grow this market in the longer term is provided through EPS growth targeted by the LTIP. The success of this element of the strategy should be reflected in long-term TSR performance.</p>			
<b>Share Incentive Plan (‘SIP’)</b>				✓	✓	
<p><b>Minimum shareholding requirements</b></p> <ul style="list-style-type: none"> <li>Chief Executive Officer: 200% of salary</li> <li>Chief Financial Officer: 150% of salary</li> </ul>				✓		

### REMUNERATION CONTINUED

#### Part C – Directors' remuneration policy continued

#### Remuneration Policy table

##### Remuneration Policy aim

The Committee has developed a remuneration framework and policy which adheres to practice that is fit for purpose for a FTSE 250 company. The Committee's objective is to operate this policy to ensure that our Executive Directors have a remuneration structure and total remuneration opportunity that is aligned to Softcat's business and is competitive when assessed against the market we compete for talent in.

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation
<b>Salary</b>	Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	<p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> <li>• remuneration practices within the Company;</li> <li>• the general performance of the Company;</li> <li>• salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking;</li> <li>• any change in scope, role and responsibilities; and</li> <li>• the economic environment.</li> </ul> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.</p>
<b>Benefits</b>	Provides a benefits package in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy.	<p>The Executive Directors receive private health insurance, life insurance and death in service benefit.</p> <p>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Company strategy. Additional benefits may therefore be offered, such as relocation allowances on recruitment.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>
<b>Pensions</b>	Provides a pension provision in line with practice to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy.	<p>Pension arrangements are provided in line with practice to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy.</p> <p>The Company operates a defined contribution ('DC') scheme. The Executive Directors are entitled to receive a maximum employer contribution into the DC scheme or a salary supplement in lieu of pension which is in line with the employer contribution for the wider workforce. New joiners will receive a pension contribution in line with the wider workforce. The current level is 5% of basic salary per annum. Increases will only be in line with employer pension contribution in the wider workforce, but shall not exceed 10% within the period of this Policy.</p>

---

#### Maximum opportunity

---

The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Softcat and validated against companies operating in a similar sector, so that total remuneration opportunity (base salary, benefits, annual bonus and long-term incentives) for the Executive Directors is competitive against the market.

When assessing salary levels, the Committee will consider levels in the comparator group, made up of organisations in the FTSE 250 (excluding financial services, real estate and equity investment trusts) and sector peer companies of comparable size to Softcat.

The Committee intends to review the comparator groups each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be set out in the section headed Implementation of Remuneration Policy in the following financial year.

In general salary increases for Executive Directors will be in line with the increase for employees.

The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.

---

See description of benefits in previous column.

---

The maximum contribution into the defined contribution plan or a salary supplement in lieu of pension will be in line with the wider workforce. This ensures that Softcat's approach is fully in line with corporate governance expectations and shareholder sentiment to align executives' pension with the wider workforce.

The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the pension contributions for that year for each of the Executive Directors.

---

## REMUNERATION CONTINUED

### Part C – Directors' remuneration policy continued

#### Remuneration Policy table continued

##### Remuneration Policy aim continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation
<b>Annual and Deferred Share Bonus Plan (the 'Bonus Plan')</b>	<p>The Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.</p> <p>In particular, the Bonus Plan supports the Company's objectives, allowing the setting of annual targets based on the business strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable.</p> <p>The Committee operates deferral for part of the annual bonus earned in shares under the Bonus Plan. The advantage of deferral is:</p> <ul style="list-style-type: none"> <li>increased alignment between Executives and shareholders created through deferral and the increased equity stake of management in the Company; and</li> <li>amounts deferred in shares are subject to a Director's continuing employment, which provides an effective lock-in.</li> </ul>	<p>The maximum bonus (including any part of the bonus deferred into share awards) deliverable under the Bonus Plan will be up to 200% of a participant's annual base salary.</p> <p>The Board will determine the bonus to be delivered following the end of the relevant financial year.</p> <p>The Company will set out, in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year.</p> <p>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.</p> <p>The Committee can determine that part of the bonus earned under the Bonus Plan is provided as an award of shares.</p> <p>The main terms of these awards are:</p> <ul style="list-style-type: none"> <li>minimum deferral period of three years, during which no performance conditions will apply; and</li> <li>the participant's continued employment at the end of the deferral period unless he/she is a good leaver.</li> </ul> <p>The Committee may award dividend equivalents on those shares to plan participants to the extent that they vest.</p> <p>The Committee will introduce a two-year post-cessation shareholding requirement, which will apply to future deferred share awards vesting under the Bonus Plan (see 'Minimum shareholding requirement' below).</p>
<b>Long Term Incentive Plan ('LTIP')</b>	<p>The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Company strategy.</p> <p>This will better align Executive Directors' interests with the long-term interests of the Company and act as a retention mechanism.</p> <p>The use of comparative TSR measures the success of the implementation of the Company's strategy in delivering an above-market level of return.</p> <p>The use of EPS ensures Executive Directors are focused on long-term financial performance to ensure this flows through to long-term sustainable EPS growth.</p>	<p>Awards are granted annually to Executive Directors in the form of a conditional share award, nil-cost option or restricted share award.</p> <p>Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of Remuneration Policy, in the future financial year.</p> <p>Awards will vest at the end of a three-year period subject to:</p> <ul style="list-style-type: none"> <li>the Executive Director's continued employment at the date of vesting; and</li> <li>satisfaction of the performance conditions.</li> </ul> <p>The committee may award dividend equivalents on awards to the extent that these vest.</p> <p>Awards are subject to a mandatory two-year post-vesting holding period. The total time period between award and release of shares is therefore five years.</p>
<b>Share Incentive Plan ('SIP')</b>	<p>The SIP is an all-employee share ownership plan which has been designed to encourage all eligible employees to become shareholders in the Company and thereby align their interests with shareholders.</p>	<p>The Company operates a SIP in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff).</p> <p>The Executive Directors will also be eligible to participate in any other all-employee arrangement implemented by the Company.</p>

## Maximum opportunity

For FY20 the maximum opportunity will be 150% of salary. Percentage of bonus maximum earned for levels of performance:

Below threshold 0%

Threshold: 20%

Maximum: 100%

The annual bonus will be paid in cash and deferred shares. A minimum level of deferral into shares of one-third will apply for the first 100% of salary awarded as a bonus. Any bonus awarded above 100% of salary will be deferred into shares.

## Performance metrics

An award under the Bonus Plan is subject to satisfying financial and strategic/operational performance/personal performance conditions and targets measured over a period of one financial year.

A minimum of 50% of the bonus shall be based on financial performance measures.

The Board will determine the bonus to be delivered following the end of the relevant financial year.

The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Bonus Plan in advance would not be in shareholders' interests. Targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any payouts under the Bonus Plan.

In exceptional circumstances the Committee retains the discretion to:

- change the performance measures and targets and the weighting attached to the performance measures and targets partway through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and
- make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance.

Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.

The Bonus Plan contains clawback and malus provisions.

Normal maximum value of up to 200% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the LTIP.

In exceptional circumstances the Committee may grant an award with a maximum of up to 250% of salary.

Across the LTIP award metrics 25% of the award will vest for threshold performance.

100% of the award will vest for maximum performance. There is straight-line vesting between these points.

The performance conditions for the 2019 LTIP awards are earnings per share ('EPS') growth and relative total shareholder return ('TSR').

The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.

No material change will be made to the type of performance conditions without prior shareholder consultation.

In exceptional circumstances the Committee retains the discretion to:

- vary, substitute or waive the performance conditions applying to LTIP awards if the Board considers it appropriate and the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions; and
- make downward or upward adjustments to the amount vesting under the LTIP resulting from the application of the performance measures if the Committee believes that the outcomes are not a fair and accurate reflection of business performance.

The LTIP contains clawback and malus provisions.

The maximums set by legislation from time to time.

The Company, in accordance with the legislation, may impose objective conditions on participation in the SIP for employees.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part C – Directors' remuneration policy continued

#### Remuneration Policy table continued

##### Remuneration Policy aim continued

Element of remuneration How it supports the Company's short and long-term strategic objectives

##### Minimum shareholding requirement

The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up, over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of base salary. Executive Directors shall retain all vested share-based awards (net of taxes and brokerage costs) as part of the build-up towards their respective target. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.

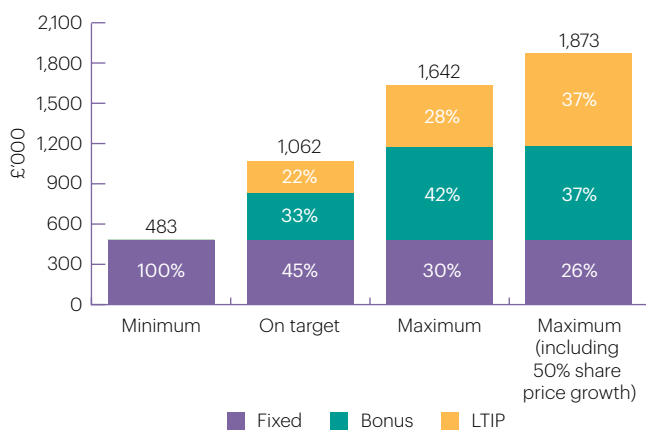
A post-cessation shareholding requirement will operate. Executives must hold 100% of their shareholding requirement for one year post-cessation and 50% of their shareholding requirement for a further year post-cessation. This is only applicable to future share awards vesting under the Bonus Plan and the LTIP. An Executive Director's attainment against their respective requirement will be disclosed each year in the Annual Report on Remuneration.

#### Illustrations of the application of the Remuneration Policy

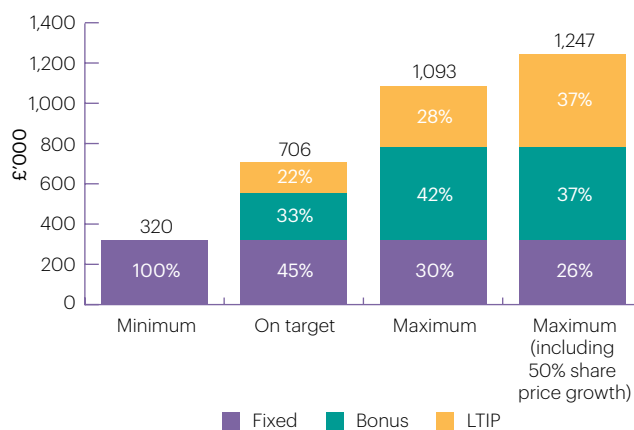
The charts below illustrate the remuneration that would be paid to each of the Executive Directors, for the 2020 financial year, under three different performance scenarios: (i) minimum; (ii) on target; and (iii) maximum. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus (deferred bonus); and (iii) LTIP.

In line with the regulations on policy scenarios, we have also included an additional reference point to show indicative share price growth of 50% over three years (being the performance period of the LTIP) at maximum.

##### Chief Executive (Graeme Watt)



##### Chief Financial Officer (Graham Charlton)





## Maximum opportunity

The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (% of salary)
Chief Executive Officer	200
Chief Financial Officer	150

The Committee retains the discretion to increase the shareholding requirements.

The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios set out in the charts opposite.

Element	Description	Minimum	Target	Maximum	Maximum including 50% share price growth
<b>Fixed<sup>1</sup></b>	Salary, benefits and pension	Included	Included	Included	Included
<b>Annual bonus<sup>2</sup></b>	Annual bonus (including deferred shares) Maximum opportunity of 150% of salary for the CEO and for the CFO	No annual variable	50% of maximum bonus	100% of maximum bonus	100% of maximum bonus
<b>LTIP<sup>2,3</sup></b>	Award under the LTIP Maximum annual award of 100% of salary	No multiple-year variable	50% of the maximum award	100% of the maximum award	100% of the maximum award plus 50% share price growth

**Notes:**

1. Based on 2019 benefits payments and pension values as per the single figure table. The actual benefits and pension contributions for FY20 will only be known at the end of the financial year. Basic pay reflects the 3% increase awarded for FY20.
2. See page 61 for the single figure table and the accompanying notes. Share price growth has been included in the final illustration in accordance with required regulations. Dividend equivalents have not been added to the deferred share bonus and LTIP share awards.
3. Participation in the SIP has been excluded given the relative size of the opportunity levels.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part C – Directors' remuneration policy continued

#### Illustrations of the application of the Remuneration Policy continued

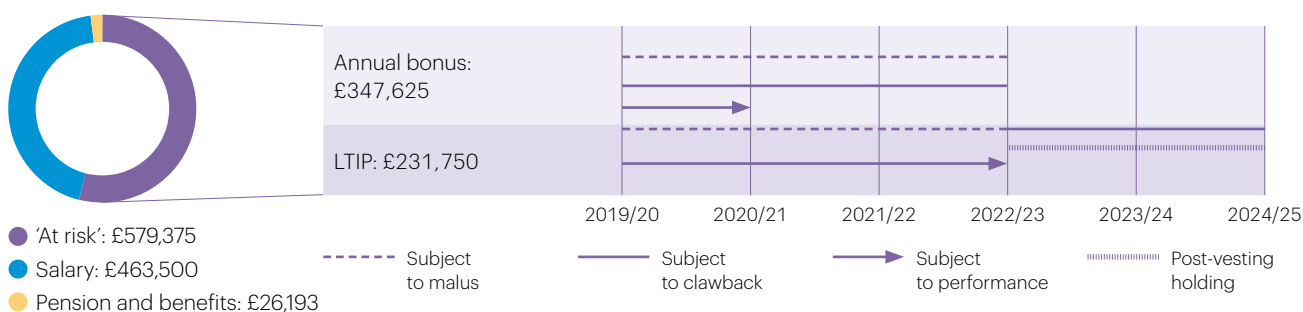
##### Pay at risk

The charts below set out the single figure of each Executive Director based on whether the elements remain 'at risk'. For example:

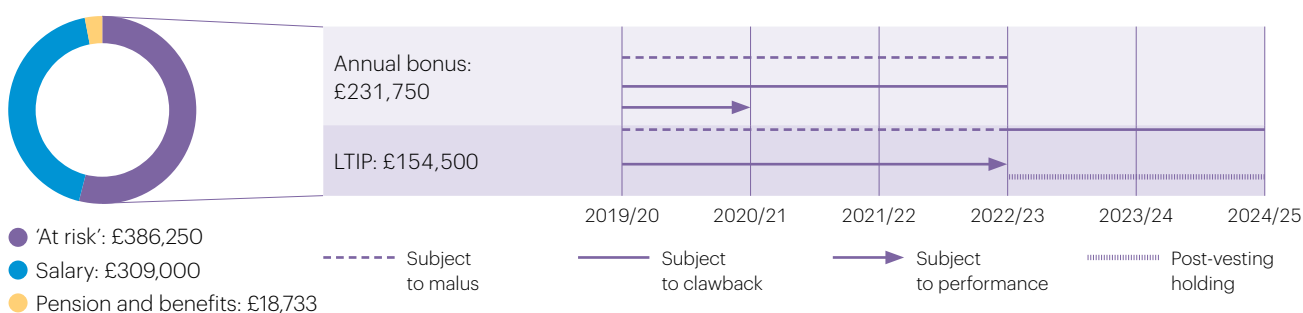
- payment is subject to continuing employment for a period (deferred shares and LTIP awards); or
- performance conditions have to still be satisfied (annual bonus plan and LTIP awards); or
- elements are subject to clawback or malus for a period over which the Company can recover sums paid or withhold vesting. Further details of what triggers clawback or malus are set out below.

Figures have been calculated based on target performance. The charts have been based on the same assumptions as set out above for the illustrations of the application of the Remuneration Policy.

##### Chief Executive Officer (Graeme Watt)



##### Chief Financial Officer (Graham Charlton)



#### Malus and clawback

The following describes the malus and clawback provisions in the incentive plans:

- Malus is the adjustment of unpaid bonus, outstanding LTIP awards and deferred share bonus awards under the Bonus Plan as a result of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to zero.
- Clawback is the recovery of payments under the Bonus Plan or vested LTIP awards as a result of the occurrence of one or more of the circumstances listed below.

The circumstances in which malus and clawback could apply are as follows:

- the discovery that the assessment of any performance target or condition in respect of a Bonus Award or LTIP award was based on error, or inaccurate or misleading information; and/or
- the discovery that any information used to determine the number of ordinary shares subject to a Bonus Award or LTIP award was based on error, or inaccurate or misleading information; and/or
- the action or conduct of a holder of a Bonus Award or LTIP award which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct; and/or

- events or behaviour of a holder of a Bonus Award or LTIP award leading to the censure of the Company by a regulatory authority or having a significant detrimental impact on the reputation of the Company, provided that the Board is satisfied that the relevant holder of a Bonus Award or LTIP award was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him or her.

	Annual Bonus Plan	Deferred Bonus Plan	Long Term Incentive Plan
<b>Malus</b>	Up to the date of payment of a cash bonus	To the end of the three-year deferral period	To the end of the three-year vesting period
<b>Clawback</b>	Three years post the bonus determination	n/a	Two years post-vesting

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

### Discretion

The Committee has discretion in several areas of policy as set out in this report.

The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

It is the Committee's intention that any outstanding commitments made in line with its policies prior to admission to the London Stock Exchange in 2015 will be honoured, even if satisfaction of such commitments may be inconsistent with policy.

### Recruitment policy

The Company's principle is that the remuneration of any new Executive Director recruited will be assessed in line with the same principles as for the incumbent Executive Directors, as set out in the Remuneration Policy table above. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as considering the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
<b>Salary, benefits and pension</b>	These will be set in line with the policy for existing Executive Directors.
<b>Annual bonus</b>	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
<b>LTIP</b>	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary in normal circumstances and 250% of salary in exceptional circumstances.
<b>'Buyout' of incentives forfeited on cessation of employment</b>	<p>Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> <li>• the proportion of the performance period completed on the date of the Executive Director's cessation of employment;</li> <li>• the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and</li> <li>• any other terms and conditions having a material effect on their value ('lapsed value').</li> </ul> <p>The Committee may then grant an award up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.</p>
<b>Maximum variable remuneration</b>	The maximum variable remuneration which may be granted in normal circumstances is 400% of salary (450% of salary if the maximum LTIP grant is made).

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part C – Directors' remuneration policy continued

##### Recruitment policy continued

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

##### Payment for loss of office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses and do not contain a fixed term of appointment. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Element	Overview of policy
<b>Principles</b>	The Committee will honour Executive Directors' contractual entitlements. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case.
<b>Salary, benefits and pension</b>	These will be paid over the notice period. The Company has discretion to make a payment as set out above. In addition, provision is retained to make a payment in lieu of notice.
<b>Cash bonus awards</b>	<b>Good leavers:</b> performance conditions will be measured at the bonus measurement date. Bonuses will normally be pro-rated for the period worked during the financial year. <b>Other leavers:</b> no bonus payable for year of cessation. <b>Discretion:</b> the Remuneration Committee has the following elements of discretion: <ul style="list-style-type: none"><li>to determine that an Executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case, which will be explained in full to shareholders; and</li><li>to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case, which will be explained in full to shareholders.</li></ul>
<b>Share bonus awards</b>	<b>Good leavers:</b> all subsisting deferred share awards will vest at the end of the original deferral period. <b>Other leavers:</b> lapse of any unvested deferred share awards. <b>Discretion:</b> the Remuneration Committee has the following elements of discretion: <ul style="list-style-type: none"><li>to determine that an Executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case, which will be explained in full to shareholders;</li><li>to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and</li><li>to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure.</li></ul>

Element	Overview of policy
<b>LTIP</b>	<p><b>Good leavers:</b> pro-rated to time and performance in respect of each subsisting LTIP award.</p> <p><b>Other leavers:</b> lapse of any unvested LTIP awards.</p> <p><b>Discretion:</b> the Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>• to determine that an Executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case, which will be explained in full to shareholders;</li> <li>• to measure performance over the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and</li> <li>• to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case, which will be explained in full to shareholders.</li> </ul>

<b>Other contractual obligations</b>	There are no other contractual provisions other than those set out above.
--------------------------------------	---

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill health;
- injury or disability;
- redundancy;
- retirement;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

### Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
<b>ABP cash awards</b>	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case, which will be explained in full to shareholders.
<b>ABP deferred share awards</b>	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
<b>LTIP</b>	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee will determine the proportion of the LTIP award which vests taking into account, among other factors, the period of time the LTIP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time.

## Remuneration Committee report continued

### REMUNERATION CONTINUED

#### Part C – Directors' remuneration policy continued

#### Non-Executive Director remuneration

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
<b>Non-Executive Director and Chair fees</b>	Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chair with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	<p>The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chair's fees.</p> <p>Non-Executive Directors are paid an annual fee and additional fees for chairing Committees. The Chair does not receive any additional fees for membership of Committees. A fee shall also be paid to the Designated Non-Executive Director responsible for wider workforce engagement.</p> <p>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group.</p> <p>Non-Executive Directors and the Chair do not participate in any variable remuneration or benefits arrangements.</p>	<p>The fees for Non-Executive Directors and the Chair are set at broadly the median of the comparator group.</p> <p>In general, the level of fee increase for the Non-Executive Directors and the Chair will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.</p> <p>The Company will pay reasonable expenses incurred by the Non-Executive Directors and the Chair and may settle any tax incurred in relation to these.</p>	None.

#### Executive Director contracts and letters of appointment for Chair and Non-Executive Directors

Executive Directors	Name	Date of service contract	Nature of contract	Notice periods		Compensation provisions for early termination
				From Company	From Director	
	Graeme Watt	1 April 2018	Rolling	Twelve months	Twelve months	None
	Graham Charlton	29 October 2015	Rolling	Twelve months	Twelve months	None

#### Non-Executive Directors

Name	Date of letter of appointment
Martin Hellawell	1 April 2018
Robyn Perriss	21 May 2019
Vin Murria	3 November 2015
Peter Ventress	29 September 2015

#### Note:

The Committee's policy for setting notice periods is that a twelve-month period will apply for Executive Directors.

The Non-Executive Directors of the Company (including the Chair) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each Independent Non-Executive Director's term of office runs for a three-year period.

The initial terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election. All Directors will be put forward for re-election by shareholders on an annual basis.



### Statement of considerations of employment conditions elsewhere in the Company

The Remuneration Policy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle is followed in the development of our Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success through performance-related remuneration and share ownership. Two remuneration arrangements operate: the LTIP for Executive Directors and for some members of the senior team and annual bonus deferral for Executive Directors. Awards under both these plans will provide alignment between senior leaders and our shareholders based on overall corporate performance of the business.

For all employees, the Company operates a SIP. Under the SIP, eligible employees will have the opportunity to purchase shares in the Company subject to certain restrictions.

The Company does not use remuneration comparison measurements. The Board has designated a Non-Executive Director responsible for workforce engagement; however, employees have not been consulted directly on the Remuneration Policy. In setting and operating the Policy, the pay and conditions of other employees of Company are taken into account, including any base salary increases awarded and any changes in pension and benefits.

The Committee is provided with data on the remuneration structure for management-level tiers below the Executive Directors and uses this information to ensure consistency of approach throughout the Company. The Committee is also informed of the proposed remuneration of Softcat's Company Secretary.

#### Link to objectives

The following table demonstrates how key objectives are reflected consistently in plans operating at various levels within the Company.

Plan	Purpose	Eligibility	Strategic objectives				
			Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers	Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
<b>SIP</b>	To broaden share ownership and share in corporate success over the medium term	All eligible employees				✓	✓
<b>Annual bonus</b>	Incentivise and reward short-term performance. At senior level, an element of bonus is deferred in shares	Executive Directors, senior executives, senior managers and managers	✓	✓	✓	✓	✓
<b>LTIP</b>	Incentivise and reward long-term performance	Executive Directors and senior executives	✓	✓	✓	✓	✓

### Statement of consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping Remuneration Policy and practice. Shareholder views are considered when evaluating and setting the remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy.

The Committee consulted with the Company's key shareholders along with the major institutional proxy advisory agencies on the proposed Policy set out in this report.

### Historical awards

All historical awards that were granted under any current or previous bonus or share schemes operated by the Company, and which remain outstanding, remain eligible to vest on the basis of their original award terms.

### Policy on external appointments

Executive Directors are permitted to accept appropriate outside non-executive director appointments so long as the overall commitment is compatible with their duties as Executive Directors and is not thought to interfere with the business of the Company. Any fees received in respect of these appointments are retained directly by the relevant Executive Director.

## Directors' report

### Non-Financial Reporting Directive

In accordance with the EU Non-Financial Reporting Directive, the following chart summarises where you can find further information in this Annual Report on each of the key areas of disclosure that the Directive requires.

<b>Environmental, social and employee-related matters</b>	<ul style="list-style-type: none"><li>• We have 'Green Teams' to help us with good environmental behaviours and we observe environmental requirements.</li><li>• A great culture and relations with our employees are vital to our business and both the Board and management spend considerable time to keep this as a defining difference for our business.</li><li>• We discuss each of these areas in the 'Sustainability' section of this report on pages 30 to 33.</li></ul>
<b>Human rights and anti-bribery-related matters</b>	<ul style="list-style-type: none"><li>• Risks to human rights and of modern slavery are not considered a material issue for the Company.</li><li>• We also operates anti-bribery procedures which support compliance with the UK Bribery Act.</li><li>• We discuss each of these areas in the 'Sustainability' section of this report on pages 30 to 33 and in the corporate governance report on pages 35 to 45.</li></ul>
<b>Diversity policy and approach</b>	<ul style="list-style-type: none"><li>• We continue to put great importance on the positive benefits that diversity of gender, experience, background and viewpoints can bring to the business.</li><li>• We support various initiatives to help improve diversity. Progress on these is monitored by both senior management and the Board. We realise there is more we need to do to improve diversity in areas of our business and will continue with our efforts.</li><li>• We discuss our approach to diversity in the 'Sustainability' section of this report on pages 30 to 33, in the Chair's Statement on pages 4 to 5 and in the report from the Nomination Committee on page 54.</li></ul>
<b>Business model, policies, principal risks and KPIs</b>	<ul style="list-style-type: none"><li>• We operate a business model which includes non-financial inputs and outputs. Our business model is underpinned by our straightforward strategy.</li><li>• Risks, including financial and non-financial risks, are monitored by management and by the Audit Committee. The Audit Committee also considers the key internal controls for the business.</li><li>• The Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our key KPIs.</li><li>• We discuss our business model on pages 12 and 13, key risks on pages 26 to 29 and selected KPIs are reported on pages 24 and 25. Our strategy is discussed in various places in the Strategic Report, including page 9.</li></ul>

### Directors' Report

The Directors present their report for the year to 31 July 2019.

Softcat plc is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the premium segment of the Main Market of the London Stock Exchange.

### Disclosures incorporated by reference

For the purposes of compliance with Disclosure and Transparency Rules ('DTR'), DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic Report and this Directors' Report. The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- Corporate Governance Statement – refer to pages 35 to 45 of this report;
- strategy and relevant future developments – refer to page 9 of the Strategic Report; and
- financial risk management objectives and policies – refer to the 'Principal risks' section included in the Strategic Report on pages 26 to 29 and note 19 to the financial statements on pages 125 to 127.

## Directors of the Company

The following Directors have held office since 1 August 2018:

Name	Position	Date of appointment
M J Hellowell	Chair	Appointed as a Director on 24 March 2006 and Chair on 1 April 2018
G Watt	Chief Executive	Appointed 1 April 2018
G L Charlton	Chief Financial Officer	Appointed 19 March 2015
L Ginsberg	Senior Independent Director	Appointed 16 September 2015 and resigned 30 June 2019
P Ventress	Independent Non-Executive Director	Appointed 1 October 2015
V Murria	Independent Non-Executive Director	Appointed 3 November 2015
R Perriss	Independent Non-Executive Director	Appointed 1 July 2019

Biographies of the Directors as at 23 October 2019 can be found on pages 36 and 37. Karen Slatford is due to join the Board as an Independent Non-Executive Director with effect from 5 December 2019.

## Powers of Directors

The general powers of the Directors are contained within UK legislation and the Company's Articles of Association (the 'Articles'). The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles or applicable legislation.

## Directors' interests

The interests of the Directors in the issued shares of the Company at 31 July 2019 are disclosed in the Remuneration Report on page 67. The Remuneration Report also sets out details of any changes in those interests between the year end and up to the date of this report.

No Director had a material interest in any contract of significance with the Company at any time during the financial year.

## Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles. They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Any Director so appointed must retire and put themselves forward for election at the next Annual General Meeting ('AGM'). Directors wishing to continue to serve as members of the Board will seek re-election annually in accordance with the UK Corporate Governance Code (the 'Code').

In accordance with the Code, at the 2019 AGM each Director will stand for election or re-election.

## Indemnification of Directors

The Directors have the benefit of an indemnity provision contained in the Articles. The provision was in force during the year ended 31 July 2019 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company. In addition, Directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

## Compensation for loss of office and change of control

There are no agreements in place with any Director that would provide compensation for loss of office or employment resulting from a change of control. Change of control provisions for the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

The Company is not party to any other significant agreements that take effect after, or terminate upon, a change of control.

## Articles of Association

The Articles may be amended by a special resolution of the members. At the AGM held on 12 November 2015, shareholders approved by special resolution the amended Articles which took effect at the date of the initial public offering ('IPO') on 18 November 2015.

### Share capital and control

The Company's ordinary issued share capital as at 31 July 2019 was 198,250,486 ordinary shares of 0.05p each, which have a premium listing on the London Stock Exchange. The ordinary share class represents over 99.9% of the Company's total issued share capital.

In addition to the ordinary shares, the Company also has a class of 18,933 deferred shares which were created following the share capital reorganisation at IPO and which are not admitted to trading on a regulated market.

Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights. The Company has an Employee Benefit Trust ('EBT') and a Share Incentive Plan Trust ('SIP Trust') for the benefit of employees and former employees of the Company. At 31 July 2019, the EBT holds nil ordinary shares and the SIP Trust holds 728,940 ordinary shares in the Company.

During the year ended 31 July 2019, share options were exercised pursuant to the Long Term Incentive Plan, resulting in the additional listing and allotment of 299,791 new ordinary shares.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, and to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights.

The deferred shares carry no voting rights or rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. On a return of capital on a winding up of the Company (but not otherwise), the holder is entitled only to the repayment of the amount paid up on that share after payment of the capital paid up on each other share in the capital of the Company and the further payment of £10,000,000 on each such share. The deferred shares represent less than 0.01% of the Company's total issued share capital.

Further information on the Company's issued share capital can be found in note 15 to the financial statements.

The Company passed the following resolutions on 6 December 2018:

- An ordinary resolution providing the Directors with authority to:
  - (i) allot ordinary shares up to a maximum nominal amount of £32,991, to be reduced by the nominal amount allotted or granted under paragraph (ii) below in excess of such sum; and
  - (ii) allot ordinary shares up to a maximum nominal amount of £65,983 in connection with a pre-emptive offer by way of a rights issue, such amount to be reduced by any allotments made under paragraph (i) above.
- Special resolutions providing Directors with authority to:
  - (i) allot shares or sell treasury shares for cash up to a maximum nominal amount of £4,948; and
  - (ii) allot shares or sell the treasury shares for cash up to a maximum nominal amount of £4,948, in connection with an acquisition or other capital investment, otherwise than to existing shareholders pro rata to their shareholding.

These authorities are due to expire at the Company's AGM to be held on 5 December 2019 and proposals for the renewal of the authority to allot ordinary shares are set out in the Notice of the Annual General Meeting. The Company intends to seek shareholders' approval at the 2019 AGM to permit the Directors, should they consider exercising the authority, to repurchase up to 10% of the ordinary issued share capital. The Directors have no current intention of exercising this authority, which is sought in the best interest of shareholders to allow the flexibility to react promptly where such market purchases may be desirable.

There are no restrictions on the transfer or limitations on the holding of ordinary shares and no requirements to obtain approval prior to any transfers other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); pursuant to the Market Abuse Regulation and the Company's own rules whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares; and pursuant to the Articles where there is default in supplying the Company with information concerning interests in the Company's ordinary shares. There are no special control rights in relation to the Company's ordinary shares.

There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of securities or on voting rights.

## Substantial shareholders

The substantial shareholdings in the table below represent those interests notified to the Company as at 31 July 2019 in accordance with the Disclosure Guidance and Transparency Rules of the UK Listing Authority, and those holdings may have changed since notification to the Company.

	As at 31 July 2019		As at 23 October 2019	
	Ordinary shares	Voting rights	Ordinary shares	Voting rights
Peter Kelly <sup>1</sup>	<b>64,976,058</b>	<b>32.8%</b>	64,976,058	32.8%
Mawer Investment Management Limited	<b>10,027,269</b>	<b>5.1%</b>	10,027,269	5.1%
John Nash <sup>1</sup>	<b>11,453,364</b>	<b>5.8%</b>	9,063,364	4.6%
Martin Hellowell <sup>1</sup>	<b>6,405,889</b>	<b>3.2%</b>	6,405,889	3.2%

### Note:

1. The ordinary shares held by Peter Kelly, Martin Hellowell and John Nash include shares held beneficially via various entities or connected persons.

## Principal shareholder and Relationship Agreement

In accordance with Listing Rule 9.8.4R(14), the Company has set out below a statement describing the Relationship Agreement entered into by the Company with its principal shareholder (the 'Relationship Agreement'). As at 23 October 2019, Peter Kelly, the founder of Softcat plc, held 32.8% of the issued ordinary share capital of the Company.

On 13 November 2015, the Company and Peter Kelly entered into the Relationship Agreement. The principal purpose of the Relationship Agreement is to ensure that the Company will be capable of carrying on its business independently of Peter Kelly and certain persons deemed to be connected with him ('Connected Persons').

Pursuant to the Relationship Agreement, Peter Kelly, inter alia:

- shall procure that all transactions, agreements or arrangements entered into between the Company and Peter Kelly (or any of his Connected Persons) are conducted on an arm's length basis, on normal commercial terms and in accordance with the related party transaction rules set out in Chapter 11 of the Listing Rules and Peter Kelly shall abstain from voting on any resolution to which LR 11.1.7R(4) of the Listing Rules applies relating to a transaction with Peter Kelly (or any of his Connected Persons) as the related party; and
- shall (and shall procure that each of his Connected Persons shall) (i) not take any actions that would reasonably be expected to have the effect of preventing the Company from complying with its obligations under the Listing Rules or be prejudicial to the Company's status as a listed company or the Company's eligibility for listing; (ii) not propose or procure the proposal of a shareholder resolution that would circumvent or appear to circumvent the proper application of the Listing Rules; and (iii) not exercise his voting rights or other rights to procure any amendment to the Articles which would be contrary to the maintenance of the Company's independence, including its ability to operate and make decisions independently from Peter Kelly, or otherwise inconsistent with the provisions of the Relationship Agreement.

Furthermore, the Company and Peter Kelly have agreed that for so long as Peter Kelly (together with any of his Connected Persons) holds 10% of the Company's issued share capital, he shall be entitled to appoint one Non-Executive Director of the Company, although no such Director has been appointed as at the date of this Annual Report.

The Relationship Agreement will remain in effect for so long as: (a) Peter Kelly (and/or any of his Connected Persons) holds at least 10% of the Company's issued share capital; and (b) the ordinary shares are admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority.

The Company has and, in so far as it is aware, Peter Kelly and his Connected Persons have complied with the independence provisions set out in the Relationship Agreement from the date of the agreement.

### Risk regarding financial instruments

The financial risk management objectives and policies are disclosed in note 19 to the financial statements on pages 125 to 127.

### Research and development

The Company did not carry out any research and development activities during the year (2018: none).

### Political donations

The Company did not make any political donations during the period (2018: £Nil).

A resolution to authorise the Company to make political payments up to £50,000 has been included for shareholder consideration in the Notice of AGM. The Company does not intend to make any payments to political organisations or to incur other political expenditure; however, this resolution has been proposed to ensure that the Company has authority under the wide definition used in the Companies Act 2006 of matters constituting political donations.

### Greenhouse gas emissions

Information relating to the Company's greenhouse gas emissions is detailed in the Sustainability Report, on page 33 of the Strategic Report.

### Corporate social responsibility

Details on our commitment to corporate social responsibility can be found in the Sustainability Report on pages 30 to 33 of the Strategic Report.

### Equality and diversity

The Company operates an equal opportunities policy which endeavours to treat individuals fairly and not to discriminate on the basis of gender, disability, race, national or ethnic origin, sexual orientation or marital status. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Company is committed to ensuring that adequate policies and procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during the course of their employment with the Company, the Company will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or, alternatively, suitable new roles within the Company will be secured with additional training where necessary.

Details of the Company's gender breakdown are given in the Sustainability Report on page 31.

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, weekly Company meetings, team briefings, Company days, email and the intranet. The Board has also appointed Vin Murria as the Non-Executive Director responsible for Workforce Engagement (see page 40 of the Corporate Governance Report).

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.

### Post-balance sheet events

#### Dividend

The Board recommends a final dividend of 10.4p per ordinary share and a special dividend of 16.0p per ordinary share to be paid on 13 December 2019 to all ordinary shareholders who were on the register of members at the close of business on 8 November 2019. Shareholders will be asked to approve the final and special dividends at the AGM on 5 December 2019.

The Company's dividend and distributions policy is detailed in the Corporate Governance Report on page 43.



## Requirements of the Listing Rules

The following table provides references to where the information required by the Listing Rule 9.8.4R is disclosed:

Listing Rule requirement	Location in Annual Report
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes and Directors' interests.	Directors' Remuneration Report, pages 61 and 67
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Not applicable
Details of any non-pre-emptive issues of equity for cash.	Directors' Report, page 88
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	Not applicable
Details of waiver of dividends by a shareholder.	Not applicable
Board statement in respect of Relationship Agreement with the controlling shareholder.	Directors' Report, page 89

## Auditor

Ernst & Young LLP ('EY') has signified its willingness to continue in office as auditor to the Company and the Company is satisfied that EY is independent and that there are adequate safeguards in place to safeguard its objectivity. A resolution to reappoint EY as the Company's auditor will be proposed at the 2019 AGM.

## Statement of Directors' responsibilities in relation to the financial statements

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

The Directors are required to prepare financial statements for each financial year in accordance with International Financial Reporting Standards ('IFRSs') 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 as at the end of the financial year and the profit or loss of the Company, so far as concerns members of the Company, for the financial year. In preparing those financial statements, the Directors are required to:

- select and apply accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- make judgements and estimates that are reasonable and prudent;
- state that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Company's 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.

### Statement of Directors' responsibilities in relation to the financial statements continued

The Directors are responsible for keeping adequate accounting records which are sufficient to 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.

### Fair and balanced reporting

Having taken advice from the Audit Committee, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Responsibility statement pursuant to FCA's Disclosure Guidance and Transparency Rule 4 ('DTR 4').

Each Director of the Company (whose names and functions appear on pages 36 and 37) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements in this document, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The responsibility statement has been approved by the Board of Directors and is signed on its behalf by:

**Graeme Watt**  
Chief Executive  
23 October 2019

**Graham Charlton**  
Chief Financial Officer  
23 October 2019

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 33. The financial position of the Company, its cash flows and liquidity position are described in the Financial Review on pages 22 and 23. In addition, note 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

### Disclosure of information to the auditor

The Directors in office at the time of approval of the Directors' Report are listed on page 87 and have each confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any such relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## Annual General Meeting

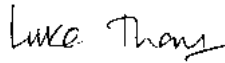
The Company's 2019 AGM will take place on 5 December 2019 at the Company's registered office: Softcat plc, Fieldhouse Lane, Marlow, Buckinghamshire SL7 1LW. Subject to any restrictions set out in this section, on a show of hands every holder of ordinary shares who is present in person or by proxy at a general meeting has one vote on each resolution and, on a poll, every holder of ordinary shares who is present in person or by proxy has one vote on each resolution for every ordinary share of which he/she is the registered holder. A proxy will have one vote against a resolution on a show of hands in certain circumstances specified in the Articles. The Notice of AGM specifies deadlines for exercising voting rights. The Notice of AGM can be found in the investor relations section of the Company's website, [www.softcat.com](http://www.softcat.com), and is being posted at the same time as this Annual Report. The Notice of AGM sets out the business of the meeting and provides explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

A holder of ordinary shares may vote personally or by proxy at a general meeting. Any form of proxy must be delivered to the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote (for this purpose, the Directors may specify that no account shall be taken of any part of a day that is not a working day). A corporation which is a holder of ordinary shares in the Company may authorise such persons as it thinks fit to act as its representatives at any general meeting of the Company.

No holder of ordinary shares shall be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of any ordinary share if any call or other sum presently payable to the Company in respect of such ordinary share remains unpaid or in certain other circumstances specified in the Articles where there is default in supplying the Company with information concerning interests in the Company's ordinary shares.

The AGM is the Company's principal forum for communication with private shareholders. In addition to the formal business, there will be a presentation by the Chief Executive on the performance of the Company and its future development. The Chair of the Board and the Chairs of the Committees, together with the Directors, will be available to answer shareholders' questions at the meeting.

The Directors' Report has been approved by the Board of Directors and is signed on its behalf by:



**Luke Thomas**  
Company Secretary  
23 October 2019

# Independent auditor's report

To the members of Softcat plc

## Opinion

We have audited the financial statements of Softcat plc (the 'Company') for the year ended 31 July 2019 which comprise the Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 July 2019 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report (pages 26 to 29) that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation (page 26) in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement (page 92) in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation (page 29) in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"><li>• IFRS 15 presentation and disclosure</li><li>• Overstatement of performance through the misstatement of revenue recognised at or near year end</li><li>• Misstatement of rebate income to overstate reported results</li></ul>
<b>Materiality</b>	<ul style="list-style-type: none"><li>• Overall materiality of £4.2m which represents 5% of profit before tax</li></ul>

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In the current year, we have determined IFRS 15 presentation and disclosure to be a key audit matter. The year ended 31 July 2019 is the first period that Softcat plc has applied IFRS15 with full retrospective application. As this is the first year of application, and a complex new standard, there is a higher risk of incorrect assessment and implementation resulting in inappropriate presentation and disclosure of revenue, particularly in respect of managements’ judgement on control and the resulting presentation of revenue on a gross or net basis.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>IFRS 15 presentation and disclosure</b></p> <p>During the year the Company recognised revenue of £991.8m (2018: £797.2m).</p> <p>Refer to the Audit Committee Report (pages 46 to 51); accounting policies (page 105 to 115); and note 1.4.2 of the Company financial statements (page 108).</p> <p>On adoption of IFRS 15, the Company has made a judgement over the level of control for all products and services sold and continues to assess this position.</p> <p>There is a risk that the reported revenue may be incorrectly presented as a result of incorrectly assessing whether the Company has control over the products or services sold and consequently if the Company is principal or agent in its arrangements with customers.</p>	<ul style="list-style-type: none"> <li>• Read management’s IFRS 15 implementation memo, completed an accounting technical review to challenge whether management’s application of the requirements of IFRS 15 complied with standards and challenged the key judgements made.</li> <li>• Understood management’s judgement over the split of transactions between gross and net presentation.</li> <li>• To corroborate management’s judgement, we met with key members of the sales and solutions teams to develop an understanding of the advisory element of Softcat’s customer offering, and challenged the distinction between sales effort and service delivery in order to help ascertain the level of control of goods prior to their delivery, and ultimately concluded if the principal (gross) or agent (net) treatment applied was appropriate according to the criteria set out within the standard.</li> <li>• Tested a sample of transactions across the year obtaining evidence for each transaction and agreeing back to underlying data to determine the Company’s control over the product or service and therefore if the Company is principal or agent. We challenged the presentation of revenue as gross or net where appropriate by holding meetings with relevant individuals and inspected correspondence with customers.</li> <li>• We have ensured that the new adjusted performance measure (APM) included in the Annual Report is appropriately defined and reconciled to GAAP measures.</li> </ul>	<p>We concluded that the adoption of the standard was appropriate, that the judgements made by management are consistent with the level of control we have observed, and that the presentation and disclosure of revenue is materially correct and has been recognised in accordance with the Company’s accounting policies and International Financial Reporting Standards.</p> <p>The new APM included by management has been appropriately defined and reconciled to GAAP measures.</p> <p>We assessed management’s rationale for including the APM and ensured the appropriateness of the related disclosures, prominence and GAAP measure reconciliations.</p>

## Independent auditor’s report continued

To the members of Softcat plc

### Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Overstatement of performance through the misstatement of revenue recognised at or near year end</b></p> <p>During the year the Company recognised revenue of £991.8m (2018: £797.2m).</p> <p>Refer to the Audit Committee Report (pages 46 to 51); accounting policies (page 105 to 115); and note 1.5 of the Company financial statements (page 109).</p> <ul style="list-style-type: none"> <li>Revenue is a key value driver for the business as a whole and is one of the key performance indicators used to measure the value of the business.</li> <li>Certain compensation incentives are based on quarterly and annual gross margin targets, creating a risk of revenue misstatement through management override.</li> <li>Management’s process for accounting for certain revenue transactions, particularly the review process at or near the year end, is mostly manual and therefore susceptible to error (either deliberate or without intent).</li> <li>There is therefore a risk that revenue is recognised prematurely, fictitiously, or without the associated cost of goods sold.</li> </ul>	<ul style="list-style-type: none"> <li>Tested revenue cut-off by obtaining management’s sales cut-off analysis and independently testing transactions therein on a sample basis by vouching to invoices and proof of delivery.</li> <li>To address the risk of management override in relation to the identified risk, we tested a sample of manual journal entries recorded at or near year end by verifying to supporting documentation and credit notes issued subsequent to the year end.</li> <li>We tested a sample of sales transactions deferred at the year end and recalculated the deferred elements to obtain assurance over the calculation of deferred revenue. We also selected a sample of product codes and verified they were appropriately identified by management as potentially requiring deferral when invoiced.</li> <li>We obtained signed confirmations from a sample of sales personnel to confirm the absence of side agreements, which could impact revenue recognised during the financial year.</li> <li>We analysed sales-related journal entry data to track sales from revenue through to accounts receivable through to cash collection. We used this analysis to validate the appropriateness of transaction flows and tested a sample of transactions to determine if the journals accurately reflected the substance of transactions recorded.</li> <li>We performed analysis on the revenue for the key customers for both the current year and prior year. We focused our analysis on lack of recurring customers as well as individual material movements.</li> </ul>	<p>We concluded that revenue is materially correct and has been recognised in accordance with the Company’s accounting policies and International Financial Reporting Standards.</p>



**Key audit matters continued**

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Misstatement of rebate income to overstate reported results</b></p> <p>During the year the Company earned rebate income of £37m (2018: £29m).</p> <p>Refer to the Audit Committee Report (pages 46 to 51); accounting policies (page 105 to 115); and note 1.7 of the Company financial statements (page 111).</p> <ul style="list-style-type: none"> <li>Rebates are recorded through a primarily manual process. While most rebates are agreed with the supplier and received during the year, there is an opportunity to misstate results through adjustments to the balance sheet receivable or the misclassification of rebates as revenue instead of recording them against costs of goods sold.</li> </ul>	<ul style="list-style-type: none"> <li>Tested the year end rebate receivable by confirming a sample of rebates due from suppliers to third party source documentation.</li> <li>Tested a sample of rebate transactions recorded to the statement of profit and loss throughout the year and obtained underlying support to consider whether the transactions have been recorded in the correct period and if they have been presented appropriately against cost of goods sold.</li> <li>Analysed the rebate receivable by vendor and compared the largest vendor level balances (making up 84% of the balance) against 31 July 2018. Performed analysis to understand the drivers of increases or decreases in the underlying balances.</li> <li>We have assessed the cash conversion of rebates accrued at the year end and tested a sample of subsequent receipts.</li> </ul>	<p>We concluded that both rebate income and the rebate receivable are materially correct and have been recognised in accordance with the Company's accounting policies and International Financial Reporting Standards.</p>

**An overview of the scope of our audit****Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £4.2m (2018: £3.4m), which is 5% (2018: 5%) of profit before tax. We believe that profit before tax provides us with most appropriate basis as it drives shareholder returns and is a key measure of Company performance.

During the course of our audit, we reassessed initial materiality and increased this in line with actual profit before tax.

# Independent auditor's report continued

To the members of Softcat plc

## Our application of materiality continued

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £3.2m (2018: £2.6m). We have set performance materiality at this percentage due to the low number and value of audit differences in the prior year.

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2018: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the Annual Report (pages 1 to 93), including the Strategic Report (pages 1 to 33) and Corporate Governance Report (pages 34 to 93), other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (page 92)** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting (pages 46 to 51)** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (page 35)** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 and the part of the Directors' Remuneration Report to be audited 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.

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement (page 91), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those related to the reporting framework (IFRS as adopted by the EU, the Companies Act 2006 and Corporate Governance Code) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements, being the Listing Rules of the London Stock Exchange and the Bribery Act 2010.

# Independent auditor's report continued

To the members of Softcat plc

## Auditor's responsibilities for the audit of the financial statements continued

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

- We understood how Softcat plc is complying with those frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, discussions with the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above addresses procedures performed in areas where we have concluded the risks of material misstatement are highest (including where due to the risk of fraud). These procedures included testing manual journal entries.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of Board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations and enquires of the Company Secretary and management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

## Other matters we are required to address

- We were appointed by the Company on 6 December 2018 to audit the financial statements for the year ending 31 July 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 31 July 2013 to 31 July 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

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.

## David Hales (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

23 October 2019

### Notes:

1. The maintenance and integrity of the Softcat plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement of profit or loss and other comprehensive income

For the year ended 31 July 2019

	Notes	2019 £'000	2018 As restated <sup>1</sup> £'000
<b>Revenue</b>	2	<b>991,849</b>	797,208
Cost of sales		<b>(780,706)</b>	(622,045)
<b>Gross profit</b>		<b>211,143</b>	175,163
Administrative expenses		<b>(126,657)</b>	(107,141)
<b>Operating profit</b>	3	<b>84,486</b>	68,022
Finance income	4	<b>333</b>	117
<b>Profit before tax</b>		<b>84,819</b>	68,139
Income tax expense	5	<b>(16,358)</b>	(13,133)
Profit and total comprehensive income for the year		<b>68,461</b>	55,006
Profit attributable to:			
<b>Owners of the Company</b>		<b>68,461</b>	55,006
<b>Earnings per ordinary share (p)</b>			
Basic	16	<b>34.6</b>	27.9
Diluted	16	<b>34.4</b>	27.6

**Note:**

1. The prior year financial comparatives have been restated where relevant in line with the newly adopted revenue recognition standard – IFRS 15 Revenue from Contracts with Customers. Further information has been included on pages 108 and 109.

The Statement of Profit or Loss and Other Comprehensive Income has been prepared on the basis that all operations are continuing operations.

## Financial statements

### Statement of financial position

As at 31 July 2019

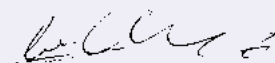
	Notes	2019 £'000	2018 As restated £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	5,761	5,056
Intangible assets	8	240	324
Deferred tax asset	13	2,485	1,436
		<b>8,486</b>	6,816
<b>Current assets</b>			
Inventories	9	11,084	8,631
Trade and other receivables	10	285,307	205,957
Cash and cash equivalents	12	79,263	72,831
		<b>375,654</b>	287,419
<b>Total assets</b>		<b>384,140</b>	294,235
<b>Current liabilities</b>			
Trade and other payables	11	(259,633)	(185,264)
Income tax payable		(9,115)	(8,155)
		<b>(268,748)</b>	(193,419)
<b>Net assets</b>		<b>115,392</b>	100,816
<b>Equity</b>			
Issued share capital	15	99	99
Share premium account		4,979	4,979
Reserves for own shares		—	—
Retained earnings		110,314	95,738
<b>Total equity</b>		<b>115,392</b>	100,816

These financial statements were approved by the Board of Directors and authorised for issue on 23 October 2019.

On behalf of the Board



**Graeme Watt**  
Chief Executive



**Graham Charlton**  
Chief Financial Officer

Softcat plc company registration number: 02174990

## Statement of changes in equity

For the year ended 31 July 2019

### Equity attributable to owners of the Company

	Share capital £'000	Share premium account £'000	Reserves for own shares £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 August 2017</b>	99	4,664	—	83,655	88,418
Total comprehensive income for the year	—	—	—	55,006	55,006
Share-based payment transactions	—	—	—	1,759	1,759
Dividends paid	—	—	—	(45,321)	(45,321)
Shares issued in the year	—	315	—	—	315
Tax adjustments	—	—	—	529	529
Own share movement during the year	—	—	—	110	110
<b>Balance at 31 July 2018</b>	99	4,979	—	95,738	100,816
Total comprehensive income for the year	—	—	—	68,461	68,461
Share-based payment transactions	—	—	—	1,732	1,732
Dividends paid	—	—	—	(56,231)	(56,231)
Shares issued in the year	—	—	—	—	—
Dividend equivalents paid	—	—	—	(287)	(287)
Tax adjustments	—	—	—	901	901
<b>Balance at 31 July 2019</b>	<b>99</b>	<b>4,979</b>	<b>—</b>	<b>110,314</b>	<b>115,392</b>

The share capital and share premium accounts represent the nominal value and premium arising on the issue of equity shares.

The reserve for own shares refers to ordinary shares held by a Share Incentive Plan ('SIP') Trust.

During the year ended 31 July 2019, 299,791 share options (2018: 300,000) were exercised and new shares were issued to satisfy this exercise. Proceeds of £Nil (2018: £315,000) were realised from the exercise of these share options.

As at 31 July 2019, the SIP Trust held 359,302 shares (2018: 469,843) awarded to employees as part of the free share award, subject to service conditions. A further 319,835 shares (2018: 298,311) were held on behalf of employees who have taken part in the Company's voluntary partnership share purchase programme. The SIP also held 49,803 unallocated shares (2018: 29,186).



## Financial statements

### Statement of cash flows

For the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Net cash generated from operating activities</b>	17	<b>64,659</b>	57,051
<b>Investing activities</b>			
Finance income	4	333	117
Purchase of property, plant and equipment	7	(2,168)	(965)
Purchase of intangible assets	8	(161)	(119)
<b>Net cash used in investing activities</b>		<b>(1,996)</b>	(967)
<b>Financing activities</b>			
Issue of share capital		—	315
Dividends paid	6	(56,231)	(45,321)
Own share transactions	15	—	110
<b>Net cash used in financing activities</b>		<b>(56,231)</b>	(44,896)
<b>Net increase in cash and cash equivalents</b>		<b>6,432</b>	11,188
Cash and cash equivalents at beginning of year	12	72,831	61,643
<b>Cash and cash equivalents at end of year</b>	12	<b>79,263</b>	72,831

## Notes to the financial statements

For the year ended 31 July 2019

### 1 Accounting policies

#### 1.1 Corporate information

The financial statements of Softcat plc for the year ended 31 July 2019 were authorised for issue in accordance with a resolution of the Directors on 23 October 2019. Softcat plc is a public limited company incorporated and domiciled in the United Kingdom and whose shares are publicly traded. 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 IFRS Interpretations Committee ('IFRIC') interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under 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 and all values are rounded to the nearest thousand ('£'000'), except when otherwise stated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 July 2019. The accounting policies set out below have, unless otherwise stated (see 1.4.2 below), been applied consistently to all periods presented in these financial statements.

#### Going concern

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

#### 1.3 Critical accounting judgements and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make a number of key judgements involving estimates and assumptions concerning the future. These estimates and judgements are based on factors considered to be relevant, including historical experience that may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

##### Revenue cut-off

The Company's management information systems are configured to recognise revenue upon notification of dispatch from the supplier or distributor which in instances, especially regarding physical shipments, may not be aligned to when control has been transferred as noted in IFRS 15.38. Management therefore performs an exercise to capture items that may have been dispatched from distributor but not delivered in the financial year, and subsequently defers the recognition of revenue and associated cost into the following year.

This gives rise to a deferred revenue liability and matching stock asset in the Statement of Financial Position. The exercise applied includes assumptions, which management believes are reasonable, in order to identify items that fit the criteria for deferral. Separately, management reviews individual large transactions on a case-by-case basis, which reduces the opportunity for error.

The key judgements that are made in the cut-off process are as follows:

- When identifying transactions to review in the cut-off process, management limits the review period to a fixed number of days before and after the period end and validates the date of dispatch.
- Management incorporates a one-day shipment delay assumption onto the sale of hardware items to reflect the time taken between vendor shipment and customer delivery.

# Notes to the financial statements continued

For the year ended 31 July 2019

## 1 Accounting policies continued

### 1.3 Critical accounting judgements and key sources of estimation uncertainty continued

#### Principal versus agent

Significant judgement is required in determining whether the Company is acting as principal, reporting revenue on a gross basis, or agent, reporting revenue on a net basis. Softcat evaluates each revenue stream against the following indicators when determining whether it is acting as principal or agent in a transaction: (i) primary responsibility for fulfilling the promise to provide the specified goods or service, (ii) inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer and (iii) discretion in establishing the price for the specified good or service. Certain revenue streams present a more balanced judgement than others when assessed against the above criteria and the conclusion may be reliant on the weighting applied to the responses to these criteria. When applying the weighting and concluding on whether principal or agent treatment is appropriate, the Company exercises significant levels of judgement due to the balanced nature of the assessment. The specific judgements made for each revenue category are discussed in the accounting policy for revenue as disclosed below.

### 1.4 Adoption of new and revised standards

#### 1.4.1 Standards not yet adopted

At the date of authorisation of these financial statements, the following key 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):

- IFRS 16 Leases, see below; and
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

The Directors anticipate that these standards will be adopted for the year ending 31 July 2020. The Directors also anticipate that the adoption of these standards and interpretations in future periods will have no significant impact on the financial statements of the Company, except for:

#### IFRS 16 Leases

IFRS 16 will be effective for accounting periods beginning on or after 1 January 2019. Softcat will adopt the standard for the financial year ending 31 July 2020. The new standard will require the Company's leased assets to be recorded as 'right of use assets' in the Statement of Financial Position within property, plant and equipment and a corresponding lease liability, based on the present value of the future payments required under each lease. Softcat intends to use the modified retrospective approach in our transition to IFRS 16.

Softcat intends to utilise various practical expedients in the standard, such as not recognising lease liabilities for leases under twelve months in duration or for leases on assets with a value of under \$5,000 for new leases entered into in the current year. In addition, Softcat intends to use the practical expedient available and, within its transition adjustment, only consider contracts previously identified as including leases.

Softcat's leases entirely relate to office buildings and car parks. The impact of IFRS 16 on the Statement of Profit or Loss and Other Comprehensive Income will be immaterial, though the right of use asset and lease liability on the Statement of Financial Position will be considerable. Any impact on retained earnings will be offset against the release of the rent-free accrual as previously recognised under IAS 17.

The existing operating lease expense currently recorded in administrative expenses will be replaced by a depreciation charge which will be presented in administrative expenses and a separate financing expense, which will be recorded in interest expense. For leases previously classified as operating leases, the profile of total expenses recognised over the course of a lease will change and will no longer be on a straight-line basis but rather will be marginally weighted to the earlier periods of the lease. This is because the finance expense element will be higher in the earlier periods and reduce as the lease liability is paid down over time.

Net cash flows will not be impacted by the new standard; however, the lease payments will no longer all be presented as operating cash outflows in the Statement of Cash Flows but rather will be presented as financing cash outflows, split between interest payments and repayment of lease liabilities. This means that cash flows from operating activities will increase but cash flows from financing activities will decrease.

## 1 Accounting policies continued

### 1.4 Adoption of new and revised standards continued

#### 1.4.1 Standards not yet adopted continued

##### IFRS 16 Leases continued

Softcat has completed its impact assessment and determined that the application of the new standard will have an impact on its opening balance sheet as at 1 August 2019 comprising of a right of use asset of £6.45m and lease liability of £7.43m. There will be a decrease in retained earnings of £0.98m. There will also be an impact on the Statement of Profit or Loss and Other Comprehensive Income, resulting in an increase to operating profit through the removal of the operating lease expense and replacement with a smaller depreciation charge. There will be an interest expense under the new accounting that would not have occurred under IAS 17, which will substantially offset the increase in operating profit and result in an immaterial difference to profit before tax. The impact to the Statement of Profit or Loss and Other Comprehensive Income and net assets is deemed to be immaterial.

Softcat does not currently intend to alter its approach as to whether assets should be leased or bought going forward.

#### 1.4.2 Changes to accounting standards

Softcat plc has adopted the following standards and amendments for the first time in the year commencing 1 August 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 2 (Amendments) Share-based Payments.

##### IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 August 2018 resulted in changes in accounting policies, but no material adjustments to amounts recognised in the financial statements. The total impact on retained earnings from the adoption of the standard is £Nil.

IFRS 9 also introduces an 'expected credit loss' model for the assessment of the impairment of financial assets. IAS 39 required the entity to recognise impairment losses on an 'incurred loss' model when there was objective evidence that an asset was impaired.

Anticipated credit losses are now recorded under IFRS 9, even in the absence of a default event or objective evidence of impairment. For the purpose of these financial statements, a default event is defined as a failure to fulfil a contractual obligation. The Company has adopted the simplified approach to trade receivables and contractual assets under IFRS 9 and has been able to adopt the simplified approach as a result of the short-term nature of the balance and general quality of the assets.

The adoption of the new standard has not required any material adjustment against financial assets.

The following table presents Softcat's financial instruments, displaying their original measurement categories under IAS 39 and new measurement categories under IFRS 9, as at 1 August 2018. There has been no measurement change to any of the financial instruments upon adoption of IFRS 9.

Financial instrument item	IAS 39 classification	IFRS 9 classification
<b>Financial assets</b>		
Cash and cash equivalents	Loan and receivable	Amortised cost
Trade and other receivables	Loan and receivable	Amortised cost
<b>Financial liabilities</b>		
Trade and other payables	Amortised cost	Amortised cost

## Notes to the financial statements continued

For the year ended 31 July 2019

### 1 Accounting policies continued

#### 1.4 Adoption of new and revised standards continued

##### 1.4.2 Changes to accounting standards continued

###### IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18 Revenue ('IAS 18') and IAS 11 Construction Contracts ('IAS 11') as well as various interpretations previously issued by the IFRS Interpretations Committee.

Softcat plc has adopted IFRS 15 from 1 August 2018 which has resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial statements. The Company has chosen to apply IFRS 15 using the full retrospective approach and has therefore restated the prior year under the new standard. The new standard has also had an impact on the classification of trade and other receivables in the notes to the Statement of Financial Position. This has resulted in the restatement of the prior year notes to the financial statements. A total of £3.3m has been reclassified out of prepayments and into deferred costs in the prior year disclosure. Please see further information in notes 1.5 and 10.

As previously stated in the 2018 Annual and 2019 Interim Reports, the key consideration for Softcat plc has been principal versus agent classification, with all remaining aspects of IFRS 15 having no material impact. Management's assessment has shown IFRS 15 has impacted Softcat in the following ways:

- Some revenue streams are adjusted to be recorded on a net income rather than a gross income basis.
- IFRS 15 moves away from the previous risk-based measures (such as credit risk) and instead focuses on the control principle. The nature of Softcat's business inherently makes a control-based assessment more judgemental than a risk-based assessment, and whilst some revenue streams are clearly unchanged, others present more balanced arguments and the conclusion requires significant levels of judgement.
- Reclassification of deferred costs out of prepayments in notes to the financial statements.
- Reclassification of unbilled receivables out of accrued income in notes to the financial statements.
- All remaining aspects of IFRS 15 have had no material impact.

The overall adjustments are recognised as equal reductions to both revenue and cost of sales with no impact on gross profit, operating profit, cash flow, or the Statement of Financial Position of the Company.

The size of these adjustments is in line with guidance provided in the most recent annual financial statements. The overall impact is an equal reduction in both revenue and cost of sales of £284.5m for the year ended 31 July 2018.

In summary, the following adjustments were made to the amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 July 2018 after the date of initial application (1 August 2018):

Financial statement item	31 July 2018 As originally presented £'000	IFRS 15 £'000	31 July 2018 As restated £'000
<b>Revenue</b>	1,081,678	(284,470)	797,208
Cost of sales	(906,515)	284,470	(622,045)
<b>Gross profit</b>	175,163	—	175,163
Administrative expenses	(107,141)	—	(107,141)
<b>Operating profit</b>	68,022	—	68,022
Finance income	117	—	117
<b>Profit before tax</b>	68,139	—	68,139
Income tax expense	(13,133)	—	(13,133)
<b>Profit for the year and total comprehensive income for the year</b>	55,006	—	55,006
Profit attributable to:			
<b>Owners of the Company</b>	55,006	—	55,006
<b>Earnings per ordinary share (p)</b>			
Basic	27.9	—	27.9
Diluted	27.6	—	27.6

## 1 Accounting policies continued

### 1.4 Adoption of new and revised standards continued

#### 1.4.2 Changes to accounting standards continued

##### IFRS 15 Revenue from Contracts with Customers continued

There was £Nil impact on the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position or Statement of Cash Flows as a result of IFRS 9 as at 31 July 2018, as IFRS 9 is not being applied retrospectively. Despite the provision for impairment now being calculated on an expected credit loss basis, this has not had any material impact on the provision for the year, which is disclosed in note 10.

##### IFRS 2 (Amendments) Share-based Payments

IFRS 2 Share-based Payments has not given rise to a material impact on the financial statements of Softcat plc.

### 1.5 Revenue recognition

Revenue is recognised based on the completion of performance obligations at the transaction price allocated to the performance obligation. The transaction price is determined by the price specified in the underlying contract or order. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. No discounts, loyalty points or returns are offered to customers. All performance obligations are separately listed as individual items on the order and the price is allocated on this basis. A performance obligation is satisfied when control of the promised good or service is transferred to the customer. The following indicators are used by the Company in determining when control has passed to the customer:

- (i) the Company has a right to payment for the product or service;
- (ii) the customer has legal title to the product;
- (iii) the Company has transferred physical possession of the product to the customer;
- (iv) the customer has the significant risks and rewards of ownership of the product; and
- (v) the customer has accepted the product.

#### Principal versus agent

The Company evaluates the following indicators amongst others when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

- (i) the Company is primarily responsible for fulfilling the promise to provide the specified goods or service;
- (ii) the Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- (iii) the Company has discretion in establishing the price for the specified good or service.

#### Hardware revenue

The Company sells hardware that is sourced from and delivered by multiple vendors and distributors. Revenues from sales of hardware products are recognised on a gross basis as the Company is acting as a principal in these transactions, with the gross value of the consideration from the customer recorded as revenue. The Company is acting as principal as it has primary responsibility for the acceptability of goods sold following the provision of consulting services which are not considered separately identifiable. Softcat is also exposed to inventory risk during the delivery period and establishes the selling price itself. Revenue from the sale of these goods is recognised when the control has passed to the buyer, usually on delivery of the goods.

Vendors typically provide standard warranties on most of the hardware products the Company sells. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications.

# Notes to the financial statements continued

For the year ended 31 July 2019

## 1 Accounting policies continued

### 1.5 Revenue recognition continued

#### Principal versus agent continued

##### Software revenue

Revenue from most software licence sales is recognised on a gross basis as the Company is acting as a principal in these transactions at the point the software licence is delivered to the customer. The Company is deemed to be acting as principal in these transactions as the Company has primary responsibility for the acceptability of software sold following the provision of consulting services which are not considered to be separately identifiable, as well as the autonomy to establish the selling price for the transaction. Generally, software licences are sold with the ability to access that vendor's latest technology via product updates. The Company evaluates whether the access to updates is a separate performance obligation by assessing if the third party-delivered updates are critical to the core functionality of the software.

Where updates are critical to the effectiveness of the product then the Company will recognise the revenue on a net, or agent, basis. Where updates are not considered to be critical to the effectiveness of the product and the customer can continue to benefit from the core product without employing the updates then the Company recognises this revenue on a gross, or principal, basis. In practice, software licensing of security type products will require the latest updates to maintain their effectiveness and are therefore reported on a net basis.

The Company sells cloud computing solutions which include Software as a Service ('SaaS'). SaaS solutions utilise third party partners to offer the Company's customers access to software in the cloud that enhances office productivity, provides security or assists in collaboration. The Company recognises revenue for cloud computing solutions at the time of invoice on a net basis as the Company is acting as an agent in the transaction.

The Company sells, for a single vendor, access to corporate enterprise agreements which is a certain licensing programme for customers who are eligible. For these transactions the Company introduces the customer to the vendor who then fulfils the sale, including transfer of licensing, invoicing and cash collection, without further involvement of the Company. In return for this introduction the vendor compensates the Company with a fee. This fee is recognised net as the Company is acting as an agent in these transactions.

##### Service revenue

Softcat sells professional services days which are fulfilled by either Softcat's own internal team of consultants or by consultants provided by third parties. The Company recognises the revenue on these transactions, irrespective of whether they are fulfilled internally or externally, when confirmation has been received from the customer that the work has been satisfactorily completed. In most cases there is a short timeframe between a customer order and subsequent delivery of the sold service days. As such, the Company does not recognise revenue on a percentage completion basis as this would not have a material impact.

On very rare occasions the Company will sell professional service days which cover an extended period. For these transactions, management assesses the individual contract and, if required, recognises the revenue over time according to the output method. Softcat recognises revenue on the basis of direct measurements of the value to the customer which for professional days would be days completed as a percentage of total days. Revenue is recognised on a gross basis; the Company is deemed to be acting as principal in these transactions as it is responsible for selecting the external party, where relevant, for the acceptability of the services and for determining the price charged to the customer.

The Company also provides hosted managed services to its customers offering Infrastructure as a Service ('IAAS') and managed print services among others. The Company hosts these services using internal resources and recognises revenue on a straight-line basis over the contractual service period. The Company recognises the respective revenue on a gross basis as the Company is acting as a principal in the transaction as it has both managerial involvement and effective control over the services being provided throughout the contract period.

Softcat also sells extended or enhanced warranty products provided by third parties. These warranties are sold separately to hardware and provide the customer with a service in addition to assurance that the product will function as expected. For these enhanced warranty products, the Company is arranging for those services to be provided by the third party over an extended period and therefore is acting as an agent in the transaction and records revenue on a net basis at the point of sale. Revenue from such services is recognised in full at the point of service commencement as the Company has no ongoing obligation in relation to delivery of the underlying service.



## 1 Accounting policies continued

### 1.5 Revenue recognition continued

#### Principal versus agent continued

##### Public sector partner business revenue

The Company transacts with several partners in the public sector where the partner is responsible for the solution and customer relationship. These transactions incorporate the provision of hardware, software or services to the end customer. For this business, the Company's responsibilities of invoicing and cash collection are more aligned to those of an agent and therefore this business is recognised as agent and presented net of cost of sales.

##### Deferred costs

IFRS 15 requires certain costs to fulfil a contract to be recognised as a separate asset in other receivables on the Statement of Financial Position. These deferred costs are deferred to match against the specific underlying sale, reported in deferred income, to which they relate. Deferred costs are measured at the purchase price of the associated goods or services. Deferred costs are released from the Statement of Financial Position in line with the recognition of revenue on the specific transaction. There are no significant or material judgements made by management in the measurement or recognition of these deferred costs, as costs are matched to an associated sale and the period of deferral is typically short.

##### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Softcat has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before Softcat transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when Softcat performs under the contract. Further details of contract balances are provided in note 19.

### 1.6 Cost of sales

The Company recognises cost of sales at the point at which it recognises revenue as explained above. Cost of sales predominantly relate to the cost of goods or services purchased from suppliers and then sold to customers. In addition to these costs, the following elements are also included within cost of sales.

#### Rebates

Included within cost of sales are rebates received from commercial partners. Further details are provided on rebates in 1.7, below.

#### Managed service infrastructure costs

The Company operates its own network operating centre which facilitates the selling of Softcat hosted managed services. The costs of maintaining this capability include, but are not limited to, the rental of space in data warehouses, energy and licensing costs. These costs represent the cost of sale of selling hosted managed service solutions and are included within cost of sales.

#### Marketing costs and related credits

The Company carries out numerous training programmes, activities and schemes that aim to educate its sales force and internally promote the products the business resells. These activities are often funded by the Company's partners. Both the cost of the programmes borne by the Company and the credits received, where applicable, are included within cost of sales.

#### Settlement discounts

Through the normal course of business, the Company receives credits from distributors and suppliers for the prompt settlement of invoices. Softcat recognises these discounts in cost of sales as they are considered to be a reduction in the cost of goods sold.

### 1.7 Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly sales volume related and are generally short term in nature, with rebates earned but not yet received typically relating to the preceding quarter's trading. Rebate income is recognised in cost of sales in the Statement of Profit or Loss and Other Comprehensive Income and rebates earned but not yet received are included within accrued income in the Statement of Financial Position.

# Notes to the financial statements continued

For the year ended 31 July 2019

## 1 Accounting policies continued

### 1.8 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.

### 1.9 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	fifty years straight line
Building improvements	remaining period of lease – ten years straight line
Computer equipment	three to five years straight line
Fixtures, fittings and equipment	six years straight line
Motor vehicles	three 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 ten-year period, which represents their useful life. Leasehold improvements are depreciated over their useful life which is the lesser of the remaining length of the lease or ten years.

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

### 1.10 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	three to five years straight line
-------------------	-----------------------------------

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 derecognition 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.

### 1.11 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.

At inception of an arrangement, the Company determines whether such an arrangement is, or contains, a lease. At inception or on reassessment of the arrangement that contains a lease, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

## 1 Accounting policies continued

### 1.12 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 include goods in transit and other products ordered to fulfil customer orders where the right of ownership is yet to transfer.

### 1.13 Financial instruments

#### Financial assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Company becomes party to the contractual provisions of the instrument.

#### i) Trade receivables

Trade receivables are recognised and measured at the transaction price less allowance for expected credit losses. Trade receivables do not carry interest.

As required under IFRS 9, the simplified approach for trade receivables and contractual assets has been used as there is not a significant financing component to these assets. In accordance with the simplified approach for impairment of trade receivables and accrued income under IFRS 9, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses and includes a forward-looking element as well as an assessment based on history and experience. Factors considered when assessing the expected credit losses include prior experience, specific customer credit ratings, communication quality, industry factors and the current economic climate.

Due to the size of the receivables ledger and the volume of smaller balances, it is not possible to review all balances individually and therefore a portion of the ledger is reviewed collectively and provided for as such. More material or higher risk balances are reviewed individually looking at specific circumstances including payment history, the forecast of economic conditions in the sector the customer operates in, communication quality and responsiveness, to determine future expected credit losses, and are provided for individually with respect to the perceived level of risk. In addition, any entities that are in administration or have been passed to debt collection are provided for individually.

Unbilled receivables are recognised when a contract results in completion of a performance obligation in advance of the customer being invoiced.

#### ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, call deposits and bank overdrafts. Cash and cash equivalent balances have a maturity of three months or less and are subject to an insignificant level of risk to change in value.

#### iii) Accrued income

Accrued income predominantly relates to supplier rebates and is recognised according to both rebate agreements and supplier spend in the financial year.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Company's financial liabilities comprise trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### i) Trade payables

Trade payables are initially measured at fair value. Trade payables due after one year are measured at amortised cost, using the effective interest rate method.

#### Derecognised financial instruments

For a small number of customers, Softcat acts as intermediary to provide financing arrangements between the customer and a third party financing provider. Following the delivery of the goods or services, which represents our performance obligation in full, Softcat receives settlement of the customer invoice, by the third party financing company. Receivables are derecognised only when Softcat has transferred the receivable, meaning that it has retained the contractual rights to the cash flows, but has assumed an obligation to pay those cash flows to the finance provider, in the case where all three of the following conditions are met:

- Softcat has no obligation to pay amounts to the finance provider unless it collects equivalent amounts from the receivable;
- Softcat is prohibited from selling or pledging the receivable; and
- Softcat has an obligation to remit the cash received without material delay.

# Notes to the financial statements continued

For the year ended 31 July 2019

## 1 Accounting policies continued

### 1.13 Financial instruments continued

#### Derecognised financial instruments continued

The transfer described above qualifies for derecognition in accordance with IFRS 9.3.2.6 as Softcat has transferred substantially all the risks and rewards of ownership of the receivable. Its only continuing involvement following delivery is to act as agent in the receipt and transfer of cash payments and, in line with the derecognition criteria set out above, the customer receivable is derecognised. Softcat does not retain or regain ownership of any assets at the end of these arrangements and the finance provider takes on the credit risk of future cash flows from the customer.

In respect of assets and liabilities that should be derecognised as at 31 July 2019, there remained £Nil (2018: £Nil) on the Statement of Financial Position.

### 1.14 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 represent the full extent of the Company's liability.

### 1.15 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.

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 on a net basis.

### 1.16 Current taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### 1.17 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 Accounting policies continued

### 1.18 Share-based payments

During the year the Company operated the following equity-settled share option schemes:

#### **Company Share Option Plan ('CSOP')**

The CSOP provides share options for nominated employees. The purchase price is set at a mid-market price on the date of grant. The CSOP operates both approved and unapproved schemes with vesting dependent on continued employment with the Company. Options typically vest between one and three years and lapse after ten years from the date of grant.

The fair value of the CSOP 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 with a corresponding increase in equity.

#### **Share Incentive Plan ('SIP')**

The Company operates a SIP for employees who were awarded free shares following the initial public offering in November 2015. Shares were allocated to employees on the basis of length of service. Free shares awarded to an employee under the SIP are subject to a minimum holding period of three years following the date on which beneficial interest in the relevant ordinary shares is conferred by the SIP Trustee to the employee.

The fair value of the SIP shares is determined by the share price at date of grant, on 9 December 2015. A fair value charge is recognised as an expense in the income statement over the vesting period with a corresponding increase in equity. The charge is recognised only on expected number of shares to vest. The assumption used for expected leavers within three years from the date of award has been calculated with reference to historical employee retention rates.

In addition, the Company's voluntary partnership share purchase programme, which is open to all eligible employees, is administered through the SIP. Through this programme, employees have the option to purchase shares from their gross income, the cost of which is not borne by the Company.

#### **Long Term Incentive Plan ('LTIP')**

Details in relation to the Softcat LTIP awards to Executive Directors in 2018 are included in the Directors' Remuneration Report on page 61.

The awards will only vest and become exercisable upon achievement of performance targets, linked to earnings per share and total shareholder return, as well as being conditional upon continued employment with the Company. The fair value is measured using a suitable valuation model where appropriate. Non-market vesting conditions are taken into account by adjusting the number of LTIP shares expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of LTIP shares that will eventually vest. Market vesting conditions are factored into the fair value of the LTIP shares granted. The cumulative expense is not adjusted for failure to meet a market vesting condition. The resulting fair value charge is charged as an expense in the income statement over the vesting period with a corresponding increase in equity.

#### **Deferred shares**

One-third of the Executive Directors' annual bonus is paid in deferred shares. The Company accrues for the cost of the non-cash bonus over a four-year period, including the year in which the bonus targets are assessed and the following three-year vesting period. Employer's National Insurance contributions are payable, on exercise, on the market value of the award and are accrued for within the share-based payments expense in the Statement of Profit or Loss and Comprehensive Income.

#### **Employee Benefit Trust and SIP Trust**

The Company operates an Employee Benefit Trust and a SIP Trust for the benefit of eligible employees. The Company recognises the assets and liabilities of these trusts as its own until such assets held vest unconditionally with identified beneficiaries. The Company meets all costs incurred by the trusts.

### 1.19 Company accounts

Softcat plc is a single entity with no subsidiary undertakings. The Employee Benefit and SIP Trusts, which hold shares on behalf of employees, are not consolidated within the results of Softcat plc and instead are treated as extensions of the Company.

## Notes to the financial statements continued

For the year ended 31 July 2019

### 2 Segmental information

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

Revenue by type:	2019 £'000	2018 As restated £'000
Software	476,461	378,811
Hardware	430,933	349,119
Services	84,455	69,278
	<b>991,849</b>	797,208

Gross invoiced income by type:	2019 £'000	2018 £'000
Software	788,903	563,709
Hardware	452,971	366,877
Services	172,190	151,092
	<b>1,414,064</b>	1,081,678

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items and is consistent with our previous application of IAS 18. Softcat will continue to report gross invoiced income as an alternative financial KPI as this measure allows a better understanding of business performance and position. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

	2019 £'000	2018 £'000
Gross invoiced income	1,414,064	1,081,678
Income to be recognised as agent under IFRS 15	(422,215)	(284,470)
Revenue	<b>991,849</b>	797,208

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

Operating profit is stated after charging:	2019 £'000	2018 £'000
Depreciation of tangible assets	1,275	1,460
Amortisation of intangible assets	245	299
Operating lease rentals	1,790	1,123
Foreign exchange loss	752	400
Inventories expensed in the year	368,304	307,628
<b>Auditor's remuneration</b>		
Fees payable for the audit of the Company's annual accounts	255	218
Fees payable for audit-related services	33	24
<b>Total for statutory audit services</b>	<b>288</b>	242
Fees payable for non-audit-related services	25	38
<b>Total for non-audit-related services</b>	<b>25</b>	38

For details on employee numbers and employee costs, please see note 22.

**4 Finance income**

	2019 £'000	2018 £'000
Bank interest	333	117

**5 Income tax**

The major components of the income tax expense for the years ended 31 July 2019 and 31 July 2018 are:

	2019 £'000	2018 £'000
<b>Statement of Profit or Loss</b>		
Current income tax charge in the year	16,801	13,515
Adjustment in respect of current income tax of previous years	10	(119)
<b>Total current income tax charge</b>	<b>16,811</b>	13,396
<b>Deferred tax</b>		
Current year	(506)	(332)
Adjustment in respect of previous periods	—	2
Effect of changes in tax rates	53	67
<b>Deferred tax credit</b>	<b>(453)</b>	(263)
<b>Total tax charge</b>	<b>16,358</b>	13,133
<b>Reconciliation of total tax charge</b>		
Reconciliation of tax expense and accounting profit multiplied by the Company's domestic tax rate for 2019 and 2018:		
Profit on ordinary activities before taxation	84,819	68,139
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	16,116	12,946
Effects of:		
Non-deductible expenses	191	238
Adjustment to previous periods	10	(117)
Effect of changes in tax rates	53	66
Other differences	(12)	—
	242	187
Income tax charge reported in profit or loss	16,358	13,133

In the year ended 31 July 2019, £302,967 (2018: £251,502) of current tax and £596,896 (2018: £277,608) of deferred tax were credited to equity.

**Changes affecting the future tax charge**

The Finance Act 2015 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The 17% rate has been utilised in the financial statements for the purposes of calculating deferred tax assets and liabilities (2018: 19%).



### Notes to the financial statements continued

For the year ended 31 July 2019

#### 6 Dividends

	2019 £'000	2018 £'000
<b>Declared and paid during the year</b>		
Special dividend on ordinary shares (15.1p per share (2018: 13.5p))	<b>29,891</b>	26,726
Final dividend on ordinary shares (8.8p per share (2018: 6.1p))	<b>17,419</b>	12,064
Interim dividend on ordinary shares (4.5p per share (2018: 3.3p))	<b>8,921</b>	6,531
	<b>56,231</b>	45,321

The Board recommends a final dividend of 10.4p per ordinary share and a special dividend of 16.0p per ordinary share to be paid on 13 December 2019 to all ordinary shareholders who were on the register of members at the close of business on 8 November 2019. Shareholders will be asked to approve the final and special dividends at the AGM on 5 December 2019.

The Board approves the interim dividend and recommends the final and any special dividend for shareholders' approval. Softcat's dividend policy remains a progressive one which targets an annual dividend of between 40% and 50% of the Company's profits after tax in each financial year before any exceptional items. In determining the level of dividend in any year in accordance with the policy, the Board considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Company;
- future cash commitments and investment needs to sustain the long-term growth prospects of the business; and
- potential strategic opportunities.

Softcat's constitution does not limit or oblige the Company to any minimum or maximum dividend payments. However, no dividend may exceed the amount recommended by the Directors and all dividends shall be paid in accordance with any relevant legislation.

The Audit Committee on behalf of the Board reviews the distributable reserves of the Company as part of its half-year and full-year reviews. The Board then considers the Audit Committee's review as part of its process to approve or recommend dividends. Consideration is also made of the balance on the retained earnings reserve, which as at 31 July 2019 amounted to £110.3m (as disclosed in the Statement of Financial Position).

Softcat intends to continue to fund its dividends through ongoing the cash generated by the business. Details of the Company's continuing viability and going concern can be found on page 29 and page 92 respectively.

**7 Property, plant and equipment**

	Freehold land and buildings £'000	Building improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 August 2017	2,649	2,073	7,694	1,331	231	13,978
Additions	—	269	458	207	31	965
Disposals	—	—	(40)	—	—	(40)
At 31 July 2018	2,649	2,342	8,112	1,538	262	14,903
Additions	—	1,130	535	400	103	2,168
Disposals	—	(195)	(1,036)	(32)	—	(1,263)
<b>At 31 July 2019</b>	<b>2,649</b>	<b>3,277</b>	<b>7,611</b>	<b>1,906</b>	<b>365</b>	<b>15,808</b>
<b>Depreciation</b>						
At 1 August 2017	125	953	6,350	799	172	8,399
On disposals	—	—	(12)	—	—	(12)
Charge for the year	25	373	833	189	40	1,460
At 31 July 2018	150	1,326	7,171	988	212	9,847
On disposals	—	(112)	(943)	(20)	—	(1,075)
Charge for the year	25	425	608	186	31	1,275
<b>At 31 July 2019</b>	<b>175</b>	<b>1,639</b>	<b>6,836</b>	<b>1,154</b>	<b>243</b>	<b>10,047</b>
<b>Net book value</b>						
<b>At 31 July 2019</b>	<b>2,474</b>	<b>1,638</b>	<b>775</b>	<b>752</b>	<b>122</b>	<b>5,761</b>
At 31 July 2018	2,499	1,016	941	550	50	5,056

Freehold land amounting to £1.4m (2018: £1.4m) has not been depreciated.

No assets are subject to restrictions on title or are pledged as security for liabilities (2018: £Nil).

There is no material difference between the carrying and fair value of the underlying assets as at both 31 July 2019 and 31 July 2018.

## Financial statements

### Notes to the financial statements continued

For the year ended 31 July 2019

#### 8 Intangible assets

	Computer software £'000
<b>Cost</b>	
At 1 August 2017	1,873
Additions	119
At 31 July 2018	1,992
Additions	161
<b>At 31 July 2019</b>	<b>2,153</b>
<b>Amortisation</b>	
At 1 August 2017	1,369
Charge for the year	299
At 31 July 2018	1,668
Charge for the year	245
<b>At 31 July 2019</b>	<b>1,913</b>
<b>Net book value</b>	
<b>At 31 July 2019</b>	<b>240</b>
At 31 July 2018	324

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

#### 9 Inventories

	2019 £'000	2018 £'000
Finished goods and goods for resale	<b>11,084</b>	8,631

The amount of any write down of inventory recognised as an expense in the year was £Nil (2018: £Nil).

#### 10 Trade and other receivables

	2019 £'000	As restated 2018 £'000
Trade and other receivables	<b>260,272</b>	190,730
Provision against receivables	<b>(2,199)</b>	(1,867)
Net trade receivables	<b>258,073</b>	188,863
Unbilled receivables	<b>1,939</b>	1,754
Prepayments	<b>4,361</b>	2,804
Accrued income	<b>12,013</b>	9,230
Deferred costs	<b>8,921</b>	3,306
	<b>285,307</b>	205,957

The provision against receivables for the financial year 2019 follows IFRS 9's expected credit loss model (2018: IAS 39).

**10 Trade and other receivables continued**

As a result of the transition to IFRS 15 in the year to 31 July 2019, the prior year disclosure comparative has had £3.3m reclassified from prepayments to deferred costs. For additional information, please see note 1.13. During the financial year to 31 July 2019, £3.3m has been recognised in costs of sales from deferred costs existing at 31 July 2018. As at 31 July 2019, £8.9m remains on the Statement of Financial Position as a deferred cost resulting entirely from transactions in the year to 31 July 2019. Management expects substantially all of these costs to be recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year to 31 July 2020.

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:

	2019 £'000	Related provision £'000	Net £'000	2018 £'000	Related provision £'000	Net £'000
Current	191,274	(617)	190,657	137,369	(971)	136,398
0–30 days	40,862	(359)	40,503	37,270	(203)	37,067
31–60 days	11,595	(110)	11,485	8,381	(92)	8,289
61–90 days	8,492	(194)	8,298	3,537	(123)	3,414
Over 90 days	8,049	(919)	7,130	4,173	(478)	3,695
<b>Total due</b>	<b>260,272</b>	<b>(2,199)</b>	<b>258,073</b>	190,730	(1,867)	188,863

The Company provides against its trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Provisions against future recoverability are set to reflect probability-weighted outcomes, analysis of prior events, current conditions, communication quality, industry factors and forecasts of future economic conditions. The prior year impairment review and provision against receivables under IAS 39 was calculated based on actual incurred historical data. Further details on how the Company manages its credit risk can be found in note 19.

Movement in the provision for trade receivables was as follows:

	2019 £'000	2018 £'000
Balance at beginning of year	1,867	1,263
Increase for trade receivables regarded as potentially uncollectable	2,071	1,707
Decrease in provision for trade receivables recovered, or written off, during the year	(1,739)	(1,103)
<b>Balance at end of year</b>	<b>2,199</b>	1,867

Set out below is the information about the credit risk exposure on Softcat's trade receivables:

31 July 2019	Current £'000	<30 days £'000	31–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	0.32%	0.88%	0.95%	2.28%	11.42%	0.84%
Estimated total gross carrying amount at default	191,274	40,862	11,595	8,492	8,049	260,272
Expected credit loss	(617)	(359)	(110)	(194)	(919)	(2,199)

Unbilled receivables have been reviewed by management and have been determined to have an immaterial impact on our expected credit losses.

See Note 19 for details on how the Company approaches its exposure to credit risk.

The Company does not hold collateral as security.

## Notes to the financial statements continued

For the year ended 31 July 2019

### 11 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	185,384	131,115
Other taxes and social security	17,328	9,642
Accruals	41,756	33,291
Deferred income and contract liabilities	15,165	11,216
	<b>259,633</b>	185,264

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

For further information on contract liabilities please refer to note 19.

### 12 Cash at bank and in hand

	2019 £'000	2018 £'000
Cash at bank and in hand	79,263	72,831

Cash and cash equivalents 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.

### 13 Deferred tax

The deferred tax asset is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	118	81
Share-based payments	1,833	1,020
Other temporary differences	534	335
<b>Deferred tax assets</b>	<b>2,485</b>	1,436

	2019 £'000	2018 £'000
<b>Reconciliation of deferred tax asset</b>		
Balance at 31 July 2019 (PY: 31 July 2018)	1,436	895
Adjustment in respect of previous years	—	(2)
Profit and loss account	452	265
Charge to equity	597	278
<b>Balance at 31 July 2019 (PY: 31 July 2018)</b>	<b>2,485</b>	1,436

The Company recognises all deferred tax movements in the year within the income statement, except for £596,896 (2018: £277,608) credited to equity in relation to deferred tax movements on share-based payments.

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.

## 14 Pension and other post-retirement benefit commitments

### Defined contribution pension scheme

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 £376,385 (2018: £190,209) were outstanding.

	2019 £'000	2018 £'000
Contributions payable by the Company for the year	1,457	997

## 15 Share capital

### Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association have been amended to reflect this change.

	2019 £'000	2018 £'000
<b>Allotted and called up</b>		
198,250,486 (2018: 197,950,695) ordinary shares of 0.05p each	99	99
18,933 (2018: 18,933) deferred shares <sup>1</sup> of 1p each	—	—
	99	99

#### Note:

1. At 31 July 2019 deferred shares had an aggregate nominal value of £189.33 (2018: £189.33).

In the year ended 31 July 2019, 299,791 (2018: 300,000) new ordinary shares were issued to satisfy the exercise of share options and no ordinary shares (2018: 44,552) were issued to satisfy exercises under the deferred share bonus plan.

No issued ordinary shares of £0.0005 each were unpaid at 31 July 2019 (2018: nil unpaid).

All ordinary shares rank pari passu in all respects.

Deferred shares do not have rights to dividends and do not carry voting rights.

### Own share transactions

In the year ended 31 July 2019 the SIP Trust returned £Nil (2018: £110,000) to the Company through share recycling.

## 16 Earnings per share

	2019 p	2018 p
<b>Earnings per share</b>		
Basic	34.6	27.9
Diluted	34.4	27.6

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

	2019 £'000	2018 £'000
<b>Earnings</b>		
Earnings for the purposes of earnings per share, being profit for the year	68,461	55,006

## Financial statements

### Notes to the financial statements continued

For the year ended 31 July 2019

#### 16 Earnings per share continued

The weighted average number of shares is given below:

	2019 '000	2018 '000
Number of shares used for basic earnings per share	197,643	197,338
Number of shares deemed to be issued at nil consideration following exercise of share options	1,209	1,668
<b>Number of shares used for diluted earnings per share</b>	<b>198,852</b>	199,006

#### 17 Notes to the Statement of Cash Flows

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

	2019 £'000	2018 £'000
Operating profit	84,486	68,022
Depreciation of property, plant and equipment	1,275	1,460
Amortisation of intangibles	245	299
Loss on disposal of fixed assets	188	28
Loss on disposal of intangible assets	—	—
Dividend equivalents paid	(287)	—
Cost of equity-settled employee share schemes	1,732	1,759
<b>Operating cash flow before movements in working capital</b>	<b>87,639</b>	71,568
Increase in inventory	(2,453)	(1,656)
Increase in debtors	(79,350)	(32,451)
Increase in creditors	74,369	30,090
<b>Cash generated from operations</b>	<b>80,205</b>	67,551
Income taxes paid	(15,546)	(10,500)
<b>Net cash from operating activities</b>	<b>64,659</b>	57,051

#### 18 Financial commitments

##### Operating leases

At 31 July 2019, operating leases represent short-term leases for office space in Marlow, London, Manchester, Bristol, Leeds, Glasgow, Southampton, Birmingham and Dublin.

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

	Office buildings	
	2019 £'000	2018 £'000
Operating lease payments due:		
Within one year	1,757	805
Between two and five years	6,240	1,609
Over five years	—	—
	<b>7,997</b>	2,414

##### Guarantees

Softcat plc has the following guarantees as at 31 July 2019:

- a class guarantee facility of £2,000,000 (2018: £2,000,000) with HSBC Bank plc; and
- a guarantee dated 3 May 2019 in favour of a single customer for SAR4,000,000.



## 19 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's principal financial assets comprise trade and other receivables and cash that derive directly from its operations.

### Financial assets

The financial assets of the Company were as follows:

	2019 £'000	2018 £'000
Cash at bank and in hand	79,263	72,831
Trade and other receivables	280,946	205,957
	<b>360,209</b>	278,788

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

### Financial liabilities

The financial liabilities of the Company were as follows:

	2019 £'000	2018 £'000
Trade payables	(185,384)	(131,115)
Accruals	(41,756)	(33,291)
	<b>(227,140)</b>	(164,406)

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

### Contract balances

The following table provides the information about contract balances from contracts with customers.

	2019 £'000	2018 £'000
Contract liabilities	15,165	11,216

Contract liabilities include short-term goods or services to be delivered to a customer by Softcat for which there is a contractual obligation arising from receipt of consideration or amounts due from the customer. The outstanding balances on these accounts has increased in line with the growth in the business and customer base. During the current year, £11.216m has been recognised in revenue resulting from contract liabilities existing as at 31 July 2018. As at 31 July 2019, £15.165m remains on the Statement of Financial Position as a contract liability resulting entirely from transactions arising from the year to 31 July 2019. Softcat expects that the full balance as at 31 July 2019 will be released in FY20.

### 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 ensures 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.

# Notes to the financial statements continued

For the year ended 31 July 2019

## 19 Financial instruments and financial risk management continued

### Financial risk management continued

The Board of Directors reviews and agrees 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 and suppliers 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.

#### Trade receivables

Credit risk from trade receivables is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. A customer's credit quality 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 2019, the Company had 1,352 customer accounts (2018: 1,196) that owed the Company more than £25,000 each. These accounts accounted for approximately 16% (2018: 16%) of total customers and 89% (2018: 85%) of the total value of amounts receivable. There were 453 customers (2018: 394 customers) with balances greater than £100,000 accounting for just over 5% (2018: 5%) of the total number of receivable accounts and 72% (2018: 65%) 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 and expected credit losses. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. 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 receivables are due from any one customer at the year end.

The Company provides against its trade receivables using the forward-looking expected credit loss model under IFRS 9. The prior year impairment review and provision against receivables under IAS 39 was calculated based on actual incurred historical data.

#### 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.

**19 Financial instruments and financial risk management continued****Financial risk management continued****Liquidity risk**

The Company generates positive cash flows from operating activities and these fund short-term working capital requirements. The Company aims to maintain significant cash reserves and none of its cash reserves are subject to restrictions. Access to cash is not restricted and all cash balances could be drawn upon immediately if required. The Board carefully monitors the levels of cash deposits and is comfortable that for normal operating requirements, no external borrowings are currently required.

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

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
<b>2019</b>					
Trade payables	(185,384)	—	—	—	(185,384)
Accruals	(41,756)	—	—	—	(41,756)
	(227,140)	—	—	—	(227,140)
<b>2018</b>					
Trade payables	(131,115)	—	—	—	(131,115)
Accruals	(33,219)	—	—	—	(33,219)
	(164,406)	—	—	—	(164,406)

In both the current year and the prior year, materially all of the financial liabilities above have a contractual settlement date of between zero and three months.

**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.

**20 Capital commitments**

At 31 July 2019 the Company had £Nil capital commitments (2018: £Nil).

**21 Directors' remuneration**

	2019 £'000	2018 £'000
Remuneration for qualifying services	1,866	1,577
Company pension contributions to defined contribution schemes	14	6
	1,880	1,583

During the year ended 31 July 2019 the Directors of the Company were awarded a total of 125,000 LTIP shares (2018: 140,938) at an average exercise price of £Nil (2018: £Nil) and 16,596 shares (2018: 62,729) under the FY17 Deferred Share Bonus Plan.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to one (2018: one). The number of Directors who are entitled to receive shares under long-term incentive schemes during the year was three (2018: three).

Gains on share options exercised in the year were £2,047,114 (2018: £296,271).

Share-based payment charges include £772,470 (2018: £1,167,424) in respect of Directors.

### Notes to the financial statements continued

For the year ended 31 July 2019

#### 22 Employees

##### Number of employees

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

	2019 Number	2018 Number
Sales	897	799
Services	209	148
Administration	194	181
	<b>1,300</b>	1,128

##### Employment costs

	2019 £'000	2018 £'000
Wages and salaries	85,438	73,325
Social security costs	10,697	8,763
Other pension costs	1,456	997
Share option charge	1,732	1,759
	<b>99,323</b>	84,844

#### 23 Share option schemes

The Company operates a Company Share Option Plan ('CSOP') for nominated employees, a Long Term Incentive Plan ('LTIP') for Executive Directors and senior management and a Share Incentive Plan ('SIP') for all employees.

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

	2019 £'000	2018 £'000
CSOP	—	2
LTIP	1,568	1,300
SIP	164	457
	<b>1,732</b>	1,759
Employer's National Insurance contributions payable on all plans	563	726
	<b>2,295</b>	2,485

All options vest at the end of the vesting period relating to that option or on the occurrence of a contingent event. This includes 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.

Following the public listing of shares in the Company, share options become readily convertible assets for which the Company is liable for employer's National Insurance contributions. The Company accrues for National Insurance contributions on a straight-line basis from the date of award to the vesting date.

## 23 Share option schemes continued

### Company Share Option Plan

The CSOP provided share options for nominated employees. The purchase price was set at a mid-market price on the date of grant. Options typically vest between one and three years and lapse after ten years from the date of grant. Options are forfeited if the employee leaves the Company before the options vest.

All remaining options were exercised in the financial year to 31 July 2018.

The CSOP share options were in respect of unapproved schemes. No CSOP options were granted in the year (2018: nil). The fair value of CSOP 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.

During the year no (2018: 300,000) CSOP options were exercised with an average weighted share price at the date of exercise of £Nil (2018: £5.45).

### LTIP

The LTIP provides share awards to Executive Directors and senior management.

### Executive Directors

Details in relation to the Softcat LTIP awards to Executive Directors are included in the Directors' Remuneration Report on page 61.

During the year 125,000 (2018: 140,938) share awards related to LTIP schemes were issued to two Executive Directors at nil exercise price with a performance period of three years. The fair value of these awards was £503,125 (2018: £707,283). Performance conditions are linked to earnings per share and total shareholder return over the vesting period. The EPS linked element of the LTIPs awarded in the year were valued using the Black-Scholes model and a Monte-Carlo simulation was used for the TSR linked element of the award. The following assumptions were used:

	31 July 2019		31 July 2018	
	EPS	TSR	EPS	TSR
Proportion of LTIP award	<b>50%</b>	<b>50%</b>	50%	50%
Share price (£)	<b>4.86</b>	<b>3.19</b>	5.42/6.56	5.42/6.56
Weighted average exercise price at grant date (£)	—	—	—	—
Risk-free interest rate	<b>0.75%</b>	<b>0.75%</b>	0.5%	0.5%
Expected volatility	<b>27%</b>	<b>27%</b>	43%/45%	43%/45%
Performance period (years)	<b>3</b>	<b>3</b>	3	3

Expected volatility has been determined using historical data reflecting a 20-month period of share price movements covering the audited financial year.

During the year 299,791 (2018: nil) LTIP options were exercised with an average weighted share price at the date of exercise of £Nil (2018: £Nil).

### Deferred Share Bonus Plan

One-third of the Executive Directors' annual bonus is paid in deferred shares. In the year 16,596 (2018: 62,729) deferred shares relating to the 2018 Deferred Share Bonus Plan were issued to two Executive Directors with a £Nil exercise price and a further vesting period of three years. The fair value is calculated using the share price on the date of grant and the number of shares awarded. The fair value of deferred shares issued in the year is £130,000 (2018: £339,991).

### Notes to the financial statements continued

For the year ended 31 July 2019

#### 23 Share option schemes continued

##### LTIP continued

##### Executive Directors continued

##### Senior management

An award of 234,013 (2018: 254,837) shares was made to members of the Executive Leadership Team and other senior management in the year. These shares had an exercise price of £Nil at the date of grant and a performance period of three years. The share-based payment charge of these awards was £1,263,670 (2018: £1,185,757). As the exercise price of the options awarded in the year was £Nil, the charge has been calculated by multiplying the number of shares issued by the share price on the date of grant, adjusted for an expected forfeiture rate. The share price is the fair value of the equity instrument granted. The resultant fair value is then recognised over the performance period.

During the year 48,038 shares (2018: 19,852) were forfeited as members of senior management left the business prior to completion of the vesting period.

The weighted average remaining contractual life under exercise period of all LTIP awards is 8.26 years.

##### Share Incentive Plan

The Company awarded free shares to its employees following the initial public offering in November 2015. Shares were allocated to employees on the basis of length of service. Free shares awarded to an employee under the SIP are subject to a minimum holding period of three years.

Historical employee attrition rates have been used to calculate the expected number of shares expected to vest. The resulting income statement charge is spread over the three-year vesting period with a corresponding entry in equity.

In addition, the Company's voluntary partnership share purchase programme, which is open to all employees, is administered through the SIP.

##### All share-based payment arrangements

The number and weighted average exercise price of all share-based payment arrangements (including LTIP) are as follows:

	Weighted average exercise price £	No. of shares as at 31 July 2019	Weighted average exercise price £	No. of shares as at 31 July 2018
Outstanding at 1 August		1,648,779		1,749,591
Granted during the year	—	375,609	—	458,504
Forfeited during the year	—	(66,405)	—	(213,560)
Exercised during the year	—	(389,715)	0.91	(345,756)
Outstanding at 31 July		1,568,268		1,648,779
Exercisable at 31 July		—		—

The fair value of share-based payment arrangements granted in the year was £1,896,795 (2018: £2,233,031), relating entirely to Long-Term Incentive Plan awards.

The weighted average remaining contractual life of share-based payment arrangements at the year end was 7.73 years.

#### 24 Post-balance sheet events

##### Dividend

The Board recommends a final dividend of 10.4p per ordinary share and a special dividend of 16.0p per ordinary share to be paid on 13 December 2019 to all ordinary shareholders who were on the register of members at the close of business on 8 November 2019. Shareholders will be asked to approve the final and special dividends at the AGM on 5 December 2019.

**25 Related party relationships and transactions****Transactions with key management personnel**

The remuneration of key management personnel, which consists of persons who have been deemed to be discharging managerial responsibilities, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2019 £'000	2018 £'000
Short-term employee benefits	2,312	2,013
Post-employment benefits	27	12
	<b>2,339</b>	<b>2,025</b>

Key management personnel received a total of 165,762 share awards (2018: 226,815) at a weighted average exercise price of £Nil (2018: £Nil).

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

Share-based payment charges include £878,608 (2018: £1,252,616) in respect of key management personnel.

**Dividends to Directors**

	2019 £'000	2018 £'000
M Hellowell	2,623	3,326
G Charlton	3	—
B Wallace <sup>1</sup>	—	198
V Murria	84	67
L Ginsberg <sup>1</sup>	6	5
P Ventress	13	11
	<b>2,729</b>	<b>3,607</b>

**Note:**

1. Brian Wallace and Lee Ginsberg resigned from the Board on 31 March 2018 and 30 June 2019 respectively. Amounts shown above relate to the time until each Director resigned.



## Financial statements

## Company information and contact details

### Company number

02174990

### Registered office

Softcat plc  
Solar House  
Fieldhouse Lane  
Marlow  
Buckinghamshire  
SL7 1LW  
United Kingdom

Tel: 01628 403 403

### Website

[www.softcat.com](http://www.softcat.com)

### Directors

Martin Hellowell (Chair)  
Graeme Watt (CEO)  
Graham Charlton (CFO)  
Robyn Perriss (Independent NED)  
Peter Ventress (Independent NED)  
Vin Murria OBE (Independent NED)

### Company Secretary

Luke Thomas

### Investor relations contact

[investors@softcat.com](mailto:investors@softcat.com)

### Softcat LEI

213800N42YZLR9GLVC42

### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
United Kingdom

[enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Tel: 0371 664 0300

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 17.30pm, Monday to Friday excluding public holidays in England and Wales.

### Corporate advisers

#### Auditor

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

#### Joint corporate broker

Jefferies International  
68 Upper Thames Street  
London  
EC4V 3BJ

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

#### Legal advisers

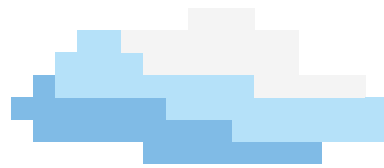
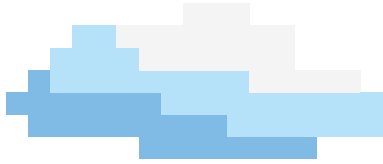
Ashurst LLP  
London Fruit & Wool Exchange  
1 Duval Square  
London  
E1 6PW



Softcat plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.

Produced by

**design**portfolio



Softcat plc  
Fieldhouse Lane  
Marlow  
Buckinghamshire SL7 1LW  
Tel: 01628 403 403  
[www.softcat.com](http://www.softcat.com)