Together

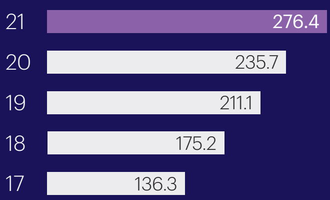
Softcat plc
Annual Report and Accounts 2021

Softcat: we're in this together

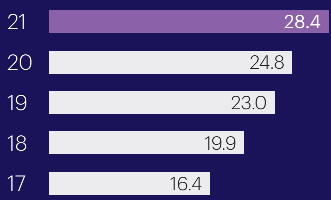
Our purpose, to help customers use IT to succeed by putting our employees first, has seemed especially prescient during the past twelve months. The special culture we have at Softcat was born from our founder's vision to bring people together in a company they could enjoy being part of. While we haven't been able to physically get together as much as we would have liked this past year, we have been able to stay in touch through some typically ingenious and fun Softcat initiatives – take a look at pages 2 and 3 and pages 41 to 43 for more detail on what we've been up to.

Financial highlights

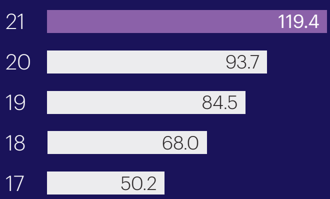
Gross profit £m



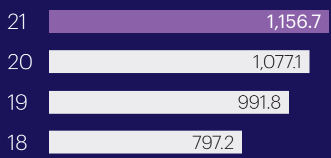
Gross profit per customer £'000[2]



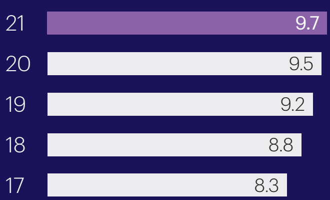
Operating profit £m



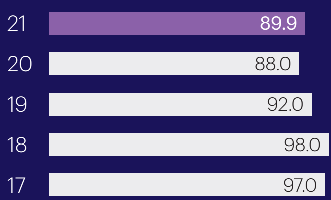
Revenue £m[1]



Customer base '000[2]



Cash conversion %[3]



FY21 operational highlights

- Revenue growth: 7%
- Gross profit growth: 17%
- Operating profit growth: 27%
- Cash conversion: 90%
- Employee engagement: 93%
- Customer satisfaction: 95%
- Customer base up by 200
- Gross profit per customer growth: 15%

1. Revenue was previously restated due to the adoption of IFRS 15 during 2019. As a result revenue is only available on a comparable basis for 2018 to 2021.
2. Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.
3. Cash conversion is an alternative performance measures. Please see page 29 for further definition and reconciliation.

Pages 1 to 51 form the Strategic Report of Softcat plc for the financial year ended 31 July 2021. 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.

Contents

Supporting our stakeholders through the COVID-19 pandemic

At its core, Softcat is a people business which invests in its employees and the things they care about. In this section you will see some of the ways we have responded to the COVID-19 pandemic, supporting one another and our wider stakeholders.

Supporting our people

The outbreak of the COVID-19 pandemic created insecurity and uncertainty. Keeping our employees safe remained our top priority and we have also made great efforts to keep our special culture, regardless of the challenges of remote working. Our 'Word of the Year' was 'Together', which was a cornerstone to our approach to how we work, even when separated.

We are grateful to report that there have been no cases of COVID-19-related deaths in our workforce. No employee, regardless of their role and responsibilities, was furloughed.

As the pandemic continued, management maintained a keen interest in how our employees were coping, through regular employee surveys and virtual all-employee meetings. These have been helpful in allowing management to understand how our employees are feeling, as well as how Softcat can best support them.

Vin Murria, our Designated Director for Workforce Engagement, along with our other Non-Executive Directors, held a virtual engagement session with representatives from our South Coast, Leeds and Birmingham offices, giving our employees and our Directors a direct opportunity to engage on many topics, including how employees were coping during the pandemic.

Keeping our employees informed about COVID-19-related developments, both inside and outside the business, was crucial in supporting a sense of togetherness. Management released comprehensive and regular updates by email, which included updates on the latest Government guidelines, links to helpful websites, as well as details of the support made available by the Company. To maintain a sense of normality, we have continued the Softcat tradition of a member of our Senior Leadership Team releasing an email each Friday to all employees. The weekly email is an important opportunity to continue recognising the hard work and support of other colleagues and it often provided a more personal insight into the lives and thoughts of our management team as they dealt with the lockdown. Prior to the pandemic, each quarter the highest performing employees were taken out for lunch by a member of our Senior Leadership Team and given the rest of the day off. This tradition was continued in virtual form, with the Company buying lunch at home for the winning employees. Our non-sales staff were also recognised for their essential role on 'Non-Sales Recognition Day', where staff were given lunches and awarded prizes.

From the outset of the pandemic, all employees were given access to IT kit, desks and other equipment, paid for by Softcat, to help them work from home comfortably and effectively. It was apparent, however, through our regular engagement with employees, that for a small number of employees the home environment was not ideal and so, where possible under Government guidance, we made our offices available for those who needed to use them. Our Facilities team did a brilliant job of implementing safety measures and protocols, including a one-way systems, frequent deep cleans, face covering protocols and extra cleaning stations.

We have also taken a practical approach for those who need to juggle home duties, such as child and social care, with work. Management has allowed, where possible, a more flexible approach to working hours.

As the lockdown continued, it became clear how important it is to take care of our own and each other's mental health. We trained more mental health first aiders, who were available to chat and provide guidance to employees in need of help. We also created a 'buddy system', which matched newer employees with more experienced members of staff. To further raise awareness and the support available, we ran a Mental Health Awareness Week in May, with a focus on matters such as anxiety about returning to the office.

What makes Softcat stand out is our culture, typified by our collaborative, vibrant and fun office environment. A key challenge was how our culture could be maintained, and continue to flourish, without coming together physically. Offices adapted by running virtual activities, such as coffee mornings and fitness classes.

Supporting our wider stakeholders

'Together' doesn't only apply to the employees of Softcat, but also to those around us in the communities in which we operate. Some charities have struggled during the COVID-19 pandemic as lockdowns have made fundraising harder and charities connected to mental health and wellbeing have experienced an increase in people turning to them for help. With the help of our Softcat Communities Network, Softcat has donated over £180,000 to various charities. To read more about the charities, see our Charities section on page 42.

To empower our employees to support the causes they care about, Softcat launched Love2Volunteer in 2019. Each employee can use two days per year as free charitable days, for which they will be paid by the Company. Last year, we expanded the use of these days to cover activities and initiatives around the environment, community, homelessness and animals, and to provide support to those in need during the pandemic. To help employees utilise these days, Softcat partnered with the 'onHand' app, which connects volunteers with those who need someone to talk to, which was very important during the lockdown.

We know how hard the families of Softcat employees were working who also care for their young children. To bring something different and fun into their worlds, 'Half-Term Hampers' were sent to employees with young children, which included toys and educational material, to give our Softcat families a helping hand. There was also a shortage of laptops, which were critical to help children with learning remotely, in some schools. Softcat donated laptops to a school local to our office in Marlow, which some of our employees' children attend.

Marlow office as vaccination centre

Finally, one of our proudest moments was opening a COVID-19 vaccination centre, in partnership with Marlow NHS Trust, using part of our Marlow office. Softcat provided and converted the space free of charge. The centre opened in January 2021 and continued to operate up until October. Tens of thousands of people have been vaccinated at the centre, mostly from the local community and many of our employees were also vaccinated onsite.

> **Lots of people ask me why I've stayed at the same company for 13 years. Well the answer is simple: I feel incredibly valued as an employee."**

Rachel Clay
Education Sales Manager

Culture, expertise and passion

Our goal is to be the leading IT infrastructure solutions provider in terms of employee engagement, customer satisfaction and shareholder returns. Success will create opportunities for our people and drive growth for our customers and partners.

Our values

Softcat was founded to be a place where people enjoyed coming to work. The values we hold today remain grounded in that vision and create what we believe is a unique culture which forms the basis of all our success.

Responsibility | **Intelligence** | **Fun** | **Passion** | **Community**

Read more on pages 6 and 7 and page 21

Where we operate

95%
customer satisfaction

9,700
customer base

1,681
people

Our offering

We help commercial and public sector organisations design, procure, implement and manage their digital infrastructure. Our success in recent years puts us in the privileged position to invest in new capabilities in exciting and emerging areas of technology, organised around four key customer priorities:

Hybrid infrastructure

Designing, implementing and supporting a mix of private and public cloud, optimised for individual customer needs.

Digital workspace

Designing and implementing the tools and applications to deliver agile, collaborative and highly productive business environments.

Cyber security

Providing assessment services, and implementing and managing solutions to stay one step ahead.

IT intelligence

Supporting customers to make more informed decisions about their technology through the power of data.

Our vendors

We work with all of the very biggest global technology vendors as well as the emerging innovators to deliver the broadest possible choice for our customers.

200+ vendors

Our culture and values

Our culture and values drive our success

At the heart of Softcat lies our culture. We are a vibrant, passionate team who love working together and place enormous value in openness, transparency and leadership by example. Our values help define us and are:

- Fun – not taking ourselves too seriously and a keen sense of humour allow our people to be their true selves at work.
- Responsible – actions, attitude and choices matter – for our people, our customers and also the environment.
- Community – we want our people to feel valued and respected, supported by a culture that recognises their unique set of skills and perspectives.
- Intelligence – we empower our people to use their initiative and good judgement.
- Passion – conviction, commitment and hard work are some of the most important traits we look for.

“I’m excited to be part of a truly successful organisation and culture. I’m genuinely excited for the future; what else could an employee look for?”

A response from an employee survey

Happy employees = happy customers

We are dedicated to delivering exception and customer service and believe that happy employees are a prerequisite for happy customers, so our primary focus is on investing in and supporting our staff. Our most recent employee satisfaction survey resulted in a score of 93% satisfaction. We’re extremely proud of our team and we’re committed to finding and recruiting people who embody our core values.

Award-winning culture

We are extremely proud of the culture we have created at Softcat, and thankfully you don't have to just take our word for it. Over the last twelve months we have received external recognition, including ranking ninth in the Great Place to Work Best Workplaces – Super Large category and first in the Great Place to Work Best Tech Workplaces – Super Large category, a Glassdoor Excellence in Employee Wellbeing Award, CRN Best Company to Work for and our CEO Graeme Watt appeared at number three in the Glassdoor Top CEOs in the UK list.

Community driven

We celebrate and promote diversity, encouraging staff to join and support our networks. These give an opportunity for colleagues to share perspectives and better understand how to foster genuine equality of opportunity, understanding and knocking down some traditional barriers to progress. These networks comprise a selection of groups including the Family Network, LBGTQ+, BAME, Supporting Women in Business and others.

Being a Softcat Ally

Our #StrongerTogether allyship programme highlights our belief that everyone should feel equally supported and welcome at work. Every member of staff has been invited to attend the programme, which includes workshops on diversity and inclusion, how to amplify suppressed voices, being empowered to speak up and providing a safe space to ask questions.

> Our culture is the vital ingredient to realising our ultimate goal, to provide outstanding service to customers."
>
> **Graeme Watt**
> CEO

Ease of doing business

Our desire for operational excellence flows from our culture and values and if delivered will support our strategy. This will help us achieve long-term sustainable growth. We are service led by people who care.

- **We deliver industry-leading IT services:** Our IT infrastructure services have evolved with customer needs. Whether you're at the point of discovery, design, delivery, or operation, we have a mature portfolio of services and IT professionals ready to support you.
- **Over 400 dedicated service professionals:** Committed service developers, highly experienced consultants and designers, expert support analysts, dedicated customer and partner managers working together to deliver a truly unique service experience.
- **A reliable, high quality partner network:** We don't pretend to know everything, which is why we're always searching for partners to join our network and work with us in delivering the solutions you crave.
- **Quality service, quality standards:** We've set high standards for ourselves in terms of the service we provide – but we don't just rely on our own intuition or mark our own homework, we also carry ISO 27001 (InfoSec), ISO 9001 (Quality), ISO 22301 (Business Continuity) and ISO 20000 (Service Management).

Read more on pages 22 to 25

"As a business we've always tried to keep things simple – for both our people and our customers. This makes us easy to deal with and allows us to focus on providing high quality service."

Richard Wyn-Griffith
Managing Director

16
years of consecutive organic growth

95%
customer satisfaction

CASE STUDY: VALUES IN ACTION

Understanding Microsoft licensing for a smooth transition to cloud

Virgin Money Group provides financial products and services to 4 million customers in the UK. With around 3,500 employees, The Group has operated for over five years. Virgin Money Group wanted to understand the details of their Microsoft environment in order to develop a plan to move into the cloud. The cultural fit and partnership focus were important aspects of the contract award process, and Virgin Money Group determined that Softcat was thoroughly aligned with these considerations. Softcat established Virgin Money Group's effective licensing position before guiding them through the range of Microsoft products and helping them select the most appropriate licensing agreement, based on their situation and business objectives. The team also helped Virgin Money Group to negotiate the best value agreement.

Softcat helped Virgin Money Group to assess their current position and define their strategy to migrate to Office 365 via Windows 10. Softcat's knowledge and expertise combined with attention to detail ensured that the solution was implemented quickly. Softcat worked to establish a comprehensive understanding with Virgin Money Group, providing a bespoke solution and establishing a relationship built on exceptional customer service. James Reynolds, IT Manager at Virgin Money Group, commented: "Softcat's attention to detail and regular communication was crucial in assisting Virgin Money to complete this process correctly. Their customer service was excellent and that formed the foundation of an excellent relationship."

Read more about our values on pages 6 and 7 and page 21

Addressable market

As the global pandemic begins to ease, organisations will be focusing on the best strategies for recovery and growth.

Gartner estimates that the non-consumer UK IT market was worth £100bn in 2019. Company analysis of this and other sources, such as the CRN Top VARs report, suggests that our addressable market in the UK&I is worth around £45bn. Our current customer base of 9,700 represents around 20% of the addressable universe, with whom we have an estimated average of 20% share of IT infrastructure spend. Our proven model of building customer trust over the long term, coupled with our continued investments in contemporary IT skills, gives us the confidence that Softcat has a future organic growth opportunity best measured in decades rather than years.

As industry commentators predict more market growth in the years ahead, we have invested significantly in new resources to expand our geographic presence, increase our capacity for training and development, as well as adding new specialist and technical skills to the team. We also prepared diligently for the UK's exit from the EU and now see an opportunity to provide our services across a multinational landscape, encompassing the US and Far East as well as Europe. We have made strong progress in building a team in the US branch and our branches in the Netherlands, Hong Kong, Singapore and Australia enable us to support UK customers in their overseas operations.

In the coming years, technology will be integral to enabling business and economic recovery.

> Through a simple formula predicated on selling more to existing customers and winning new ones, Softcat has risen from relative obscurity to the peak of the industry in the time I have been covering it (14 years). When CRN first began sizing the UK market for tech resale and related services in 2011, Softcat was the ninth largest player, with revenues of £220m. A decade on, it is a FTSE 250 company with gross billings approaching £2bn and a market valuation in line with some of the global technology manufacturers whose technology it sells, installs and manages."

Doug Woodburn
Head of Channel Research, CRN, Incisive Media

Organisations across corporate and public sectors will need to further adapt their infrastructure models to deliver enhanced employee and customer experiences and drive productivity and efficiency improvements whilst protecting their data. These drivers and trends play straight into our diverse range of solutions including managed, professional and support services, cloud, datacentre, infrastructure, security and digital workspace solutions from hardware, peripherals and software licensing.

To meet the needs of these organisations, we have continued to invest heavily in our tools and technical offering. In the face of the pandemic, we have taken very deliberate steps to maintain our investments at a rate at least equivalent to the pre-COVID-19 era. Our cloud proposition is being enhanced through significant initiatives with both Microsoft Azure and AWS, and we continue to build our security services practice as well.

With our focus firmly on the long-term opportunity, we have maintained double-digit headcount growth, encompassing increases across all areas of the business including sales, specialists, support, technical and business operations. Our customers and partners can expect more of the same from us in 2022 and beyond.

Stronger and resilient together

"I say this every year but this year it's more deserved than ever. I'd like to thank our employees, our customers and our partners for their passion, for their incredibly hard work, for their dedication and support."

Martin Hellawell
Non-Executive Chair

Introduction

I am pleased to report on another highly successful financial year for the Company. Given the degree of uncertainty coming into the year and coming off the back of strong growth the previous financial year, this one really did surpass our expectations.

Gross invoiced income was up 18%, gross profit was up 17% and operating profit performance up 27%. The particularly strong operating profit performance was due partly to lower spend in areas such as travel and expenses due to the pandemic. That said, the Company continued to invest very significantly in the period in areas such as headcount, IT systems and our capabilities across the Company. Some companies have paused investment during this period; Softcat has done exactly the opposite and invested at record levels.

While demand is not uniform across all sectors, the market for what we do continues to grow. I don't know many companies right now which don't see the need to invest in their IT systems to survive and thrive. I can't see that changing in the foreseeable future. We continue to invest in the Company to ensure we can capitalise on this opportunity and stay ahead of the game. This is a highly competitive market and future growth will depend on us continually improving everything we do.

More information on how we performed can be found in the Chief Executive Officer's Statement on pages 18 to 20 and Chief Financial Officer's review on pages 28 and 29

Response to the pandemic

Coming into this year we did not expect Government guidance to remain to be work from home if you can for the entire financial year. As an organisation, we don't enjoy this. Despite the outstanding performance, we think we are better together including contact in person. Many of our team members are new into the workplace, many joining on the apprentice or graduate schemes. They don't have fantastic home offices and particularly in those formative years, the lack of role models to observe and learn from is a big loss.

Workloads have increased and without the support and encouragement of your team and colleagues sitting next to you, we really understand how tough this can be.

I can only commend the executive team led by Graeme for their excellent and tireless work to do everything they can to look after our employees in this period. Employee communication in every shape and style has been constant, as have been the myriad of well thought out acts of kindness, staff appreciation and mental health support.

This hasn't just been top down, far from it. That doesn't work and isn't enough. The Softcat team have rallied together to support each other at every level and that's been a pleasure and a privilege to observe. I've loved seeing the way this has been extended into the wider community to support those less fortunate through both Company and individual charity and volunteering activities. We were also delighted to put our Marlow headquarters to good use as the main vaccination centre for the area once the vaccination programme began.

Particularly in light of these additional challenges, may I take this opportunity to wholeheartedly thank Graeme and all the Softcat employees for very much keeping it 'together'.

Regarding employee pay, given the uncertainty presented by the pandemic, we felt it was prudent to not make the usual annual pay rises in August for employees across the Company except for those in the lower pay brackets. As business continued to perform well the Board was fully supportive of the executive team's decision to implement the annual pay rises in February and back dating the increase to August. Furthermore the executive team proposed a second in-year pay rise for the lower pay brackets which the Board fully backed.

At no time during the pandemic has the Company furloughed staff or taken Government funding.

Looking forward, we are very mindful of the challenges of home working. But we are equally appreciative that at least in part, there have been positive attributes of this for many of our employees. One policy really doesn't fit all and I think you almost need a policy per individual depending on how long they have been in the workplace, their job type, their personal circumstances and preferences. The future will be a hybrid of some description, but the devil is in the detail and getting this right is a significant challenge. Graeme is extremely mindful of this and I have every confidence we will ultimately find the right balance going forward.

More information on how we responded to the COVID-19 pandemic can be found on pages 2 and 3

The Board

Our Board comprises Graeme Watt CEO, Graham Charlton CFO, and four Non-Executive Directors, Karen Slatford, Robyn Perriss, Vin Murria and me. No changes were made to the composition of the Board in the last financial year. We have a 50/50 gender split on the Board and benefit from BAME Board representation but the diversity of the Board goes way beyond that. We have a very diverse mix of personality types, backgrounds, types of experience, areas of interest and focus. I see very clear benefits of that degree of diversity in the workings of our Board.

I think the Board has worked together exceptionally well during this period, showing the right levels of challenge and support and encouragement to the executive team and each other. We have been fortunate in approximately half of our Board dates falling on days when it has been possible to meet in person.

We have benefited from the various guests who have attended Board meetings including key vendor and service partners, customers, peers from other territories, leading industry figures as well as many sessions held with a wide array of Softcat employees at various levels, some of which have been part of our Board employee engagement programme.

The Board has been particularly supportive of the executive team in all matters relating to the Company's ESG programmes and activities.

It's a pleasure to work with our Board team and I thank them for their enormous contribution to the stewardship of the Company, for their incredible responsiveness and for always making their work with Softcat a priority.

Engagement with shareholders

We have a highly supportive and valued group of shareholders, many of whom have invested in Softcat for many years now and with whom we have managed to develop strong relationships. We even managed to persuade one of our key institutional shareholders to do a session with all our Marlow employees to give their view from a shareholder's perspective. As it should be, most of the shareholder engagement is with Graeme, Graham, Charlie Heald (who heads up Investor Relations) and occasionally other members of the executive team. Feedback from shareholders following roadshows is collected independently and presented and discussed at the Board.

For several years now we have also run an annual Chair engagement programme where we write to our top 50 shareholders and the proxy agencies, encouraging engagement with our Non-Executive Board members, particularly myself. These sessions focus on Board matters, governance, and stewardship, not Company performance or operational matters. We value these sessions and the feedback. Year on year it is noticeable how increasingly interested our shareholders are in all areas of ESG, notably in the areas of sustainability and diversity and inclusion. While we are constantly looking to listen, learn and improve, we see it as very positive that our Company agenda and our shareholders' requirements are very much aligned on these matters.

Sustainability

We have discussed in previous reports the drive within the organisation to do everything we can to reduce our own carbon footprint, as well as improving this within our supply chain. The drive to reduce waste, use of paper, energy and to encourage recycling, reuse and low emission vehicles has been relentless and has been hugely supported by employees and the Company for whom this matters.

We have published targets to be carbon neutral (scopes 1 and 2) by 2022, to use 100% renewable energy by 2024 and to achieve a carbon net zero supply chain by 2040.

We support the UN Sustainable Development Goals and are working with WRI's Science Based Target initiative to develop an action plan towards our 2040 goal. We are committed to the Task Force on Climate-related Financial Disclosures.

This year, things have stepped up further. We are delighted to see the Company taking a leadership position on these issues within our industry. We are proactively working with our vendors and key distribution partners to positively influence our supply chain and have received direct feedback that these organisations have made changes as a direct result of their collaboration with Softcat in this area. We were delighted to be named as the first five-star partner in the UK for sustainability by one of our key vendor partners, HPE.

We are increasingly working with our customers to help them reduce their own IT carbon footprint and are investing in services delivered by us and our partners in this area.

In March, Softcat was awarded a five-star rating by Support the Goals, an organisation that rates companies on their achievements towards their chosen UN Sustainable Development Goals. Softcat is the first FTSE 250 company to be rated five stars.

Sustainable Reseller of the Year at the Tech Impact Awards

The judges were unanimous in crowning Softcat the winner of this flagship category, with one remarking that we are 'on track to becoming a market leader in sustainability'. Softcat was praised for leading by example, demonstrating an understanding of the importance of not only improving its own business, but also taking action with suppliers and helping customers.

Sustainability continued

As I write this I am delighted to report that we have just been announced as the 'Sustainable Reseller of the Year' at the CRN Tech Impact Awards, as well as 'Transformational Partner of the Year', in recognition of our efforts and progress in the last twelve months.

But this isn't about awards, it's about real progress in this hugely important area. We intend to continue and accelerate our understanding, expertise, actions and influence in all matters relating to sustainability.

More information on sustainability can be found on pages 44 to 51

Diversity and inclusion

The Board recently met with employee representatives from each of our Community Network groups including Softcat's BAME Network, the Family Network, the Faith at Work Network, the PRIDE Network, the Veterans Network and the Empowering and Neurodiversity Network.

We are so encouraged by the progress being made in these areas and so impressed by the Company's backing combined with the level of employee involvement and leadership from those for whom this means so much.

I find the level of interest, communication, Company debate, celebration of difference, understanding and respect for the individual quite inspiring and again thank individuals like Graeme, our HR Director, Rebecca Monk, and our Head of Diversity and Inclusion, Anushka Davies, for cultivating an environment where this is possible.

We have a lot to learn. We are behind where we would like to be in terms of gender split in the Company, we are way behind where we would like to be in terms of true diversity amongst our more senior teams. As a result, our gender pay gap is too wide. These are long-term endeavours and not short-term fixes.

However, we feel we are increasingly on the right track and the Board will continue to encourage and support initiatives in this area.

More information on diversity and inclusion can be found on pages 40 to 42

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 14.4p per ordinary share, taking the total dividend to 20.8p per ordinary share. In addition, we recommend a special dividend of 20.5p 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 15 December 2021.

More information on our dividend and distributions policy can be found on page 64

Together

The business is in excellent shape and the opportunities this industry continues to give us have never been greater. Our customers' appetite to use IT to gain competitive advantage while remaining secure and resilient is relentless. The Company has built an outstanding base of customers with whom we have a privileged and valued relationship. The opportunity to do more with those customers while continuing to win new ones is clearer than ever.

The challenges thrown at us in recent years have never been greater either: Brexit, economic uncertainty, the pandemic, labour shortages, chip shortages, supply chain disruption, increased regulatory requirements and taxation on businesses. We have further challenges we are embracing regarding our impact on the planet, our role in promoting diversity and a new hybrid working environment.

The executive team's and our employees' response to these opportunities and challenges has been exemplary and gives me every confidence that we will continue to build a better Company and we remain very excited by the Company's future prospects.

I say this every year but this year it's more deserved than ever. I'd like to thank our employees, our customers and our partners for their passion, for their incredibly hard work, for their dedication and support. Together, we make an exceptional team and one I am proud to be associated with.

Martin Hellawell

Martin Hellawell
Non-Executive Chair
25 October 2021

Why invest...

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.

Read more on page 6

1,681

Number of employees at 31 July 2021

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.

Read more on pages 22 to 25

95%

Customer satisfaction

3 Market-leading growth and financial strength

We have delivered 16 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.

Read more on page 15, pages 18 to 20 and pages 28 and 29

£101.7m

Net cash at 31 July 2021

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.

Read more on page 5 and pages 22 to 25

15%

Increase in gross profit per customer

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.

Read more on page 5 and pages 22 to 25

200+

Number of vendors and partners

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 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 40 to 43

2 Our market opportunity and offerings
Despite 16 years of unbroken, organic growth, a c.4% share of our addressable market affords us huge potential for further growth. Our success continues to fuel reinvestment into our technical capabilities, which we add to relentlessly year after year. As a result, we have one of the broadest and deepest technical offerings in the market, positioning us as the partner of choice for even the biggest and most complex solutions.

To read more see pages 22 to 25

3 Our customers
The longevity of our customer relationships is a direct product of the trust they place in our people and the value we deliver from our technical capabilities. During the past 16 years of consecutive organic growth the number of customers we serve has more than trebled, one of our proudest achievements.

To read more see pages 22 to 25

4 Our vendor partnerships
Technology vendors face intense competition and need partners that can accurately, reliably and credibly represent their products and services 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 UK and Irish customers. This reach is being further expanded through investment in our multinational branch network.

To read more see page 5 and pages 22 to 25

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 providing strategic agility. We have a highly liquid business model and can comfortably fund both a progressive dividend policy and long-term organic business investment.

To read more see pages 28 and 29

Strategy for delivery

We recruit and train great people with high potential

We incentivise and engage our people to perform

We deliver outstanding customer service

We win new customers and sell more to existing customers

Addressable market expansion

Underpinned by our values: Responsibility Intelligence

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 create a great place to work where people are recognised and rewarded for success. We are known for our unique culture and it is without doubt the basis of our success.

Only great people who are highly motivated and care about the business they work for can provide truly outstanding levels of customer service over the long term. We try to couple that with a world-class set of technical capabilities and believe the results speak for themselves.

Winning a new customer is just the very start of the journey; our real aim is to nurture a relationship carefully over many years. If we can prove our worth by never letting a customer down, trust builds and everyone wins.

We have a strong track record of developing new revenue streams and are fast to move as the market evolves. Despite our success to date, it's hard to foresee a time when there won't still be huge opportunity for growth.

Creating value for our stakeholders

Customers

95%

customer satisfaction

People

93%

employee engagement

Shareholders

16

years of consecutive organic profit growth

Fun

Passion

Community

Read more on page 21

Committed to our strategy

"The team was not thrown off course by the pandemic and have executed on our strategies very effectively, so thank you to everyone at Softcat for contributing so magnificently to our performance this year."

Graeme Watt
Chief Executive Officer

I am pleased to report on a record set of results in our 2021 financial year.

Public sector demand remained strong throughout the period and we saw further recovery in the corporate sector with an acceleration in customer growth and order volumes as the year progressed. As previously reported, the first half of the year was particularly strong as we delivered a small number of exceptionally large value mid-market deals.

We made excellent progress selling deeper into existing customers and saw gross profit per customer improve by 14.6%, while also increasing the size of the customer base by 2.3%.

Both people and systems continue to be a focus for investment, and we ended the year with 1,681 employees, an increase of 10%. We are very well positioned to drive growth and remain focused on taking further share in a growing market.

Cash generation has remained typically robust and I'm delighted that the Company is able to recommend the payment of a special dividend.

Thank you to all our partners, without whom this performance would not have been possible. And of course, a huge thank you to the Softcat team for your amazing ability to meet the challenges of the pandemic whilst delivering fantastic performance and making a significant contribution in our local communities.

Our people and performance

A full year in the pandemic was a challenging period for everyone at a personal and business level, so I wanted to start by thanking everyone who provided the support that many needed throughout the year, whether that was health, social or work related. The team was not thrown off course by the pandemic and have executed on our strategies very effectively, so thank you to everyone at Softcat for contributing so magnificently to our performance this year.

We exceeded our own expectations and made further progress across all key metrics in another record year. Gross Profit (GP), our key measure of income, grew by 17.2% and in line with the growth in our Gross Invoiced Income (GII) at 17.7%. Operating profit (OP) grew by 27.4%, meaning we converted 43.2% of our GP to OP (compared with 39.8% in the prior year).

Our growth was again broad-based but I would highlight the mid-market for its strong contribution to our overall GII growth of 17.7%. It was particularly pleasing to see the corporate business continue to recover in the second half and for us to be able to drive growth for our major vendors throughout both halves of the year. Performance also benefited from a small number of very large one-time deals in the first half, as well as Covid-related cost-savings from not being able to carry out some of our ordinary activities, mainly in the areas of travel and events.

Building close relationships over time with both new and existing customers remains a top strategic priority, and one against which progress was especially strong as we saw a 14.6% increase in GP per customer over the year. While the pandemic threw out a few challenges, such as finding it more difficult to engage with new customers in some cases, we were still able to grow our customer base by 2.3% to 9,700, a slight acceleration on the prior year. In addition, analysis by Context and CRN suggests we continue to increase our market share. Global shortages of components have been and will continue to be an issue for the industry, but our sense is that despite these shortages we will continue to see structural market growth. The impact of product shortages is very difficult to quantify or forecast, but we are fortunate to have incredibly strong vendor and distributor relationships which give us options when supply is constrained.

We have continued to invest for future growth without pause and are always looking to add new skills and capabilities as well as capacity. Average headcount across the year was up 11%, with a large proportion of our new starts being graduate and apprentice recruits just beginning their working career. The development of our internal tools and platforms has also continued at pace with investment across multiple projects including our finance system, e-commerce platform and service management systems.

We have successfully bedded in a new leadership structure announced at the start of the fiscal year, welcomed a new Head of Cloud as well as a Sales Director for Public Sector, and established an office of ten people in Virginia to focus on delivery into the North American market. This US office represents further investment in our customer-led multinational capability through which we assist UK and Irish customers with their global needs.

Our staff engagement Net Promoter Score (NPS) of 58 remains very healthy and tells us that, despite the pandemic, we continue to have a highly motivated and engaged workforce. We believe that this special culture creates outstanding customer experiences and is the key driver of our customer NPS rating of 59.

Customer demand and technology trends

The technology trends we saw are well documented and were consistent from the first half into the second half of the year. Security is top of the list and remains a central concern across all other areas whether in the context of digital workspace, datacentre, cloud, connectivity or edge computing.

After the initial scramble for mobile computing at the start of the pandemic many customers are now in a new phase and looking to make their workspace computing and networks robust, secure and scalable, for example standardising devices and replacing refurbished units. We are seeing investments in organisations' networks, devices and accessories, collaboration tools and equipment and printing as workers return to offices in greater numbers and with greater frequency. 5G roll-out is driving acceleration in the use of sensors which in turn fuels investment in edge computing and related infrastructure, particularly in areas that need to eliminate latency. The implementation of cloud-based technologies is mostly as part of hybrid multi-cloud environments and growth rates here remain very strong.

It seems to me these patterns will be with us for at least the mid-term, if not longer. The majority of businesses are maintaining or increasing their IT infrastructure spend, recognising the role this plays in their competitive advantage and security. This plays into the breadth and depth we've been building into our proposition for many years and positions us perfectly for the future.

Vendor partnerships

Our focus remains on bringing the needs of our customers together with the best solutions in the market. The world of IT infrastructure is as complex as ever with a myriad of options evolving at pace. Customer needs therefore continue to be the key consideration in choosing areas for investment to maintain our relevance, and of course we couldn't do that without the support and partnerships we enjoy with over 200 vendors. Those partnerships will continue to be important as we navigate product shortages, price changes and other challenges in the year ahead.

Vendors are seeking to assist commercial and public sector organisations to manage distributed workforces, migrate workloads to the cloud in a hybrid work environment and build functionality at the edge whilst maintaining security. We now live in a hybrid world where technology is no longer discretionary and is increasingly distributed. This drives opportunity to innovate and add value throughout the channel.

Industry Awards

The value of our contribution to those partnerships has been generously recognised in a year where we have picked up over 50 vendor awards, including a number for our performance at an EMEA and global level.

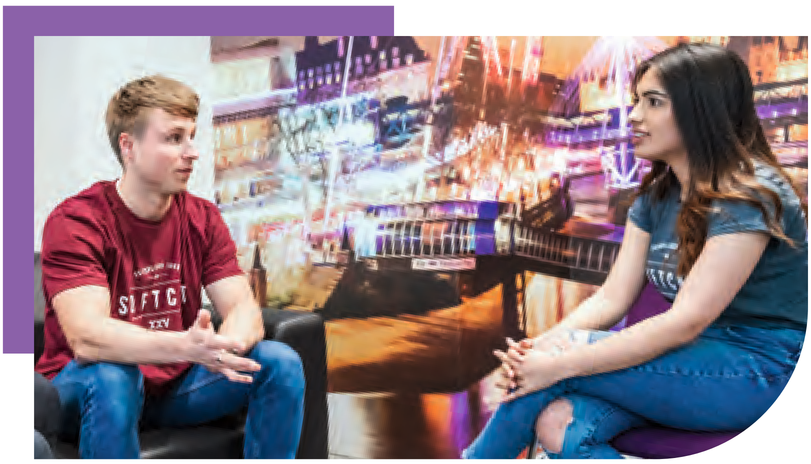
We won the highly prestigious CRN Reseller of the Year and Public Sector Reseller of the Year awards, the latter for the second year in a row, while also being crowned the CRN Sustainable Reseller of the Year in the inaugural Tech Impact awards focused on ESG credentials. Regarded as the Oscars of our industry, these accolades really lit up the organisation in challenging times.

We place special value in awards that recognise the spirit of our people too, so it meant a lot to be recognised again as a top ten employer by both Glassdoor and the Great Places to Work Institute.

We were also delighted to be named Diversity Employer of the Year and Ethnic Diversity Champion in the CRN Women in Business awards.

95%
Customer satisfaction

93%
Employee engagement



Strategy

Reassuringly, our strategic direction remains unchanged – perhaps not surprising given our track record. We will focus on growing faster than the market and taking share through generating more business with existing customers and at the same time adding new customers. We don't take those relationships for granted and must prove ourselves worthy of trust every day in a market which remains fiercely competitive.

We will continue to make investments to ensure we have the skills and capacity to deliver best practice solutions and bring the innovations of our vendors to market. We are further developing our vertical expertise in our corporate business with a current focus on growing our presence in financial services, while in the public sector we have targeted higher penetration of central government and defence.

As customers increasingly adopt cloud technologies, we have been scaling up our resources, tools and partnerships to support them. We have invested further in device life cycle management as laptops and other mobile devices become central to how many organisations operate and connect. We will continue to invest in and expand our multi-national capabilities to assist customers in our core markets of UK&I with their global needs. This will entrench existing relationships as well as help attract new customers.

Services remain a critical part of our strategy and continue to evolve and expand our portfolio of in-house services as well as those delivered in partnership. Our service strategy is an inherent part of our offering and does not sit separately from our product expertise and the two will continue to work in tandem.

Ease of doing business for both our employees and customers continues to be high on the agenda. Therefore, the investments already mentioned in our e-commerce portal, cloud aggregation and IT service management systems among others will continue at pace. Enabling and motivating our teams will remain central to everything we do.

Culture and hybrid working

Our special culture has held up well and served us brilliantly over the past 18 months, although our employee pulse surveys have shone a light on the challenges many have faced inside and outside of the workplace. We've taken great care and time to listen to feedback and launched a buddy scheme for those employees who needed emotional support or just someone to chat to, and that worked well for everyone involved. Despite the, sometimes relentless, grind of the pandemic, the team have maintained their boundless energy and spirit. They have shown great agility and resilience and retained a positive attitude.

We have put in place a number of initiatives to remain connected and have some fun, and the care the team have shown for one another and our business partners has been so impressive. I am very proud of them all. We have dealt with the challenges and the opportunities 'together', which appropriately was our word of the year for 2021.

Our plans for hybrid working will evolve and be refined over time. We have introduced a flexible policy and all employees can choose how they split their time between the office and other locations within an expectation that on average we have a slight bias towards the office. We have asked our staff to use good judgement balancing their own needs with those of their teams and the wider business. Within this policy we aim to keep the culture as vibrant as ever while being able to operate even more effectively. In essence we want everyone to enjoy the best of both worlds and trust we can iron out any wrinkles as we go along.

Sustainability

Over the last year we have deepened our focus on diversity and inclusion, on volunteering and charity fund raising as well as our efforts to be environmentally responsible where we now have clear and ambitious goals. Our employees have started two new network groups this year to bring people together to discuss faith and neurodiversity and I am pleased that we are making progress on our gender and ethnic diversity.

As well as the evolution of our culture and ways of working in a post-Covid world, we are also committed to advancing the sustainability of our industry in terms of its impact on the climate. We've been able to significantly reduce the carbon footprint of our own business in recent years despite our growth, but as we look ahead, we have a strong desire to become a leader in the journey towards carbon neutrality. Earlier this year we were the first FTSE 250 company to be awarded 5-star status from the Support the Goals initiative, supporting the UN Global Goals of 2015 and we are only one of five UK companies to win a Sustainable Impact award from HP. We have already achieved net zero carbon on our own scope 1 and 2 emissions through the conversion to renewable energy sources and carbon offsetting, and we are now engaged with the World Resource Institute's Science Based Targets initiative, using their resources to help us develop an action plan to meet our goal of a net zero supply chain by 2040.

Positive momentum

We are very positive about 2022 and expect to maintain the momentum we have built coming into this new financial year. At around 4% we still have a relatively low share of a huge and growing market, so we are not limited by opportunity. Some challenges such as supply constraints and the pace and strength of the economic rebound remain, while recruiting talent is likely to be tougher as demand for skills surges. But these factors are more than outweighed by optimism across the industry. Areas such as datacentre, storage and print will grow strongly as staff return to offices in greater numbers and those especially hampered by the pandemic begin to resume operations. We are perfectly placed to capitalise on the demand this will create.

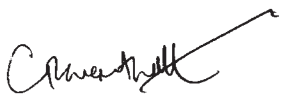
Thank you to my leadership team, the Board and everyone at Softcat for being so brilliant and making our company such a great place to work.

Outlook

The new financial year has started well. As noted in our Q3 update, we anticipate that the resumption of business travel and events will create a significant headwind during 2022. In the first half, this will be amplified by very strong income comparatives due to the exceptional deals we highlighted in our 2021 first half results. Consequently, operating profit performance in the year ahead will be slightly more weighted towards the second half than in 2021.

We continue to target double-digit gross profit growth, well ahead of market trend. As we maintain high levels of investment in future growth, we expect full year operating profit for 2022 to be in line with the record achieved in 2021.

While it is difficult to look too far forward, given the strength of our business, the outlook for the industry and our confidence in our people, we expect to return to strong operating profit growth thereafter.



Graeme Watt
Chief Executive Officer
25 October 2021

Our strategic roadmap

Our strategy is simple, putting both our employees and customers at the heart of everything we do.

Our purpose

Our purpose is to help customers use technology to succeed, by putting our employees first.

Our vision

To be the leading IT infrastructure product and services provider in terms of employee engagement, customer satisfaction and shareholder returns.

Strategy

Acquire more customers

Sell more to existing customers

Read more on our strategy on page 26

Enabled by our...

People and culture

Read more on page 6

Ease of doing business

Read more on page 8

Addressable market expansion

Read more on page 10

Guided by our values

Responsibility

We are accountable for our actions and make decisions that are inclusive, embrace diverse points of view and are environmentally responsible.

Intelligence

We commit to delivering exceptional performance by striving to be experts, using our best judgement to deliver the outcomes our customers need.

Fun

We work hard to deliver a vibrant, people-led culture that is energising, rewarding and respectful.

Passion

We love enthusiasm and ambition, embrace fresh ideas and care deeply about helping our people, customers and partners to reach their fullest potential.

Community

We believe in the power of people, encouraging collaboration to provide support and positively contribute to our internal and external communities.

Growing our offering in an expanding market

A structurally growing market

Our varied customer base includes commercial and public sector organisations, both their domestic and multinational operations, encompassing mid-market and enterprise across a range of verticals, local and central Government, blue light, education, healthcare and more.

For our customers, there is no doubt the pandemic has accelerated their digital transformation: their move to the hybrid cloud, adoption of flexible workstyles, enhanced security posture, etc. Our broad range of solutions and services help organisations deliver a consistent and secure work experience to all users, across all devices in any location. This value proposition became increasingly important – particularly for our customers in the SMB, mid-market, enterprise and public sector verticals.

During these times we have been able to help customers in the UK and Ireland transition to remote working while maintaining business operations with minimal disruption. We have expanded our multinational operations to better assist our customers to make the transition on an international basis as well and facilitate meeting their IT needs no matter what geographical area they operate in.

We do not just sell commodity IT, we architect, implement and manage IT solutions; and we help customers to use technology to succeed.

We provide independent design and recommendations that allow our customers to solve challenges, capitalise on new opportunities, and work in better ways. And we provide the support needed to maximise those investments and deliver the service that establishes us as the foremost technology partner for our customers.

Our customers

Putting our people at the heart of everything we do ensures business is personal.

We are passionate about deepening our engagement with our customers to develop long-term valuable and sustainable relationships. This is demonstrated by delivering personalised solutions tailored to the needs of our customers and backed with our expertise and knowledge. We have a robust framework in place that ensures we deliver the outcomes our customers want every single time. We believe this enables us to deliver an outcome customer promise, which demonstrates our competitive differentiation and in return improves loyalty and drives revenue growth.

Our annual customer experience survey is a key check and balance that informs our strategy. It drives the ongoing investment in people and specialist resources needed to deliver on our customer promise.

We focus on developing, attracting and retaining the best talent, increasing our expertise so that we can better understand the environments and industries that our customers operate in. This helps us collaborate across industries and share best practice and innovation to ensure we deliver the best experience for our customers and the challenges they face. We also believe in putting the right people in place and investing in them over the long term. During the last twelve months we have also developed our agenda across issues like inclusion and sustainability – topics that are important to our leadership team as well as our staff, customers and partners.

More than eight in ten members of the Softcat team face directly into customers in one manner or another, including our dedicated Customer Experience Team, where Customer Success Managers work alongside Service Delivery teams to ensure that complex solutions are integrated and delivered to the highest quality.

> The majority of businesses are maintaining or increasing their IT spend. This plays into the breadth we've been building into our proposition for many years."

Graeme Watt
CEO

Our customer commitment

To listen, learn and provide the very best technology solutions and services that put people first and enable our customers to benefit from outstanding digital experiences that are fit for purpose, secure and forward thinking.

The new IT landscape

The advent of cloud and the rise of 'as a service' mean that organisations are more in control of their own technology decisions. In addition, they are embracing the ability to consume solutions and services when and how they are needed, and to pay only for what they need.

Accordingly, we focus our independent advice and recommendations, procurement capabilities and services offering across three key IT priorities: digital workspace, hybrid infrastructure and cyber security.

Each of these priorities generates intelligence and insight that underpin our ability to provide proactive, independent and actionable recommendations; to deliver value-added services and support customers on their transformation journey in a bespoke manner.

As we look to the future and the challenges we face around security and change, we know Softcat has the expertise and services to help us continue to remain competitive in the high street. Because Softcat doesn't specialise in just one area we know that as we change and develop Softcat will always be able to help us on that journey."

Spokesperson for Central England Co-operative

Digital workspace

With a people-first approach, we improve experiences, create choice and enable outcomes by securely connecting people, data, apps and devices. We consider the key aspects that underpin a successful digital workspace strategy: workstyle flexibility, choice and creating collaborative workspaces to enable enhanced productivity and a happier workforce.

There's a very good reason why we have used Softcat for more than a decade. We see it as a tried and trusted vendor that is always happy to give that little bit extra to add value to what it does. Working with Softcat guarantees access to knowledgeable and talented specialists that absolutely understand our specific business needs. And because it understands what we do and how we want to do it, it goes to great lengths to ensure that solutions are configured to enhance operational efficiency. Softcat is always professional, always responsive and, when required, solves problems quickly and efficiently."

Rick Byers
Director of Hosting and Information Security at Enghouse Networks, CTI Group, division of Enghouse Networks

95%

of organisations agree that a digital workspace is important

Source: Dizzion Digital Workplace: Definition, Drivers and Best Practices (smarp.com)

Hybrid infrastructure

Whether it is public, private or multi-cloud, what counts is delivering and maintaining the optimal combination of technology for each customer's unique situation. Softcat as a cloud aggregator can design, deliver and operate a range of effective environments.

Across data assurance, through management and monitoring, to connectivity and security, we design the public, private and hybrid cloud solutions that deliver the optimal estate.

87%

of businesses would move their IT to the cloud if the perfect solution existed.

Organisations believe they lack the skill or resources needed to build (78.3%) and manage (77.3%) cloud-native applications.

Cyber security

Protecting data, networks and systems is now a critical issue for the industry. Almost every business relies on the confidentiality, integrity and availability of its data. Protecting information needs to be at the heart of an organisation's security planning. As cyber security evolves, we build, implement and maintain ongoing programmes to proactively reduce risk for our customers.

80% of businesses and 74% of charities say that cyber security is a high priority for their organisation's senior management.

Source: Cyber Security Breaches Survey 2020 – GOV.UK (www.gov.uk)

IT services

Softcat develops in-house services and invests in an extensive partner ecosystem, maintaining long-term relationships with organisations that complement our offering. This creates a compelling range of market-leading capabilities that ensures we can design, deliver and operate. Our services align with our IT priorities and enable us to identify, build, support and optimise.

“

Softcat is one of our strategic partners which just brings so much to the table. I cannot fault them and the account management we receive.”

Michael Vaughan
Unity Schools Partnership

Our vendor partners

Partnering for success

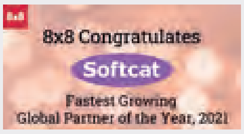
We pride ourselves on partnering with over 200 of the largest and the best emerging technology partners, enabling us to deliver the latest pioneering solutions to our customers. We work closely with these industry-leading vendors on a common goal to deliver the best solution or service which meets the IT needs of our customers. By continuously listening and asking questions of our customers we are able to evolve and improve our partner strategy.

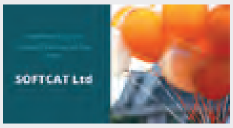
“

Softcat and Dell Technologies' joint success together is driven by our common goals of putting our people and customers first. Although the relationship is well over a decade old, over the last few years our joint growth in all technologies and routes to market has been outstanding. With the continued joint investment from both parties, there is no limit to our joint potential!”

Rob Tomlin
Vice President UK&I Channel at Dell Technologies

Awards we have won:





Zoom · mimecast · Trend Micro · intel

Our vendors

8x8	Adobe	Apple Authorised Reseller	Lenovo	Microsoft	mimecast
aws	Check Point	Cisco Partner	NetApp	NUTANIX	paloalto
citrix	COMMVAULT	CROWDSTRIKE	PURESTORAGE	rubrik	SAMSUNG
DELL Technologies	Forcepoint	Google	SOPHOS	splunk>	TREND MICRO
Hewlett Packard Enterprise	hp	intel	veeam	VERITAS	vmware

Acquire more customers

In 2021 customer numbers grew organically for the fourteenth year in succession, but we still only serve around one in five from our target market.

Progress in 2021

Our customer base grew by 2.3% during the year, with success across each of our key segments: mid-market, enterprise and public sector.

Future focus

Our customer base was 9,700 in 2021, which only reflects approximately 20% of the addressable market. We will continue to target new accounts through further investment in our sales force.

KPIs

- Customer base increased by 2.3% to 9,700
- Gross profit from new customers up 10% year on year
- 95% customer satisfaction

CASE STUDY: STRATEGY IN ACTION

Splash Damage: Leveraging cloud storage to take control

Splash Damage is an award-winning British video games developer. Despite their success, they operated a legacy backup product on infrastructure that required a large investment to refresh, as it was fast approaching end of life.

Backups were configured to utilise a mixed storage estate, which was fragmenting the protection strategy and making restore operations difficult. The backup software was cumbersome, meaning a full-time employee was required to manage it. With a 5% year-on-year growth, enabling backup to the cloud was essential for long-term retention of data and to minimise risk. Splash Damage IT Manager, Craig Nelson, commented: "We challenged Softcat to recommend a modern backup solution that could leverage cloud storage for our evolving requirements".

Splash Damage needed a new backup and recovery solution for 50+ terabytes of Windows file server and AWS data with full data visibility and accessibility. Following review Softcat recommended Rubrik's cloud data management and enterprise backup software solution. This made backups and restore activities straightforward, freeing up the Splash Damage team to concentrate on higher value tasks. Craig Nelson said: "Rubrik has a very easy to use search capability enabling quick restores, so we were really impressed. Added to that is the ability to leverage AWS Simple Storage Service as a tier for backups, giving us the cloud storage scalability we need". We helped Splash Damage save £270k on backup over a three-year period, a 55% saving on upgrading the existing environment.

Sell more to existing customers

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

Progress in 2021

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 2022 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 15% during the year
- 95% customer satisfaction

CASE STUDY: STRATEGY IN ACTION

IT sense check delivers optimal value and performance for Coller Capital

Coller Capital

Founded in 1990, Coller Capital delivers liquidity solutions for a global investor client base. Taking on a new role is always challenging. For Kris Fry, Infrastructure and Operations Manager, the challenge wasn't quite the one he was expecting.

Kris said "Once I assessed the IT landscape, it was clear that there was room for improvement in how we did things. I knew from previous experience that more value, and capabilities, could be wrung out of the existing technologies and infrastructure. A good place to start would be to 'get a sense check' from someone I trusted. I'd worked with Softcat in the past, so I got in touch."

The sense check highlighted areas for improvements, in particular how Microsoft licensing was managed. "We felt Coller Capital could achieve even more value from its licensing investments," said Will Schofield, Enterprise Account Director at Softcat. "Funding was available from Microsoft for a Windows Virtual Desktop ('WVD') solution. It could seamlessly replace the existing technologies, be better value for money and would include managed services provided by Softcat."

"Will's analysis made a lot of sense," said Kris. "It was one of the areas I'd immediately thought of as having scope for improvement. The switch to WVD went smoothly and we were up and trading on the new system within a couple of weeks. I trusted Softcat to deliver and it did."

Another year of profitable growth

in an industry primed for the future

> We've grown strongly during 2021 while also maintaining our investment in growth; the opportunity ahead has never been better."

Graham Charlton
Chief Financial Officer

Financial summary	FY21	FY20	Growth
Revenue	**£1,156.7m**	£1,077.1m	7.4%
Revenue split			
Software	**£501.1m**	£519.5m	(3.6)%
Hardware	**£556.5m**	£442.3m	25.8%
Services	**£99.1m**	£115.3m	(14.1)%
Gross invoiced income ('GII')[1]	**£1,938.4m**	£1,646.2m	17.7%
GII split			
Software	**£1,109.2m**	£964.3m	15.0%
Hardware	**£566.3m**	£458.3m	23.6%
Services	**£262.9m**	£223.6m	17.6%
Gross profit	**£276.4m**	£235.7m	17.2%
Gross profit margin	**23.9%**	21.9%	2.0% pts
Operating profit	**£119.4m**	£93.7m	27.4%
Operating profit margin	**10.3%**	8.7%	1.6% pts
Gross profit per customer	**£28.4k**	£24.8k	14.6%
Customer base	**9.7k**	9.5k	2.3%
Cash conversion[1]	**89.9%**	87.8%	2.1% pts

1. Gross invoiced income (GII) and cash conversion are alternative performance measures. Please see page 29 for further definitions and reconciliations.

Gross profit, revenue and gross invoiced income

Gross profit, our primary measure of income, grew by 17.2% to £276.4m, reflecting strong growth in both the first and second halves of the financial year. Despite successive waves of the pandemic and fluctuating nature of social restrictions, customer demand has been robust, and the Company has been able to operate effectively throughout.

As also noted in our half-year report, revenue growth of 7.4% to £1,156.7m lagged GII expansion due to the continued shift towards cloud-based software. Cloud solutions as well as third-party services are recognised net of product costs under IFRS 15 and this shift in mix accounts for the difference in growth rates between GII and GAAP revenue. We expect this trend to continue in future periods. The company continues to report on GII as well as GAAP revenue since the former is most closely linked to working capital movements and also provides insight to the relative gross spend by different customer segments and across different technology areas. The IFRS 15 reconciliation between revenue and gross invoiced income is included in note 2 of this annual report.

GII grew by 17.7%, closely matching the expansion in GP and reflecting relatively stable product and customer segment mix with margin in line with prior year at 14.3%. Within the corporate customer segment, we saw a slight shift towards mid-market which grew very strongly by 25.4% and comprised 43.3% of total GII (FY20: 40.7%). Income from enterprise customers (>2,000 employees) was in line with prior year and made up 17.3% of GII (FY20: 20.6%). Gross invoiced income from public sector customers grew by 19.5% and comprised 39.4% of the total (FY20: 38.7%).

GII performance was also very strong and consistent across all areas of technology, showing double-digit growth in each of software, hardware and services in both the first and second halves of the year.

Income concentration was slightly higher than in previous years due to a small number of exceptionally large deals in the first half. Despite that, income remains well diversified with the top 100 customers contributing 38.5% of GII (FY20: 36.2%).

Customer KPIs

The Company strategy remains unchanged and is focused on winning new customers and then nurturing those relationships over many years to engender trust and loyalty. Our special culture coupled with a determination to provide the very best customer service in our industry has been especially important during the pandemic. Along with the breadth of our offering these factors have enabled us to deliver the advice and assurance customers have come to place such reliance upon.

During the year average gross profit per customer grew by 14.6% to £28.4k (2020: £24.8k) and, as has been the case in each of the past three years, 95% of all gross profit was earned from existing customers. Despite this progress, our average wallet share is estimated to be just 20% of customer's IT infrastructure spend and so further growth with existing customers remains our most accessible and exciting prospect in the years ahead.

We also managed to expand the customer base during the year by 2.3% to 9.7k, (2020: 9.5k). While contributing relatively modest levels of in-year income (accounting for just 5% of GP in 2021), the addition of new customers makes an important contribution to sustainable future growth.

Operating profitability and investment in future growth

Total cost growth for the year was significantly lower than GP growth at 10.5%, and so our key internal measure of operating profit margin, the ratio of operating to gross profit, increased to 43.2% (2020: 39.8%). This increase in margin reflects the constraints placed on our operations as a result of the pandemic – mainly the inability for our people to travel and spend time on customer sites, as well as the unavoidable cancellation of internal events. This has resulted in cost savings of c.£1m per month throughout 2021, compared with just three months of similar savings in the prior year. While beneficial to operating profit in the short-term, we very much hope and expect that these activities will begin again during the year ahead.

Unlike the constraints forced upon travel and events, the pandemic had no impact on our ability to invest in our people and drive new recruitment. Average headcount was up by 11% to 1,636, closing the year at 1,681. Investment in both new and existing team members has been a consistent element of our strategy for many years and will continue into 2022 and beyond. Commission costs grew broadly in line with gross profit.

Corporation tax charge

The effective tax rate for 2021 was 19.2% (2020: 19.2%), reflecting a stable UK statutory rate of 19.0% in both years together with the relatively marginal impact of non-deductible expenses. Our tax strategy continues to be focused on paying the right amount of tax in the right jurisdiction, at the right time.

Cash and balance sheet

Cash conversion, defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit, was 89.9% (2020: 87.8%). The small increase on prior year is due to slightly lower capital expenditure as major office refurbishments were completed in 2020, partially offset by implementation costs of the new finance system which is ongoing. To date, £4.8m has been invested in the new finance system. Overall, our business model remains unchanged and the inventory value at the balance sheet date reflects stock in transit between distribution partners and customers. The Company's closing cash balance was £101.7m (2020: £80.1m).

Dividend

A final ordinary dividend of 14.4p per share has been recommended by the Directors and if approved by shareholders will be paid on 20 December 2021. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 12 November 2021. Shares in the Company will be quoted ex-dividend on 11 November 2021. The dividend reinvestment plan ('DRIP') election date is 29 November 2021.

In line with the Company's stated intention to return excess cash to shareholders, defined as net cash in excess of £45m, a further special dividend payment of 20.5p has been proposed. If approved this will also be paid on 20 December 2021 alongside the final ordinary dividend.

Alternative Performance Measures

The Company uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise gross invoiced income and cash conversion.

1. **Gross invoiced income** (GII) is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. GII reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to GII is provided within note 2.
2. **Cash conversion ratio** is cash flow from operations, net of capital expenditure, as a percentage of operating profit. A reconciliation to the adjusted measure for cash conversion is provided below:

	2021 £'000	2020 £'000
Cash generated from operations	113,797	91,287
Purchase of property, plant and equipment	(2,265)	(7,664)
Purchase of intangible assets	(4,199)	(1,293)
Cash generated from operations, net of capital expenditure	107,333	82,330
Operating Profit	119,416	93,733
Cash conversion ratio	89.9%	87.8%

Graham Charlton
Chief Financial Officer
25 October 2021

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 risk is set against the backdrop of the Company's '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 co-sourced 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. During the year, the Company has also recruited the new position of Internal Audit Manager to enhance and develop the effectiveness of the three lines of defence.

Set out below is the Board's view of key risks currently facing the Company, along with commentary on how this might impact progress against 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 2021 financial year.

An explanation of how the Company manages financial risks is also provided in note 21 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)

Principal risks and uncertainties

Business strategy

Customer dissatisfaction

Change from 2020

Slight increase (due to the enforced reduction in face-to-face customer contact as a result of the pandemic)

Potential impacts

- Reputational damage
- Loss of competitive advantage

Management and mitigation

- Graduate training programme
- Ongoing vendor training for sales staff
- Annual customer survey with detailed follow-up on negative responses
- Process for escalating cases of dissatisfaction to MD and CEO

Link to strategy

Acquire more customers; Sell more to existing customers

Failure to evolve our technology offering with changing customer needs

Change from 2020

No change

Potential impacts

- Loss of customers
- Reduced profit per customer

Management and mitigation

- Processes in place to act on customer feedback about new technologies
- Training and development programme for all technical staff
- Regular business reviews with all vendors
- Sales specialist teams aligned to emerging technologies to support general account managers
- Regular specialist and service offering reviews with senior management

Link to strategy

Acquire more customers; Sell more to existing customers; Addressable market expansion

Operational

Cyber and data security, including data protection and regulation

Change from 2020

Slight increase (due to an evolving external threat landscape)

Potential impacts

- Inability to deliver customer services
- Reputational damage
- Financial loss

Management and mitigation

- Company-wide information security policy
- Appropriate induction and training procedures for all staff
- External penetration testing programme undertaken
- ISO 27001 accreditation
- In-house technical expertise
- All employees issued with corporate devices with standardised access monitoring and controls

Link to strategy

Ease of doing business; Addressable market expansion

Business interruption

Change from 2020

No change

Potential impacts

- Customer dissatisfaction
- Business interruption
- Reputational damage
- Financial loss

Management and mitigation

- Operation of backup operations centre and datacentre platforms
- Established processes to deal with incident management, change of control, etc.
- Continued investment in operations centre management and other resources
- Ongoing upgrades to network
- Regular testing of disaster recovery plans and business continuity plans

Link to strategy

Acquire more customers; Sell more to existing customers; Ease of doing business

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Link to strategy:

- Acquire more customers
- Sell more to existing customers
- People and culture
- Ease of doing business
- Addressable market expansion

Principal risks and uncertainties continued

Operational continued

Macroeconomic factors including Brexit and the COVID-19 outbreak

Change from 2020

No change

Potential impacts

- Short-term supply chain disruption
- Reduced margins
- Reduced customer demand
- Reduced profit per customer

Management and mitigation

- Close dialogue with supply chain partners
- Customer-centric culture
- Breadth of proposition and customer base
- Additional customer credit review processes introduced
- Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure

Link to strategy

Financial

Profit margin pressure including rebates

Change from 2020

No change

Potential impacts

- Reduced margins

Management and mitigation

- Ongoing training to sales and operations team to keep pace with new vendor programmes
- Rebate programmes are industry standard and not specific to the Company
- Rebates form an important, but only minority element of total operating profits

Link to strategy

People

Culture change

Change from 2020

Slight increase (due to enforced reduction in face-to-face working and postponement of internal events such as employee parties and incentive trips)

Potential impacts

- Reduced staff engagement
- Negative impact on customer service
- Loss of talent

Management and mitigation

- Culture embedded in the organisation over a long history
- Branch structure with empowered local management
- Quarterly staff satisfaction survey with feedback acted upon
- Regular staff events and incentives
- Enhanced internal communication processes and events

Link to strategy

Poor leadership

Change from 2020

No change

Potential impacts

- Lack of strategic direction
- Deteriorating vendor relationships
- Reduced staff engagement

Management and mitigation

- Succession planning process
- Experienced and broad senior management team

Link to strategy

Link to strategy:

- Acquire more customers
- Sell more to existing customers
- People and culture
- Ease of doing business
- Addressable market expansion

Climate change

In our consideration of emerging risks, climate change was identified as an area requiring greater analysis. This is already a component of the failure to evolve our offering risk with regards to the products and services our customers consume and how they might be affected by the drive towards carbon neutrality. In the year ahead, further consideration will take into account the potential impact of our business and supply chain on the global climate, as well as the potential risks and impact of climate change upon our business activities. Our analysis will support more comprehensive future reporting in line with the five pillars approach of the Task Force on Climate-related Financial Disclosures ('TCFD'). Please see our Sustainability Report on pages 44 to 51 of our Sustainability Report.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period to 31 July 2024, which is a longer period than the twelve-month outlook required in adopting the going concern basis of accounting. This assessment period remains appropriate given the timescale of the Company's planning and investment cycle, including the ongoing impacts that continue to evolve from the COVID-19 pandemic. The Directors confirm that they have performed a robust assessment of the principal risks facing the Company as detailed on pages 30 to 33, including those that will threaten its business model, future performance and solvency or liquidity.

The Company's revenue has grown on average 13% in the last three years and GII has grown on average 21% in last three years. This has been achieved by gaining market share through increasing the number of customers as well as increasing spend per customer year on year. Against a backdrop of a global response to COVID-19 the Company has enjoyed a large degree of resilience to challenging conditions, evidenced by an increase in gross profit of 17% in FY21, a year of significant uncertainty, multiple lockdowns and remote working. The year-to-date trading to the end of September 2021 shows growth in line with the base case forecast.

As of September 2021, the current challenges associated with COVID-19 are hardware supply issues, resulting from the global semi-conductor shortage, and increased risk of credit losses as temporary Government support measures are withdrawn. These factors have been assessed within the Company risk review and discussed within the Strategic Report.

The assessment of the Company's viability considers severe but plausible scenarios aligned to the principal risks and uncertainties set out on pages 30 to 33, and the assessment was based on the severe but plausible scenario set out in our going concern assessment. The realisation of these risks, to the extent modelled, is considered remote. Although the forecasted impact of the pandemic and ongoing impacts has not changed the nature of the stresses applied to the base case, it has increased their severity. The testing continues to go above and beyond the impacts seen to date from COVID-19.

The degree of severity applied in the viability scenarios was based on management's experience and knowledge of the industry to determine plausible changes in assumptions. The most relevant potential impact of the key risks on viability are:

- a substantial and sustained shortfall in revenue and gross invoiced income compared to the budget and strategic three-year plan resulting from, principally, a sustained period of significant supply shortages resulting in the delay of hardware shipments and resulting revenue decline;
- a fall in achievable gross margins resulting from margin pressure associated with supply factors and increased competition for existing and new business;
- significantly increased levels of bad debt losses in the first year of the modelled period, to coincide with the withdrawal of temporary Government support schemes, such as furlough; and
- an ongoing increase in the working capital cycle, specifically driven by a delay in customer payments versus historical levels.

The following stress testing over a three-year period has been performed (i) against the budget approved by the Board for the 2022 financial year; and (ii) against the remaining two financial years (i.e. 2023 and 2024) of the three-year plan:

- an average 10% year-on-year reduction, compared to the original budget and three-year strategic plan, in revenue and gross invoiced income;
- reduced gross profit margins of 1%;
- bad debt write offs of £5m above budgeted levels in FY23; and
- extending the length of debtor days by one day for each of the three years (thus negatively impacting working capital).

The modelled stressed scenario above continues to include both ordinary and special dividends in line with the dividend policy and historical payout rates across the three-year period.

The Company benefits from a flexible business model with a high proportion of costs linked to performance, such as commission, no warehousing of unsold products and a low operating cost base, consisting of mostly staff costs. On top of the natural reduction in some of these outflows as profitability reduces, management could, if necessary, take mitigating actions (for example, the ability to adjust the level of discretionary special dividend) providing opportunities for the business to make further decisions on the cost base of the business. Despite the minimum desired cash position being achieved in the severe but plausible model through a reduction in planned special dividends, the following options also exist for management:

- reduced salary costs, through recruitment restrictions on new heads and not replacing leavers;
- no interim dividend in H2 of FY22 or thereafter;
- savings in discretionary areas of spend;
- delay payments to suppliers foregoing early settlement payments; and
- short-term supplier payment management.

The Company operates a flexible model in a resilient industry that incorporates an increasing level of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age. In Public Sector, a fast-growing area of the business, spending has also continued to be strong and has been less sensitive to COVID-19 than the Corporate market, so far.

Financially, significant free cash flow generation and the strength of the Company's balance sheet provide comfort around the ability to absorb the impact of the stress tests outlined above.

Confirmation of viability

Based on the analysis, 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 their assessment.

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 Chief Financial Officer's review on page 28.

Financial

Revenue £m

21	1,156.7
20	1,077.1
19	991.8

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

21	276.4
20	235.7
19	211.1

Strategic link

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

Operating profit £m

21	119.4
20	93.7
19	84.5

Strategic link

Comments
- Operating profit comprises gross profit net of administrative expenses.

Link to Directors' remuneration
- For 2021 operating profit was the sole KPI of reference for the Executive Directors' bonus, reflecting its central role in measuring the delivery of in-year shareholder value.

Gross invoiced income £m[1]

21	1.938.4
20	1,646.2
19	1,414.1

Comments
- Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued items.

Basic earnings per share p

21	48.4
20	38.2
19	34.6

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 %[1]

21	89.9
20	88.0
19	92.0

Comments
- Cash conversion is defined as cash generated from operations 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.
- Conversion was slightly lower in 2020 as planned due to extensive refurbishment of the Marlow and Manchester offices.

1. Gross invoiced income (GII) and cash conversion are alternative performance measures. Please see page 34 for further definitions and reconciliations.

Non-financial

Employee engagement score %

21	93
20	93
19	92

Strategic link

Comments

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

Customer satisfaction %

21	95
20	97
19	96

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 2021 the survey had 1,248 respondents (2020: 1,583).

Gross profit per customer £'000

21	28.4
20	24.8
19	23.0

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, but to a similar degree from one financial year to another.
- The growth in this metric therefore demonstrates the value created by ever-deepening long-term relationships, and the Company's ability to sell an increasing range of technologies based upon genuine trust and loyalty.

Customer base '000

21	9.7
20	9.5
19	9.2

Strategic link

Comments

- Customer numbers are defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.
- Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.
- Important for both in-year performance but also underpins future growth.

Link to strategy:

- Acquire more customers
- Sell more to existing customers
- People and culture
- Ease of doing business
- Addressable market expansion

Read more in our Chief Financial Officer's review, see pages 28 and 29

Building strong partnerships

Certain companies, such as Softcat, are required to explain how the Directors have discharged their responsibilities to engage with the Company's key stakeholders.

Our key stakeholders:

Softcat

Employees

Our employees are at the heart of our business and help to drive Softcat's continued success

Customers

Understanding the needs of our customers in order to build enduring relationships is critical to Softcat's strategy

Suppliers and vendors

Softcat's strong relationships with our suppliers and vendors help us provide the best solutions and support for our employees and customers

Investors

Investors are the owners of the Company and have made a financial commitment in the success of Softcat

Communities and the environment

We recognise we are part of each community in which we operate and it is vital to make a meaningful commitment to long-term sustainability

We define our key stakeholders as individuals or groups who have an interest in, or are affected by, the activities of our business. The Board believes a good understanding of our key stakeholders and their needs is essential to deliver sustainable value creation over the long term, bringing benefits to our shareholders and stakeholders.

Director responsibilities

Our Directors are fully aware of their responsibilities under Section 172 (1) of the Companies Act 2006 (the 'Act') and take their responsibilities seriously. The Board considers that in its decisions and actions taken, it has acted in a way that would promote the success of the Company for the benefit of its members as a whole, whilst having regard to stakeholders and matters set out in Section 172 (1) (a–f) of the Act. The Directors' responsibilities under Section 172 are rooted in our Company's culture, our values and particularly our purpose, 'we help customers use technology to succeed, by putting our employees first'.

Our key stakeholders

The Board has identified Softcat's key stakeholders to be our employees, customers, suppliers and vendors, investors, and the environment and communities we operate in. The potential impact of the Company's operations on each of our stakeholders is an important consideration for the Board. Regular updates are received regarding each stakeholder group to ensure the Board is well informed and able to make appropriate considerations when deciding Softcat's strategy and other business decisions.

The following table sets out how our stakeholders have been engaged with, and how their interests have influenced decisions by the Board.

Read more elsewhere in this Strategic Report, our Sustainability Report on pages 40 to 51 and within our Corporate Governance section on pages 52 to 61

Employees

Our employees are at the heart of our business and help to drive Softcat's continued success.

How we engaged

- Surveys and feedback sessions, such as quarterly wellbeing 'pulse' surveys, to monitor how the pandemic is affecting our people
- Virtual all-hands meetings to update employees on the business. Employees have opportunities to ask questions to Directors and senior management
- Employee Forums with the Designated Non-Executive Director for Workforce Engagement, which have now covered all of Softcat's offices
- Internal communications, such as weekly 'Love' emails, detailing initiatives, recognising accomplishments and raising awareness of key matters in the Company
- Quarterly senior management surveys

Key topics of engagement

- The Company's response to the COVID-19 pandemic
- Arrangements for remote working
- Return to the workplace, following the easing of COVID-19 restrictions
- Diversity and inclusion
- Training and development support, such as the Sales Development Programme
- Recognition of achievements
- Internal IT system updates

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Management has prepared a plan to return to the office following the easing of COVID-19 restrictions, which includes a more flexible approach to hybrid working
- More emphasis on diversity and inclusion. For example: to help promote diversity at recruitment more diverse interviewing panels have been established; voluntary publishing of Softcat's ethnic pay gap data; and further commitments to strengthen Softcat's diversity and inclusion
- Launch of a new platform to recognise employees' performance and contributions
- More support for the wellbeing of those working from home
- Launch of our 'allyship programme' (see page 7 and page 41)

Customers

Understanding the needs of our customers in order to build enduring relationships is critical to Softcat's strategy.

How we engaged

- Annual customer satisfaction survey
- Event engagements, for example case studies, interactive blog posts through our website and social media and customer podcasts
- Regular review of our customer base by the Board

Key topics of engagement

- Softcat's sales performance
- Understanding actions necessary for increasing customer satisfaction
- Softcat's sales model
- Technology propositions for customers
- Understanding customers' priorities for IT

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Direct engagement between the Board and a customer
- Action plans following the annual survey to further improve customer satisfaction
- Additions to the management team to increase the focus on sales

Suppliers and vendors

Softcat's strong relationships with our suppliers and vendors help us provide the best solutions and support for our employees and customers.

How we engaged

- Direct engagements between the Board and key vendors
- Regular business reviews with our major vendors
- Our dedicated internal 'Vendor Alliance Teams' manage and maintain Softcat's relationships with key vendors
- We maintain fair payment terms with our suppliers

Key topics of engagement

- Board reports provide vendor briefings
- Performance of payment practices for our suppliers
- Establishing sustainability initiatives with key vendors

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Sustainability measures and activities with vendors
- Overall improved payment practices to suppliers (see case study below)

CASE STUDY:

Suppliers: payment practices

As a large company, Softcat is required to publish performance on paying its suppliers. A poor track record on paying suppliers risks damaging the Company's reputation. The Company recognises it is important and fair to make efforts to pay suppliers within agreed terms and the Board receives regular updates on Softcat's reported performance on paying its suppliers. Although Softcat's performance on paying its suppliers was at an acceptable level, following discussion, the Board asked management to review existing payment practices performance to see if further improvements could be made.

Management conducted a thorough review, including a review of vendor payment terms and better optimisation of Softcat's payment sign-off processes. As a result of the review and actions taken, management has subsequently improved reported performance on paying its suppliers and has discussed the improvement with the Board.

Investors

Investors are the owners of the Company and have made a financial commitment in the success of Softcat.

How we engaged

- The CFO and CEO regularly engage with major shareholders and analysts in respect of Company performance
- The Company Chair undertakes an annual engagement programme with major shareholders on governance issues
- The Chair of the Remuneration Committee engaged with major shareholders as appropriate on executive remuneration matters
- The Chair of the Audit Committee reached out to major shareholders on Softcat's annual audit plan

Key topics of engagement

- Strategy
- Company performance
- Corporate governance
- Executive Director remuneration

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Feedback from investors/analysts on Company performance and on our strategy
- A better understanding of investor expectations in respect of corporate governance
- Consideration of the views of major shareholders prior to changes in executive remuneration
- Strengthening of initiatives in respect of sustainability, for example a commitment to the Science Based Targets initiative and enhancing our Annual Report disclosures

Communities and the environment

We recognise we are part of each community in which we operate and it is vital to make a meaningful commitment to long-term sustainability.

How we engaged

- Our Charity Team, which reports to members of the Senior Leadership Team, has strong connections with local and national charities and also engages with our employees
- Through our sustainability governance framework, we have initiatives and localised Green Teams to support environmental activities

Key topics of engagement

- Softcat's sustainability strategy and goals
- Selection of charities our employees wish to support
- How Softcat can best help local communities and groups during the COVID-19 lockdown

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- A formal Board update and discussion at least twice a year on sustainability
- Prioritisation of certain sustainability goals to reduce our impact on the environment
- Greater focus on engaging with customers and vendors on improving sustainability issues
- Support for environmental projects such as planting of trees
- Approval of donations totalling £160,000 to eight charities, guided by our new Community Networks and Green Teams
- Donation of technology, for example laptops to a local school

A sustainable business for a sustainable future

At Softcat we continue to build our business as a sustainable one. This report covers our approach to sustainability and also being a responsible company.

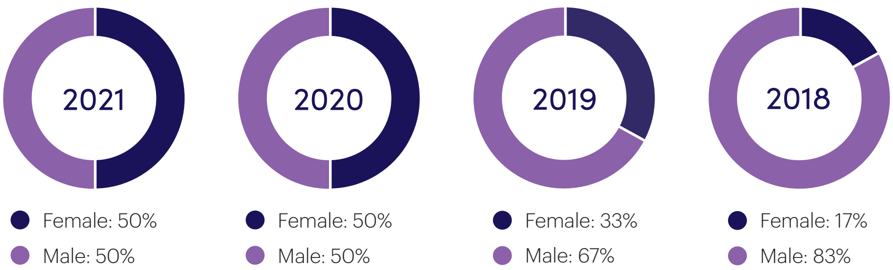
Highlights

- +3% increase in the proportion of women across the workforce over the year
- Launched the Softcat Communities Network
- Varied community and charitable activities
- Good progress on our commitments to reduce our impact on the environment
- First FTSE 250 company accredited with five stars by 'Support the Goals' for sustainability
- Subscribed to the Science Based Targets initiative ('SBTi') and other important sustainability initiatives

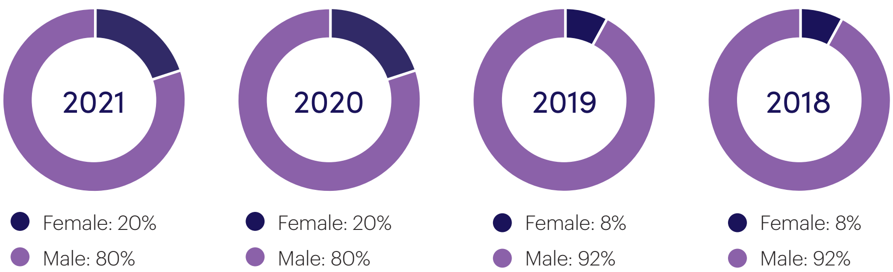
Our people

Diversity as at 31 July — gender breakdown

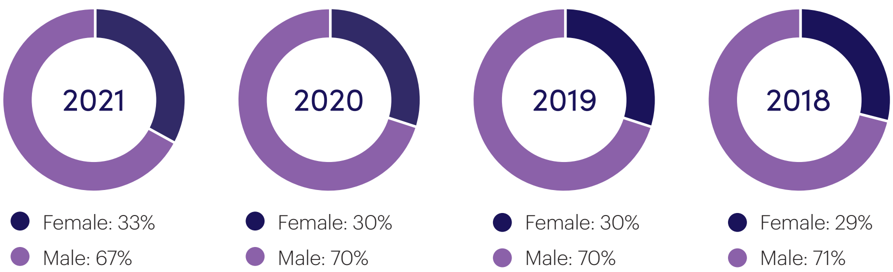
Board of Directors



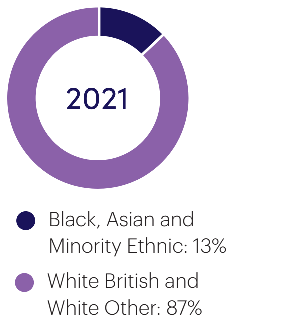
Senior Leadership Team

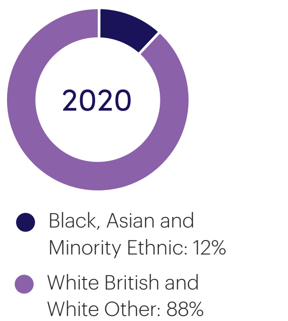


Total permanent employees



Ethnicity breakdown
(total permanent employees)





It all starts at the top

People

Company culture has always been Softcat's top priority. Since we were founded nearly 30 years ago, we've kept employee engagement at the core of our business model. The link between culture, employee engagement and business results has never been clearer. But how do we maintain our unique culture? Well, it starts right at the top. And with a 99% employee approval rating and number three ranking in Glassdoor's Top CEOs in the UK, our CEO is showing how it's done.

After a rollercoaster of a year, it would be easy to take our foot off the gas with our Company culture. But despite everything that the world has thrown at us in the last twelve months, we're still focused on growing and evolving our culture every day. And the results are clear to see: our employees have told us that we've done a great job prioritising their job security, focusing on health and wellbeing, supporting their mental health, keeping things fun and communicating frequently and openly.

But that's not all we've managed to achieve this year. We've also filled a record number of vacancies, made great progress on our diversity and inclusion goals and launched our pioneering Allyship programme.

The Remuneration Committee of the Board has also considered the growing importance of wider non-financial metrics to measure the success of a business, including the use of environmental, social and governance ('ESG') measures. As a result, the Remuneration Committee decided to introduce an assessment of ESG goals in respect of 20% of the annual bonus payable to the CEO and the CFO. More information about this is provided in the report from the Remuneration Committee, see pages 80 to 83.

1,681

Employees as at 31 July 2021

Softcat communities

A year ago, during the midst of the pandemic, we took the decision to launch Softcat Communities. This is a hub that brings together our multiple diversity networks, our founder's group, our charity, volunteering and green groups, our hobbies groups and also our mental health group. Communities sits right at the core of what Softcat is all about. And although we had a lot on our plates, it felt like exactly the right time to introduce an initiative that would bring so many people together.

Communities has gone from strength to strength in the last twelve months, introducing the Faith at Work Network and about 20 different hobbies groups. The Family Network has also launched the Bereavement Group to support our employees who have lost loved ones. Communities is about getting together with like-minded individuals to share a passion and we're pleased to say that approximately half of our employees are taking part in some way.

Mental health

One of our most established communities is our mental health group, made up of our Mental Health First Aiders. Mental health has been a priority over the last year and we're trying to do everything we can to support the mental health of our employees. We've significantly increased the number of mental health first aiders across the business and we've designed mental health training for line managers so that they can better support their teams. By introducing regular wellbeing surveys at the beginning of this year, we've received lots of useful feedback about how our employees are feeling and what they need from us. We've worked hard to act on that feedback, and we can see that our employees' wellbeing has increased steadily throughout this year.

Diversity and inclusion

Our diversity networks form a major part of our Communities hub, incorporating the Supporting Women in Business, BAME, Family, Pride, Armed Forces Reservists and Veterans, Faith and Disability and Neurodiversity networks, the latter being a new network recently launched with a founding group of 20 people.

Our focus in recent months has been our ground-breaking Allyship programme. Allyship is an awareness programme made up of three modules, two hours in length, that takes place over the course of a month. Cohorts of up to 16 employees from across different departments of the business come together to learn how we can support each other more, and particularly our colleagues who may have a protected characteristic. Our goal is for every employee to sign up to this programme to help make Softcat a more inclusive place to work.

glassdoor 2021 BEST PLACES TO WORK

It all starts at the top continued

Diversity and inclusion continued

In terms of statistics, we have made progress in our gender diversity, which now stands at 33% female, up almost 3% from last year. This has also had a positive impact on our management team, with 26% female members, an increase of 2% from last year. We have 50% gender diversity at Board level, achieving the Hampton-Alexander recommendation for FTSE 350 companies to have 33% of their board made up of females by 2020. To further support our efforts in gender diversity, a new programme called TechStarter was introduced this year. The programme comprises five women who have had significant career breaks for personal reasons taking on apprenticeships within technical areas. Subject to the findings from this programme, we will look to expand this further next year.

50%

gender diversity at Board level

In disability and neurodiversity, we have brought together 20 employees to be founding members of this new network. We are already a Disability Confident employer and will be consulting with our new network about what areas it would like to focus on in the coming year.

Our ethnic diversity has increased 1% in FY21, up to 13% of our total workforce. Our efforts to increase employee representation from the BAME community are continuing and several new initiatives have been introduced in this area. These include training BAME employees in interview skills and to ensure balanced interview panels for BAME candidates. This initiative aligns to one of the commitments we made as part of the Race at Work Charter, which is to support ethnic minority career progression. This year we also voluntarily published our ethnic minority pay gap in conjunction with our gender pay gap. Finally, we have achieved the Parker Review target for FTSE 250 companies to have at least one person of colour on their board by 2024.

Aside from our internal efforts, we have also been working hard behind the scenes with some of our close industry partners to prepare for the launch of TC4RE (Technology Channel for Racial Equality). This group will take the lead in encouraging and supporting the IT channel to embrace diversity and inclusion, particularly regarding ethnic minorities.

To see more about TC4RE, scan this QR code:

Business as usual

Aside from our Softcat Communities initiatives, we have remained focused on what makes us, us. Recruiting and onboarding over 376 new joiners in FY21 and training 219 new salespeople. We were delighted to see that our employee net promoter score has increased by 5 to 58. The focus that we put on line manager training last year is paying dividends, with significant increases in ratings for the line manager questions in this year's employee engagement survey. We again ranked highly in the UK's Great Place to Work survey, placing 9th.

The future

One current area of focus is internal career development. As Softcat grows, our employees tell us that it's harder to navigate their career at Softcat and to be aware of all the possible routes that are available to them. With that in mind, this year we will be launching PathFinder, our new internal hub for career development. The tool will provide videos, learning guides and documents to support career development, alongside a skills matching app that will enable employees to discover other parts of the business where their skills might be a good fit. Alongside this, a new formal job shadowing scheme will be put in place to help employees learn about other departments and roles that might be suitable for them.

Our responsibilities

Charity, community, volunteering and contribution to society

Softcat strives to be an ethical and responsible workplace, supporting all of our stakeholders. Our dedicated Charity Team is responsible for managing fundraising at Softcat with each office having input and representation. We recognise the importance of giving back to the communities in which we operate and strive to provide continuing support. This financial year our staff helped to raise over £195,000 and our charity work has helped to raise over £2.5m to date. We have established seven Softcat Community Networks and, in support of their wider interests, each Community Network nominated a charity for which Softcat donated £20,000 per charity. A charity was also nominated by our Green Teams. Donations included:

BAME Network – Ummah Welfare	Family Network – Tuberous Sclerosis ('TSA')
Veterans Network – Help for Heroes	Softcat Women In Business Network – Refuge
Faith Network – The Community Church	Green Teams – Ellen Macarthur Foundation
Pride Network – Terrence Higgins Trust	Disability Network – National Autistic Society

Softcat's annual Charity Ball was traditionally the major contributor in our annual fundraising, which was not possible given the impacts and concerns around COVID-19 this year. However, we supported an array of other local, national and international charities including Mind, Comic Relief, Macmillan Cancer Research, We Love Manchester and Children in Need. The fund raising activities have been varied and tailored to reflect that most employees were working from home and we have organised exercise work-outs, virtual coffee mornings and an evening to sleep out in our gardens at home.

£2.5m

in charitable donations to date

We have a strong commitment to supporting good causes at every level of the business. During the year, many members of our Senior Leadership Team ('SLT') took part in the National Three Peaks challenge to raise money for Mind, the mental health charity. The challenge required the SLT to climb the highest peaks in Scotland, England and Wales (Ben Nevis, Scafell Pike and Mount Snowdon) over 24 hours. Mind was chosen as the charity as the COVID-19 pandemic has affected the mental health of so many lives. The SLT successfully completed the challenge and more importantly raised over £31,000 for Mind.

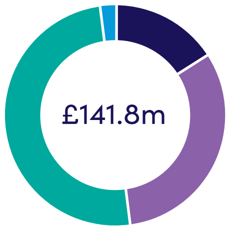
Softcat introduced a Love2Volunteer programme in September 2019 which elevated the importance of giving back through two Company-given employee volunteer days each year. Naturally, COVID-19 limited the progression and development of the programme. So, the Charity Team reassessed how to continue to give back to communities, but in a new way. In December 2020, Softcat partnered with onHand and with Matchable. onHand is a volunteering platform that matches employees to simple community activities close to their location. It includes referral sources through organisations such as Age UK, the NHS and British Red Cross. Matchable pairs employees with exciting, skilled and high-impact volunteering projects. It allows employees to make their biggest impact with the skills they have at organisations which are tackling really important challenges. These arrangements allowed Softcat's employees to help the causes which resonated most with them.

onHand

MATCHABLE

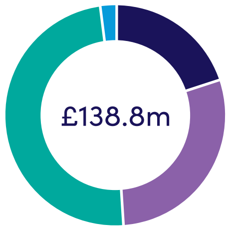
Softcat's strong financial performance also contributes to the UK economy. In 2021, our total tax contribution to the UK economy was £141.8m (2020: £138.8m). This includes corporation tax, payroll taxes, VAT and other business rates and taxes:

2021



- Corporation tax: £22.5m
- Employment taxes: £45.2m
- VAT: £71.4m
- Other rates/taxes: £2.7m

2020



- Corporation tax: £27.1m[1]
- Employment taxes: £40.3m
- VAT: £68.5m
- Other rates/taxes: £2.9m

1. The corporation tax and quarterly payment profile to HMRC changed during the 2020 financial year. This resulted in six payments in FY20 and returned to the normal four instalments in FY21.

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 provide additional disclosures as required in respect of modern slavery and other matters in respect of corporate responsibility when bidding for large Public Sector contracts.

£31,000+

raised for Mind by the Senior Leadership Team members' participation in the National Three Peaks challenge

Our responsibilities continued

Ethical behaviour continued

Softcat operates a Supplier Code of Conduct (the 'Supplier Code'), used for all new major suppliers or in retendering, which addresses ethical employment and labour rights issues associated with modern slavery, and sets out the values and standards we expect of our suppliers. The Supplier Code covers compliance with the Human Rights Act 1998, Equality Act 2010, Criminal Finances Act 2017, Bribery Act 2010, local health and safety regulations, anti-bribery and corruption, anti-modern slavery, and minimising environmental damage. Suppliers are required to declare they support the Supplier Code or where they have their own codes in place, confirm they are complying to a similar standard.

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, corruption and tax evasion policy, which has been updated recently along with a review of employee training. The anti-bribery, corruption and tax evasion policy provides that we take a zero-tolerance approach to bribery, corruption and tax evasion 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, corruption and tax evasion.

We also operate a register which requires all employees to seek approval from their line manager and to disclose any gifts or hospitality received or given which is valued over the applicable disclosure threshold. Guidance on accepting or giving gifts and hospitality is contained in the anti-bribery, corruption and tax evasion policy and the gifts and hospitality register is reviewed by management.

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.

Softcat publishes twice-yearly details of its payment practices to its trade suppliers. This is reviewed by the Board during the year as part of the Directors' wider responsibilities to consider how Softcat impacts on its key stakeholders. We take a responsible approach to these responsibilities and during the year management has made further improvements to pay even more invoices 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). 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.

Environment and climate change

Softcat

Introduction

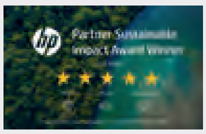
Softcat recognises that it can be a better business by taking steps to minimise its impact on the environment. The Board takes ultimate responsibility for Softcat's sustainability and the Chief Financial Officer has the lead executive responsibility. Last year the Company formalised its approach to sustainability and this year we have made substantial progress in key areas, including those below. The Board is proud of these achievements, which is part of our wider recognition of Softcat's responsibilities to the environment.

At Softcat we believe we can be a successful business and do good to protect our people and the planet for future generations to come. We are motivated to drive change within our own organisation whilst working with our partners, our supply chain, and supporting our customers on their socially responsible journey through the services and technology we provide.

We identify to the most relevant areas of the United Nations Sustainable Development Goals for our business:

Key progress

- We are making good progress on our key commitments to take action on CO_2
- We were the first FTSE 250 company to be accredited with five stars by 'Support the Goals' for sustainability
- We have subscribed or signed up to the Science Based Targets initiative ('SBTi'), the Task Force on Climate-related Financial Disclosures ('TCFD') and the United Nations Sustainable Development Goals
- We are making good progress with our key stakeholders to reduce our environmental impact across our business activities and across the business chain
- We are also one of only five companies in the United Kingdom and Ireland to win a Sustainable Impact Award from HP, a key vendor



For more on Softcat's approach to sustainability, please see our website at www.softcat.com/about-us/corporate-social-responsibility/sustainability. A video can also be viewed by scanning the QR code with your smartphone:

Action on climate change

We recognise there is an impact of climate change and we have a role to play to mitigate the impact. This also offers opportunities to help our customers to mitigate their impact on the environment.

Our commitment is demonstrated by the ambitious environmental targets we set in 2020 and a summary of how we are progressing against them is shown below. We are a signatory to the Task Force on Climate-related Financial Disclosures ('TCFD') and are now starting to make disclosures in this Annual Report structured around the TCFD recommended framework. We intend to fully comply with TCFD and the associated disclosures in line with the applicable requirements and timescales. We recognise that to successfully evaluate and respond to the challenges and opportunities of climate change, and to fully comply with TCFD, we will need to embed an understanding and awareness of climate change issues further across our business. Below we provide further information based around the four 'pillars' of disclosures under TCFD: governance; strategy; risk management; metrics and targets.

Our targets on CO_2

Softcat has made commitments and goals on its environmental impact in the business and its supply chain. Last year the Board approved a target over the longer term to become a net zero carbon business and this will be achieved primarily by completing three key stages. We are developing underlying internal milestone targets in respect of the key stages to support our journey to carbon net zero. Below is a summary of the targets and the progress being made:

Timing	Goal	Summary and progress update
2022	Carbon neutral	Softcat will use offsetting schemes to help offset its scope 1 and scope 2 emissions. We will also offset selected scope 3 emissions and will continue to reduce GHG emissions produced. **Complete**
2024	100% renewable energy	Softcat will use, where possible, green/renewable energy across all office locations. Using renewable energy will reduce scope 2 emissions and reduce the environmental impact of energy used in the business. Over 50% of Softcat locations are now using certified green energy, with more to follow. **Work in progress**
2040	Carbon net zero supply chain	Softcat will work with its supply chain to ensure that it is committed to becoming carbon net zero. Good progress has been made with our vendors. Softcat has also received high recognition from some leading market vendors and sustainability organisations (see below). **Work in progress**

Governance

Sustainability is an important issue at Softcat and is discussed both by management and the Board. The Board retains ultimate responsibility and the oversight of the Company's strategy, approach and compliance in respect of sustainability and climate change, including the approval of material environmental targets, are matters reserved to the Board. The CFO has the executive lead for sustainability and is supported primarily by the Operations Director (who is a member of the Senior Leadership Team) and by a dedicated Sustainability Lead, who is a senior manager in the business. The Board receives at least two formal updates each year on sustainability and each update reports on initiatives and on progress in respect of the three key goals and commitments to reduce Softcat's environmental impact in the business and its supply chain.

To successfully manage sustainability and associated initiatives, Softcat has created a tiered management approach. This ensures that all areas of sustainability get the right levels of focus throughout the business. This approach has been designed to focus on what is required to support Softcat, its supply chain and its customers on our vision.

The business also retains relevant ISO accreditations to support its approach to environmental matters and Softcat holds both ISO 14001 (Environmental Management) and ISO 50001 (Energy Management) accreditations. The ISO standards are internationally recognised and help Softcat to improve our environmental performance through more efficient use of resources, reduction of waste and an improved energy management system.

Environment and climate change continued

Sustainability governance structure

Board

Overall responsibility for ensuring the effective delivery of environmental targets	Oversight of climate-related risks and opportunities	Review of climate change as part of stakeholder engagement	The CFO is the executive lead for sustainability

Management/Extended Leadership Team

Operational management of key environmental targets and engagement with stakeholders	Review and monitor climate-related risks and opportunities

Sustainability Steering Group

Established in June 2020	Representatives from throughout the business	Considers Company updates and discusses operational requirements from a sustainability perspective	Meets quarterly

Green Teams

Local delivery of environmental initiatives	Raise awareness and championing of the importance of environmental issues through their activities	Meet as needed to discuss initiatives

Strategy

We are developing a framework for sustainability which defines our approach and guides our actions:

Softcat's framework for sustainability

Softcat

Making sustainability a core element to its business and embedding it in Softcat's future. Softcat will support all of its priority goals and continue to drive and develop a more efficient and reduced carbon industry.

Supply chain

Softcat will work with its partners, suppliers and vendors to ensure they are working to Softcat's values and doing what they can do to enable, deliver and support a sustainable supply chain.

Solutions

Softcat will review services and solutions offered to its customers. Softcat will enable its employees to create and deliver sustainable products to assist its customers on their own sustainability journey.

We have taken steps to put our strategy and framework into effect, including:

- We have set environmental targets and have developed action plans to achieve them.
- We are working closely with our key stakeholders, particularly:
  - vendors and our supply chain, to help us both reduce our environmental footprint;
  - customers, using our knowledge and solutions to help customers take a more environmentally responsible approach to how they use IT; and
  - employees, to reduce our environmental impact through our operations.

Risk management

We recognise that climate change may have an impact on our strategy and operations. It also provides us with opportunities to help our customers and to differentiate our offerings compared to our competitors. As part of our move to comply with TCFD, we will align our governance structure to incorporate risk management of environmental threats and opportunities and progress will be disclosed in next year's Annual Report.

In our consideration of emerging risks, climate change was identified as an area requiring greater analysis. This is already a component of the failure to evolve our offering risk with regards to the products and services our customers consume and how they might be affected by the drive towards carbon neutrality. In the year ahead, further consideration will take into account the potential impact of our business and supply chain on the global climate, as well as the potential risks and impact of climate change upon our business activities. Our analysis will support more comprehensive future reporting in line with the five pillars approach of TCFD. The Audit Committee will review this as part of its overall review of corporate risks.

Our current view is that we do not believe we are materially exposed to climate change as a business and that these risks do not represent a material threat to our strategy, long-term viability, liquidity or ability to operate. Furthermore, none of the actions taken so far (or currently planned) to reduce our environmental impact have resulted in a significant financial impact on our business. To the extent that we do identify material risks, these will be modelled into our scenario analysis for longer-term viability assessment and disclosed in future Annual Reports.

IT plays a major part in the modern world and it is estimated that between 2.1% and 3.9% of global greenhouse gas emissions are related to IT use. As the world increases its focus on reducing its environmental impact and the threat posed by climate change, we believe there are opportunities for Softcat to help our customers on that journey. Our Solutions business (see below) continues to provide valuable support for Softcat's sustainability framework.

> “Softcat is among the providers to correctly identify sustainability as one of the IT industry's biggest challenges over the next decade (recently setting a 2040 net zero carbon supply chain target). Softcat's staff culture is often cited as key to its growth over the last decade. It is this culture that puts it in a stronger position than most to take the lead on sustainability, diversity and the other big issues facing the industry in the 2020s.”

Doug Woodburn
Head of Channel Research, CRN, Incisive Media

Metrics and targets

The Board of Softcat has approved three key commitments and it regularly monitors progress:

- to use carbon offsetting to operate as a carbon neutral business (by 2022) and to use other activities to reduce emissions;
- to use where possible green/renewable energy across all office locations (by 2024); and
- to work with its supply chain to ensure that it is committed to becoming carbon net zero (by 2040).

On the journey to reduce emissions, Softcat is committed and has signed up to the Science Based Targets initiative ('SBTi'). This will commit the business to reduce its greenhouse gas ('GHG') emissions in line with the Paris Climate Change Agreement. Under the SBTi, businesses are encouraged to commit to setting targets in line with a 1.5°C reduction and to achieve net zero emissions across their value chain by 2050. Softcat is currently developing a Carbon Reduction Plan to support its SBTi, which will be validated and disclosed in next year's Annual Report.

As well as committing to the use of green energy, Softcat has also started the installation of remotely accessed energy meters across all of its offices which will provide accurate data for power usage across all locations. This will allow Softcat to get real time and accurate energy usage to support its future emission reduction plans and emission calculations.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Working with our stakeholders

Vendors and supply chain

To help us achieve our net zero targets we have started to work much more closely with the key parts of our supply chain and vendors and we have made good progress so far. This also shows through the awards and recognition from our vendors. For example, Softcat has been awarded five-star status for its work around sustainability by HP. The award takes into consideration a range of different factors around Softcat's sustainability and activities. Softcat has also signed up to the Microsoft Pledge, which covers the commitment to a number of different elements around sustainability and responsibility.

Softcat's vendors have continued their dedication to sustainability and are making major commitments towards climate change. Softcat continues to work with its vendors to ensure they understand Softcat's commitments and to ensure that Softcat understands their sustainability journeys. For example, we have a better understanding of our vendors':

- progress to reduce energy usage during manufacturing;
- use of renewable energy;
- use of sustainable packaging materials; and
- approach to extend the life expectancy of devices.

Environment and climate change continued

Working with our stakeholders continued

Vendors and supply chain continued

The below summarises some of the progress we have made on understanding sustainable commitments in our supply chain. This will also support the sustainable choices our customers may make:

Vendor	Renewable energy commitment	Science-based targets commitment	Net zero commitment	UN Sustainable Development Goals	Comment/goals
Microsoft	●	●	●	●	Carbon negative by 2030
HPE	●	●	●	●	Net zero by 2050
Cisco	●	●	●	●	Commitment to become net zero for greenhouse gas emissions by 2040 and net zero for global scope 1 and 2 emissions by 2025
HP Inc	●	●	●	●	Carbon net zero across its value chain by 2040
Apple	●	●	●	●	All products to be carbon neutral by 2030
Lenovo	●	●	●	●	Science Based Targets initiative committed to 1.5°C
Dell	●	●	●	●	100% renewable energy by 2040. Net zero by 2050
VMWare	●	●	●	●	100% renewable energy by 2030. Net zero by 2030
Adobe	●	●		●	Committed to 100% renewable energy by 2035

Softcat will continue to work closely with our vendors as part of our journey and commitments towards a lower carbon world.

Customers – our solutions business

According to a report by the United Nations, approximately 53m tonnes of e-waste was generated worldwide in 2019 and less than one-fifth of it was recycled. That is why it is important for companies such as Softcat to make an active contribution to help our customers reduce their environmental impact. Softcat leverages its expertise in IT through our Solutions service to help our customers be more sustainable. Softcat's sustainable solutions offer value when providing hardware solutions to customers, allowing customers to maximise the use of an asset and to support the circular economy through recycling, as well as ensuring the customers' supply chains are as efficient as possible. The solutions also support the key drivers of future sustainability – maintain, refurbish and reuse. Softcat will continue to develop solutions in line with vendor offerings and new sustainable developments.

Softcat Solutions	
Supply chain solutions	Provides value and support to Softcat's sustainability works. Solutions include: • Secure WEEE Disposal • Trade In/Buy Back/Circular Economy • Data destruction • Onsite exchange service • Hardware rentals • Managed device lifecycle • Packaging recycling • Consolidated deliveries • Single logistics action delivery/deployment
Professional solutions	Provides professional solutions which further support customers' sustainability journeys and the reduction of emissions. Examples of solutions include: • Asset Intelligence/Cloud Health: these services help customers on the tracking and reduction of assets across an organisation • IT sustainability: this assessment service enables organisations to calculate emissions that are generated across their entire IT estate as well as their business travel and employee commuting • Remote Engagements: for every remote engagement taken with Softcat's professional services team Softcat will plant a tree
Future innovation	Development of customer solutions in line with vendor offerings and new sustainable developments. This includes: • Sustainable logistics options and supporting data • PAS 2060 certified solutions (to support the measurement of carbon neutrality) • Latest device offsetting at point of purchase • True Device as a Service • Managed Device Lifecycle service

Employees

Softcat has had 'Green Teams' in place in its offices for several years. The Green Teams are great at helping to drive awareness, innovative ideas and co-ordinating events such as a 'Green Week', which features a series of activities designed to provide environmental education and tips and to raise environmental issues. Other activities included a sustainability podcast.

We have taken steps to improve the environmental performance of our offices. For example, many of them have motion-controlled lighting and have increased the use of more energy efficient hardware and items, all of which will drive down energy usage across the Softcat office estate.

Environment and climate change continued

Environmental initiatives

There will always be ways we can play our part towards a more sustainable world and we are running a number of activities to improve our environmental footprint, as highlighted below. We are pleased that some of these are complete, whilst others are still in progress.

Activity	Progress
Reduction in printing across all offices using printing software solutions	● ● ● ● ●
Reduce energy consumption through new, efficient lighting and technology, throughout all offices	● ● ● ● ●
Electric vehicle chargers at Marlow HQ for use by staff, visitors and pool cars	● ● ● ● ●
Replacement of existing pool car fleet with electric vehicles where possible	● ● ● ○ ○
All single use plastic cups and cutlery removed from all offices	● ● ● ● ●
Secure WEEE/recycling of internal IT when no longer required	● ● ● ● ●
Investment in new collaboration solutions across all offices to reduce internal business travel	● ● ● ● ●
Reduction in business travel (client and supplier meetings)	● ● ○ ○ ○
Hybrid working policy introduced so that employees can work remotely reducing employee commuting by approximately 40%	● ● ● ● ●
ISO 14001 Environmental Management and ISO 50001 Energy Management	● ● ● ● ●
Commitment to 1.5°C science-based target	● ● ● ● ●
Certified green energy to be used across all Softcat office locations	● ● ● ○ ○
Installation of power meters across all Softcat offices to get accurate power usage data to support reduction plans	● ● ● ● ●
Direct delivery to customers from Softcat's suppliers which results in minimal logistics emissions	● ● ● ● ●
Promotion of remote professional services engagements where possible to reduce business travel. Softcat will plant a tree for each remote engagement taken	● ● ● ● ●
Supply chain review, including all vendors, suppliers and partners	● ● ○ ○ ○
Softcat 'Sustainability/Responsibility Framework'	● ○ ○ ○ ○
Carbon Disclosure Project Disclosure for FY20 (including all scopes)	● ● ● ● ●

Key:

○ No progress

● Goal complete

Regulatory disclosures

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. In FY21 there was a small increase per employee, but this is still below the level in FY19 and in prior years reported.

	FY21	FY20	FY19
tCO_2e/£m	**0.20**	0.30	0.51
tCO_2e/employee	**0.23**	0.22	0.39

Energy consumption and energy efficiency

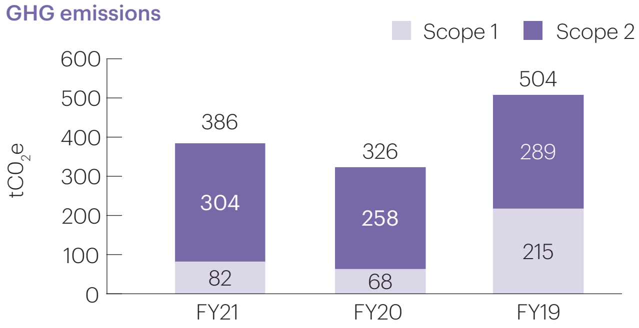
This disclosure is made in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which requires certain companies to report on energy consumption and efficiency.

FY21: 1.79m kilowatt hours (FY20: 1.12m kilowatt hours)

The above figure relates to Softcat plc, which was a single entity company as at 31 July 2021. It consists of the aggregate of the annual quantity of energy: (i) consumed from activities; and (ii) consumed resulting from the purchase of electricity or certain other energy products. The figure was calculated following UK Government Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting guidance (March 2019).

Figures for FY21 reflect an improved assessment methodology which has increased reported consumption compared to FY20. Had the improved methodology been adopted for energy consumed in FY20, this would have shown a year-on-year decrease for FY21.

GHG emissions



The aggregate number of energy consumed includes 0.04m kilowatt hours in respect of the office in Ireland and the remaining portion relates to energy consumed in the United Kingdom. This Annual Report describes elsewhere measures taken to increase energy efficiency.

GHG emissions are calculated using methods contained in the GHG Protocol Corporate Accounting and Reporting Standard using UK Government greenhouse gas reporting: conversion factors 2021.

Our offices were closed or had decreased attendance for some of the year in response to the COVID-19 pandemic and during that time many of our employees worked remotely from home. During this time there was also less use of our pool cars. As COVID-19 restrictions ease, more employees are returning to the office. COVID-19 has impacted the reportable level of emissions and energy consumption in both FY20 and FY21, which is therefore not a like-for-like comparison against the periods prior to the COVID-19 pandemic. It may also impact comparability for future years. Softcat plans to commit to year-on-year reductions in emissions on a like-for-like basis.

Use of carbon offsetting

Whilst on our journey to net zero and our commitment to science-based targets, Softcat is already working with its accredited offsetting partners to offset its scope 1 and scope 2 emissions each year. All of Softcat's scope 1 and scope 2 emissions for FY20 were subsequently offset.

We use a mixture of initiatives involving the planting of trees in the UK and protection of the Amazon to offset.

For each tCO_2e offset, one tree is planted in the UK and an additional tCO_2e is offset through the Brazilian Amazon Verified Carbon Standard ('VCS') Reduced Emissions from Deforestation and Degradation ('REDD') project. In the UK, the trees are typically planted across school grounds, parks, farms, woodlands and other biodiversity sites, providing wildlife habitats and often bringing educational and community benefits.

Softcat also plans to offset its operational scope 3 emissions including waste, business travel and employee commuting in respect of FY21. This will result in offsetting all emissions created across scopes 1, 2 and 3 (operational) in FY21.

Verified Carbon Standard
A VERRA STANDARD

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 2018 UK Corporate Governance Code.

Board leadership and Company purpose

The Board is responsible for establishing Softcat's purpose, engaging and building strong relationships with our shareholders and stakeholders and promoting the long-term success of Softcat.

Read more on pages 55 and 56

Division of responsibilities

The Board has clear divisions of responsibilities and promotes a culture of openness and debate.

Read more on pages 58 and 59

Composition, succession and evaluation

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

Read more on pages 62 and 63 and on pages 76 to 79

Audit, risk and internal control

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.

Read more on pages 67 to 75

Remuneration

Director remuneration is designed to support Softcat's strategy, purpose and values and promote the long-term success of the Company.

Read more on pages 80 to 98

In this section:

Introduction to governance

Your Board has a strong and effective system of governance and this has been maintained throughout the COVID-19 pandemic."

Martin Hellawell
Non-Executive Chair

Corporate governance

Dear shareholder

The 2018 UK Corporate Governance Code (the 'Code') (a copy of which is available at www.frc.org.uk) is applicable to Softcat for the financial year ended 2021.

I am pleased to confirm that your Company has complied with the principles and provisions of the Code during the year with one exception. In respect of Provision 9 of the Code, 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.

This is the third full year of my role as Chair and I consider my role to be very clear to myself, the Board, our shareholders and the employees of the organisation. We remain conscious that it is not seen as best practice for a former CEO to be Chair of the same Company. However, all of the Board has confirmed they believe this is working well and there remains a clear separation between the CEO and Chair. I am not involved in any operational matters other than acting as an occasional sounding board for Graeme, a point I re-emphasise when I meet with the Company's shareholders on governance matters.

Graeme is very clearly 'the boss' of the Company – which is incredibly evident as he continues to take the business forward. The Board considers that my position continues to be very much supported by most of our larger shareholders, as evidenced at the last AGM, where shareholders voted 98.3% in favour for my reappointment.

Your Board has a strong and effective system of governance and this has been maintained throughout the COVID-19 pandemic and your Board continues to demonstrate good leadership and oversight of its responsibilities. I am particularly pleased with the Board's engagement with key stakeholders during the year and I look forward to resuming more face-to-face engagements. I would like to thank my fellow Directors for their continuing support.

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

Martin Hellawell

Martin Hellawell
Non-Executive Chair
25 October 2021

Board leadership and Company purpose

1 Martin Hellawell
2 Vin Murria OBE
3 Graham Charlton
4 Graeme Watt
5 Robyn Perriss
6 Karen Slatford

Our business is led by our Board of Directors. Biographical and other details of the Directors as at 25 October 2021 are as follows:

Committee key

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

Martin Hellawell (N) (D)

Non-Executive Chair

Appointed to the Board: 24 March 2006 (and became Chair on 1 April 2018)

Key strengths

- Over 15 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 Limited. Non-Executive director of Team17 Group plc and Chair of musicMagpie plc.

Previous roles

Martin held the positions of Managing Director and then Chief Executive of Softcat between 2005 – 2018, during which time he led the Company through a highly successful IPO.

Prior to Softcat, 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 Canalys.com Limited as an independent consultant. Martin started his career at Miles 33, a software solutions provider for the publishing industry.

Graeme Watt (D)

Chief Executive Officer

Appointed to the Board: 1 April 2018

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

Graeme has over 30 years of experience in the IT distribution industry. Prior to joining Softcat in 2018, 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 (D)

Chief Financial Officer

Appointed to the Board: 19 March 2015

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.

Corporate governance

Committee key

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

Vin Murria OBE
(A) (N) (R)

Independent Non-Executive Director and Designated NED for Workforce Engagement

Appointed to the Board:
3 November 2015

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

Chair of AdvancedAdvT Limited, deputy chair of M&C Saatchi plc, and non-executive director at Bunzl plc, Summerway Capital plc and Silicon Valley Bank.

Previous roles

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

Karen Slatford
(A) (N) (R)

Senior Independent Non-Executive Director

Appointed to the Board:
5 December 2019

Key strengths

- Substantial global technology and business sector experience
- Significant experience of chair of the board and committee chair positions

Current external commitments

Chair of Draper Esprit plc and Non-Executive Director of Accesso Technology Group plc and Micro Focus International plc.

Previous roles

Having commenced her career at ICL, Karen worked at Hewlett Packard for 20 years, ultimately becoming Vice President and General Manager Worldwide Sales & Marketing for the Business Customer Organisation. Since then, Karen has held a number of non-executive appointments in a range of technology companies, most recently serving as Chair of The Foundry, a company specialising in developing software for the creative industries, and as a non-executive director of Intelliflo, a SaaS-based financial services software company.

Robyn Perriss
(A) (N) (R)

Independent Non-Executive Director

Appointed to the Board: 1 July 2019

Key strengths

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

Current external commitments

Non-Executive Director at Next 15 Communications Group PLC and Dr. Martens PLC.

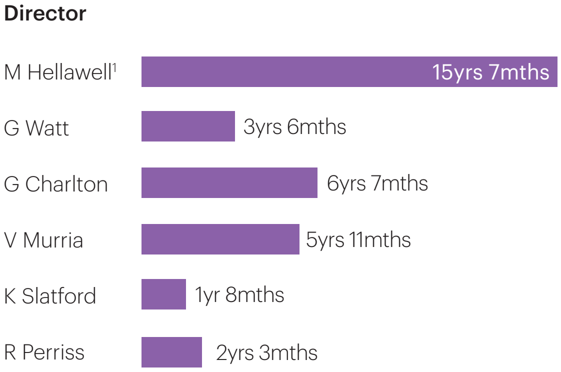
Previous roles

Robyn was Finance Director at Rightmove plc, the UK's largest property portal, until 30 June 2019. Prior to being Finance Director at Rightmove, Robyn also held senior roles as Financial Controller and Company Secretary. Before 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.

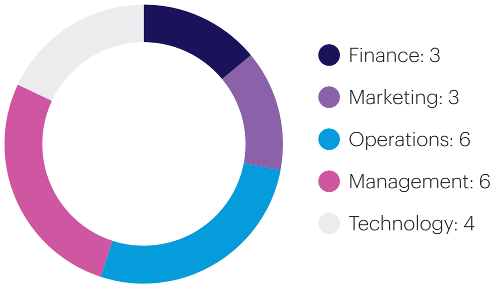
Board overview

Tenure of Directors

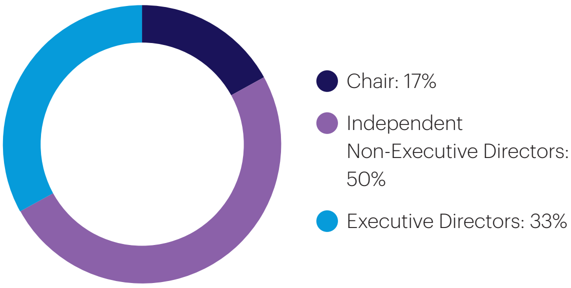


1. Includes five years and eleven months since Softcat was listed on the London Stock Exchange.

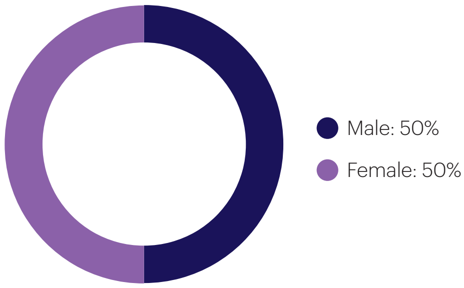
Directors' experience



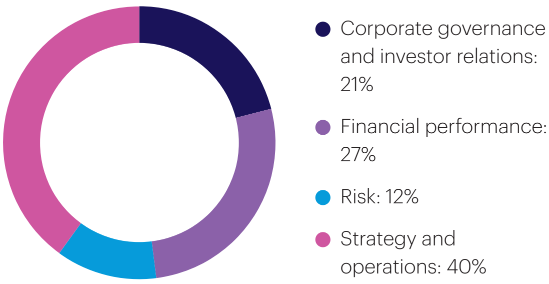
Board composition (%)



Board gender diversity (%)



Allocation of time



Division of responsibilities

Our governance framework

Board meeting attendance

The Board met seven times during the year and met both physically and via video conference, in accordance with the UK Government's COVID-19 guidance. All Directors attended each Board meeting during the year.

The Board is committed to fostering an open and transparent culture at Softcat and recognises the importance of regular engagements with employees. Prior to the pandemic, a number of the Board meetings were held in different offices of the Company across the country, to provide additional opportunities for the Board to engage with employees. However, due to the COVID-19 outbreak, the Board was unable to visit different offices during the year. The Board intends to resume this practice next year, providing it is safe to do so.

The Company held four meetings of the Audit Committee, six meetings of the Remuneration Committee and five meetings of the Nomination Committee. Attendance for each Committee is shown in the respective Committee report. Additionally, from time to time, authority will be delegated to a sub-committee of the Board or one of its Committees to authorise specific actions, for example the publication of a trading statement. Sub-committee meetings are held as and when they are necessary throughout the year.

Name	Board attendance 2021
M Hellawell	●●●●●●●
G Watt	●●●●●●●
G Charlton	●●●●●●●
K Slatford	●●●●●●●
V Murria	●●●●●●●
R Perriss	●●●●●●●

● Attended ○ Did not attend ● N/A

There were no changes in the membership of the Board during the year.

Our Board

Roles and responsibilities

The Board is collectively responsible for the oversight of our business and is responsible for Softcat's long-term success. The Board provides leadership to the Company, establishing its purpose, culture, values and strategy. The Board reviews important aspects of the business with management and monitors management's performance against targets. The Non-Executive Directors use their experience and expertise to provide strategic guidance and views to the Board. Non-Executive Directors constructively challenge management, so we have a robust assessment of how the business is operating and they provide additional perspective on a wide range of matters. 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.

Board Committees

The Board delegates a set of defined responsibilities and authorities to the Audit, Disclosure, 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. The full terms of reference of each of the Audit, Remuneration and Nomination committees can be found on our website at www.softcat.com/about-us/investor-centre/governance.

Executive leadership

The members of the Senior Leadership Team ('SLT') can be found on Softcat's website at www.softcat.com/about-us/people#senior-leadership-team.

Matters reserved for the Board

The Board has a formal schedule of matters reserved for the Board's approval which is regularly reviewed and updated. 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, disposals and contracts;
- major changes to internal controls, risk management or financial reporting policies and procedures;
- determining our risk appetite;
- oversight of strategic sustainability objectives;
- major 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/about-us/investor-centre/governance.

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'), Non-Executive Directors ('NEDs') and Designated Director for Workforce Engagement. This is regularly reviewed, and the current version can be found at https://www.softcat.com/about-us/investor-centre/governance.

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.

Read more on pages 67 to 75

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.
- Reviews employee engagement and the culture within the business.

Read more on pages 76 to 79

Remuneration Committee

- Sets, reviews and recommends the policy on remuneration of the Chair, Executive Directors and Senior 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.

Read more on pages 80 to 98

Senior Leadership Team

The SLT is led by the CEO and is responsible for leading the day-to-day operation of Softcat. The SLT focuses on:

- strategy implementation;
- operational, financial and competitive performance;
- commercial developments;
- succession planning below Board level;
- organisational development; and
- maintaining Softcat's culture.

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:

- recurring updates from the CEO;
- specific strategy review discussions with the Board and key senior management in February 2021; and
- discussion of critical items to support the growth of the business, such as the ongoing implementation of a new finance system and discussion with management on high level operational plans for the coming year.

Performance monitoring

The Board has a robust process in place for setting expectations and for 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 in order to provide a comprehensive longer-term outlook. Forecasts in the three-year plan are subsequently refreshed as needed during the year;
- approval of an annual budget, followed by a report each month comparing performance against budget;
- consideration of year-end and half-year performance and subsequent review, approval and publication of the year-end and half-year results;
- setting of a dividend policy. Determining whether an interim dividend should be paid and proposals for a year-end dividend, after taking into account performance, the Company's financial situation and the needs of the business and any other relevant circumstances; and
- an update from the Company's brokers on investor themes and equity market matters.

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 our engagement with stakeholders, which included the following:

- the Board met with a major customer, a vendor and a distributor. The meetings were very helpful in gaining perspectives from outside the Board;
- the Board discussed sustainability with management, in particular the setting of environmental targets and commitments, such as science-based emissions reduction targets;
- discussions with investors and analysts, including their feedback following meetings and after the release of our annual and half-year announcements. We maintain an investor relations programme of meetings with existing and potential shareholders;
- Vin Murria is Softcat's Designated Non-Executive Director for Workforce Engagement. She led, with the other Non-Executive Directors present, on engagement with various staff in the business;
- reviewing the feedback from employee surveys. This includes regular surveys of the managers in the business plus additional surveys to gauge the wellbeing of employees whilst working remotely during the restrictions imposed by the pandemic. The feedback provided valuable insight on employee appreciation of the support given by management;
- the Chair undertook an investor engagement programme with our top 50 shareholders and with the key proxy advisory agencies to further strengthen our mutual understanding of governance matters. Martin updated the Board regularly;
- the Remuneration Committee Chair engaged with our top shareholders on the changes to the remuneration of the Executive Directors (see the Remuneration Report, pages 80 to 83);
- the Board reviewed the outcomes of Softcat's annual customer satisfaction survey and the actions to further improve relations with customers; and
- the Audit Committee Chair reached out to our top shareholders for feedback on key areas of audit focus for the coming year.

Governance and risk

During the year the Board:

- monitored the effect of the COVID-19 pandemic on the Company's performance and finances, and the impact of the pandemic more widely within the economy;
- reviewed reports on governance and legal issues, including developments in corporate governance, executive remuneration and sustainability;
- received feedback and comments on governance from major shareholders;
- performed a review of Board effectiveness;
- reviewed the Company's risk appetite, principal risks and uncertainties;
- received updates on the business' readiness and possible external impacts following the end of the transition period of the UK's exit from the European Union;
- considered changes to the delegation of authorities to management and approved updated terms of reference for each committee, in line with best market practice; and
- received regular governance and regulatory updates.

People, vision and values

During the year the Board:

- met with many of the members of the Senior Leadership Team ('SLT'). The CEO provided regular updates to the Board on the SLT and any changes in key roles in the business;
- received regular updates on people and HR matters, including training and development, culture, diversity and inclusion;
- considered the results of the annual employee survey and the quarterly management team surveys; and
- virtually met employee representatives from our South Coast, Leeds and Birmingham offices.

Other

The Board has also:

- approved the 2021 Annual Report and Accounts;
- approved the 2021 Notice of AGM; and
- reviewed monthly reports which analysed key changes in our shareholder base.

Composition, succession and evaluation

Composition and succession

This is discussed in the report from the Nomination Committee on pages 76 to 79.

"Board meetings are well organised, move at pace and are focused on the right things. All members of the Board contribute actively, work well together and bring complementary skills and approaches."

Response from the Board evaluation survey 2021

Board evaluation process

Each year the performance of the Board is assessed through an evaluation exercise. The process this year was conducted internally (the Board having conducted an external evaluation and an internal process in 2019 and 2020 respectively). The key stages of the process this year were:

Stage 1

The Board agreed that the process for the year would be conducted internally. The Company Secretary discussed a process with the Chair and it was agreed to circulate a questionnaire for completion by each member of the Board.

Stage 2

The Company Secretary circulated a draft questionnaire to the Board to make sure it captured all the relevant issues for the Board to consider. It was agreed to repeat most of the questions from the previous year to provide a year-on-year comparison of responses where possible. Given the increased expectations for the Audit Committee under proposals for reforms launched by the Government (see page 68), it was agreed to add additional questions in this regard.

The questionnaire asked each Director to rate various topics using a four-point rating system (poor, adequate, good, excellent). Directors were also asked to provide additional comments to each question to give a more qualitative view.

Stage 3

Individual responses were anonymised and collated. The Board discussed the key points and conclusions from the review.

Stage 4

An action plan was prepared to address points of improvement recommended in the review. Progress will be tracked during the year.

Areas evaluated

The questionnaire on Board effectiveness assessed the Board's performance over four main areas, which the Board believes are critical for a successful and effective Board:

- Board processes;
- strategic issues and oversight;
- contribution and development; and
- Committees.

Outcome

The outcome of the review was once again positive and concluded that the Board and its Committees continue to function well, consider the right issues and work in a transparent and constructive way. Some of the points included:

- the Board has the right level of focus on strategy, performance and culture;
- the Board continued to function well, working remotely during the COVID-19 lockdown, and had a good focus on the risks and impacts arising from COVID-19;
- the Chair continues to perform well in his role and is working well with the CEO. There is a clear separation of roles between the Chair and CEO. The CEO and CFO work well together;
- each of the Board's committees continues to function well and each has an effective Committee Chair;
- there was a good focus during the year on longer-term succession planning;
- each Board member continues to provide high quality contribution to Board discussions, etc.; and
- the ongoing interaction at Board meetings with senior managers across the business was very helpful.

There were no areas rated as poor in the review.

Outputs and recommendations

The Board was pleased with the outcome of the Board evaluation, which reflects the Directors' commitment to the business and strong support processes for the Board. The output of the evaluation confirmed the Board's top strategic issues. These will be incorporated as needed into the twelve-month rolling plan for the Board, which is maintained by the Company Secretary and regularly reviewed by the Board, to ensure appropriate time continues to be dedicated to each key topic.

Some minor areas for improvement or implementation were identified, which include:

- more direct employee feedback and engagement with the Board as employees start to return to the office;
- the format/content of some Board papers will be reviewed;
- a revision of the twelve-month rolling plan to incorporate the Board's view of its top strategic issues; and
- additional interaction with members of the Senior Leadership Team at Board meetings.

The Company Secretary has prepared an action plan based on the recommendations and an update will be provided in next year's Annual Report.

Good progress had been made on the actions arising from the internal Board evaluation conducted in the previous year. This included:

- further increasing the Board's focus on diversity and inclusion;
- additional discussion on longer-term succession planning and the composition of the Board;
- maintaining the focus on delivering growth over the longer term; and
- increasing the Board's oversight on sustainability issues.

Operation of the Board

Workforce engagement

Vin Murria is the Board's Designated Director for Workforce Engagement. Due to the restrictions imposed by pandemic it was not possible to hold face-to-face employee forum engagements during the year. However, engagements were held virtually with selected representatives from our South Coast, Leeds and Birmingham offices and Vin has now held engagement sessions with each of Softcat's offices. The most recent engagement session was led by Vin and attended by the Non-Executive Directors. Various topics were discussed, including the Board's strategic outlook, working throughout the COVID-19 pandemic, diversity and various commercial and operational matters. The discussions provide valuable insight and actions are taken following feedback where appropriate.

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 2021 amounted to £174.1m (as disclosed in the Statement of Financial Position).

The COVID-19 pandemic has given rise to material market and wider economic uncertainties and the Board has continually monitored the performance of the business throughout the year, particularly in respect of cash flow, receivables, the need for any external borrowing and the minimum amount of cash required to operate the business. Last year, the Board decided to increase the minimum cash holding of the business from £30m to £45m, reflecting in part the uncertainty created by COVID-19 and the growth of the Company since IPO in 2015. The Board has reviewed the matter and has agreed to maintain the minimum cash holding level at £45m.

The Directors have proposed a final dividend and a special dividend for the financial year ended 31 July 2021. Further information in respect of the proposed dividends can be found on page 29. Softcat is well positioned to continue to fund its dividend 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 33 and pages 104 and 105 respectively. Details of total dividend distributions for the financial year can be found in note 6 to the financial statements.

The Company intends to seek shareholders' approval at the 2021 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, with the assistance of the Company Secretary, for ensuring that all Non-Executive Directors receive ongoing training and development. All Directors are provided with frequent briefings of current and relevant issues. Topics discussed during the year included updates on industry trends and competitor performance, corporate governance and audit reforms, and developments in sustainability and environmental reporting. The Board also receives updates on our public reporting commitments, such as gender pay gap reporting (and ethnic pay gap reporting, on which Softcat reports voluntarily), tax strategy, creditor payment practices and risks of modern slavery.

There were no new Directors appointed during year. However, the Company Secretary is responsible for preparing for approval by the Chair an extensive and tailored induction programme to accelerate the learning of any new Director appointed to the Board.

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:

- informing the Board of their key obligations as Directors of a public listed company;
- assisting the Chair by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- developing the agenda for each meeting of the Board and its committees for approval by the respective chair;

- working with the Directors to develop the long-term agenda for the Board and its Committees to enable them to discharge their responsibilities effectively; and
- ensuring that the correct Board procedures are followed, in accordance with the Company's constitution, applicable legislation and good governance practice.

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

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;
- offer additional perspectives, advice and strategic guidance;
- 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. Consideration is also given to diversity, succession planning, employee engagement (led by the Designated Director) and culture within the business.

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. Additional meetings are arranged when the need arises.
- 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.
- The Directors have access to key governance documents, such as the Matters Reserved to the Board, Terms of Reference for each Committee, and the Delegated Authorities Matrix.
- Non-Executive Board members make themselves available outside of scheduled meetings should the need occur. In particular, the Chairs of the standing committees often hold preliminary planning discussions with the Company Secretary, management or external advisers to a committee prior to a meeting.
- 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 or Committee 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 Code. Martin Hellawell was formerly the Chief Executive Officer before being appointed as Chair in April 2018. The Board considers for the purposes of the Code that he was not independent when he was appointed Chair and that he remains not independent.

The independence of the Non-Executive Directors is reviewed annually by the Nomination Committee (described in the Nomination Committee Report on pages 76 to 79). 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. Board procedures operate to restrict a Director from voting on any matter in which they have a material personal interest, unless the Board unanimously decides otherwise. If 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 and all Directors continue to devote adequate time to their duties at Softcat. 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 maintains a proactive and constructive programme of engagement with its stakeholders and recognises within this the important and valuable role that shareholders play, as owners of the Company. Further information on the Board's engagement with its stakeholders is provided on pages 36 to 39. Owing to the impact of restrictions due to the COVID-19 pandemic, interactions with shareholders this year were primarily virtual.

The Chair undertook another extensive engagement programme with the Company's largest shareholders on governance matters. Feedback from these sessions was reported back to the Board to make sure the Board fully understood the views of those shareholders and the Board discussed whether any actions should be taken as a result.

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

Due to the restrictions in place following the outbreak of COVID-19, the Company's 2020 Annual General Meeting ('AGM') was a closed meeting, with shareholders not permitted to attend. This arrangement was in compliance with the Corporate Insolvency and Governance Act 2020. Shareholders were given the opportunity to submit questions to the Directors via email; however, no such questions were received from shareholders.

The 2021 AGM will be held on 15 December 2021 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 (www.softcat.com/investors). Following the relaxation of COVID-19 restrictions, shareholders will be permitted to attend the 2021 AGM.

> “The Board maintains a proactive and constructive programme of engagement with its stakeholders and recognises within this the important and valuable role that shareholders play, as owners of the Company.”

The AGM gives shareholders an opportunity to vote on key aspects of Softcat's business and to ask questions to the Directors. The opportunity to submit questions for the Directors via email will be given again for the 2021 AGM. Details of how to do this can be found in the Notice of AGM.

Shareholder meetings

Throughout the year, numerous virtual meetings were held with existing and potential shareholders. These meetings were attended by either the Chief Executive or the Chief Financial Officer or sometimes both, with the support as needed of the Investor Relations Director. The meetings focused primarily on trading operations and the implementation of our business strategy. Any significant views expressed by shareholders are recorded and reported to the Board to keep them up to date with investor sentiment. Strict protocols are observed to make sure that no unpublished price sensitive information is discussed during these meetings.

Results roadshows

Following the release of our full-year preliminary results announcement and our half-year results, the Chief Executive and Chief Financial Officer undertook extensive virtual investor engagement roadshows. Analyst presentations from our announcements are available on our website.

Accountability

> One of the key decisions that the Committee has made is to conduct an audit tender process during FY22 in relation to the external audit for the year ending 31 July 2023."

Members

R Perriss (Chair)
K Slatford
V Murria

Attendance of the Audit Committee

Name	Committee attendance 2021
R Perriss	●●●●
V Murria	●●●●
K Slatford	●●●●
Total meetings held	●●●●

● Attended ○ Did not attend ● N/A

There were no changes during the year in the membership of the Audit Committee.

Allocation of time

- Internal audit: 29%
- External audit: 28%
- Financial reporting: 20%
- Risk and internal controls: 23%

Introduction

As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 31 July 2021.

The Committee continues to fulfil a vital role in the Company's governance framework, providing valuable independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, the internal audit function and the relationship with the external auditor. These pages outline how the Committee discharged the responsibilities delegated to it by the Board over the course of the year, the key issues it has considered during FY21 and also areas of focus over the next financial year.

Ernst & Young LLP ('EY') has been Softcat's external auditor since July 2013. One of the key decisions that the Committee has made is to conduct an audit tender process during FY22 in relation to the external audit for the year ending 31 July 2023. Further details of the external audit tendering timeline are set out on page 72.

Accountability continued

Areas of focus in 2021 included:

- reviewing the appropriateness of our published half-year and full-year results;
- reviewing the application of financial reporting and governance standards;
- assessing the Company's going concern and viability statements, including the ongoing impact of COVID-19;
- confirming that the Annual Report is fair, balanced and understandable;
- receiving further updates in relation to the implementation of a new finance system to support greater automation and further strengthen the financial control environment;
- reviewing the effectiveness of internal audit, internal controls and risk management;
- evaluating the effectiveness and independence of the external auditor;
- receiving and discussing detailed internal audit reports on:
  - IT asset management and the use of personal devices to access the Company's networks;
  - in-flight assurance updates in respect of the implementation of a new ERP finance system; and
  - a review of the controls and processes in respect of vendor and distributor rebates;
- a review of the implications of the proposals for reforms issued by the Department for Business, Energy & Industrial Strategy ('BEIS') to improve trust in audit and corporate governance. The Company responded to BEIS' proposals. We have agreed to make certain changes in anticipation of some of the expected outcomes; and
- preliminary considerations ahead of a competitive tender for the external auditor which will take place by July 2022 to allow for an appointment to be in place for the 2023 financial year end.

Focus areas for 2022:

- ongoing monitoring of the implementation of the new finance system;
- preparation and implementation following the final outcomes of the BEIS proposals (see below);
- reviewing the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD') and considering the impact and risk of climate change under various scenarios. The analysis will support our more comprehensive future reporting in line with the TCFD pillars of disclosure;
- the development of an Audit and Assurance Policy; and
- undertaking a competitive tender for the provision of external audit services.

As noted above, the Committee has spent a good deal of time considering the draft proposals for reforms issued by BEIS in March 2021 to improve trust in audit and corporate governance. In advance of the final outcomes of the proposals, the Committee has considered some of the key potential implications, particularly in respect of enhanced controls, fraud maturity, greater engagement with stakeholders and the role/choice of external auditor. Given the importance of the proposals, the Company responded to the BEIS consultation. The Committee will monitor developments and have oversight of the implementation of any changes which arise from the final outcomes of the proposals.

During the year the Company received a letter from the Supervision Committee of the FRC, relating to its review of the Company's 2020 Annual Report. The letter did not raise any questions or queries, but did note some suggestions for improvement to disclosures for future reporting periods. The Board and the Committee have considered the suggestions made by the FRC and have made enhancements to disclosures in this year's Annual Report in all areas suggested.

The Committee has reviewed the content in the Annual Report and believes that this explains our strategic objectives and is fair, balanced and understandable. We continue to consider the impact of COVID-19 on our business and you will find important detail on this in other sections of the Annual Report (see pages 2 and 3).

Whilst this Report of the Audit Committee contains some of the matters addressed during the year, it should be read in conjunction with the Independent Auditor's Report starting on page 107 and indeed the Softcat plc financial statements in general. At the 2020 AGM, shareholders approved the Board's recommendation to reappoint Ernst & Young LLP ('EY') as our external auditor. The Committee has carried out a review of the effectiveness and independence of EY and has recommended to the Board that they are reappointed at the 2021 AGM.

I will be happy to answer any questions about the work of the Committee at the forthcoming AGM.

RPerriss

Robyn Perriss
Chair of the Audit Committee
25 October 2021

Responsibilities

The Committee reviewed and updated its terms of reference during the year and the Board endorsed those changes. The terms of reference are available at www.softcat.com/investors and in hard copy from the Company Secretary. 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 throughout the year.

The Company operates anti-bribery and corruption procedures which support compliance with the UK Bribery Act and certain equivalent legislation outside of the UK. During the year management reviewed the anti-bribery and corruption policy and associated controls, such as the register for gifts and hospitality, and this was noted by the Committee.

The Committee also reviews the Company's published tax strategy and during the year considered and approved an updated version. The tax strategy is available on the Company's website at www.softcat.com/corporate-responsibility. The Committee also reviewed the Company's reporting in respect of payment practices to suppliers.

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 UK Corporate Governance Code 2018 (the 'Code'), which is applicable for the financial year ended 31 July 2021. Given my experience as a qualified Chartered Accountant and as a recent 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 and Karen Slatford both have considerable sector experience, in accordance with Code provision 24. 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, governance and accounting matters. Biographies of the members of the Committee are shown on pages 55 and 56 and there were no changes to the membership of the Committee during the year. All members are independent Non-Executive Directors of the Company. The Company Secretary acts as Secretary to the Committee.

How the Committee operates

The Committee met formally four times during FY21 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, EY, is invited to each meeting together with the Company Chair, the Chief Executive, the Chief Financial Officer ('CFO'), the Company Secretary and Grant Thornton (which provides an internal audit service to Softcat). 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 sets time aside periodically to seek the views of the external auditor, in the absence of management. The Committee also meets separately with the internal auditor during the year and in between meetings the Committee Chair keeps in touch as needed with the CFO, other members of the management team, the internal auditor and the external auditor.

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.

Accountability continued

Accounting policies and practices

The Committee received reports from management in relation to the identification of critical accounting judgements, key sources of estimation uncertainty, significant accounting policies and proposed disclosure of these in the 2021 Annual Report. There were no new accounting policies adopted during the year which had a material impact on the Company's financial statements.

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 'Accounting policies' to the financial statements.

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 2021 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 107 to 112.

Matter considered	Action
Going concern and viability	In respect of the financial statements for the year ended 2021, management prepared analysis modelling a variety of downside scenarios to assess the Company's viability and ability to continue as a going concern. This included an updated assessment of the impact of COVID-19 and the ongoing Brexit impact. Both matters continue to be reviewed and discussed by the Board. The latest analysis was presented together with potential mitigating actions which could be taken in the event of one or more of the downside scenarios occurring. The Committee was satisfied with management's work on the matter and supported the conclusions reached in respect of the Company's going concern and longer-term viability (see pages 104 and 105 and page 33 respectively).
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 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 or the Board 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.
Application of IFRS 15	The Committee is aware that inappropriate application of IFRS 15 may result in erroneous presentation and disclosure of revenue and cost of sales. Management has taken appropriate action and performed detailed work to ensure that revenue is reported accurately on a principal or agent basis. Softcat evaluates each revenue stream against known indicators to determine disclosures and presentation. The indicators are reviewed quarterly and factor in product mix sold by Softcat. EY has audited the disclosure of IFRS 15 and presented the results of their procedures to the Committee. The above provided the Committee with comfort that an appropriate and consistent approach continues to be taken on the presentation of revenue under IFRS 15.

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;
- the Committee receives an early draft of the Annual Report to enable timely review and comment; and
- the Committee receives a briefing from management which sets out the key themes and links in the Annual Report which contribute to it being a fair, balanced and understandable document.

Following its review, the Committee is of the opinion that the 2021 Annual Report, taken as a whole, is fair, balanced and understandable. This allows the Committee to provide positive assurance to the Board to assist it in making the statement required by the Code.

Going concern and viability statements

The Committee has reviewed the Company's ability to continue to operate as a going concern for the twelve-month period post the date of this report and the Company's assessment of viability over a period greater than twelve months. In assessing viability, the Committee has considered the Company's position presented in the budget and the three-year plan recently approved by the Board. As part of its review, the Committee considered the ongoing impact of the COVID-19 pandemic on the business and how it has been factored into forward-looking views on risk, viability and planning, considering amongst other things a number of scenarios modelled by management, including a severe but plausible downside scenario and reverse stress tests carried out to assess the strength of the Company's liquidity position. The Committee has concluded that the updated assumptions are appropriate. Further details are set out in the statements on page 33 and pages 104 and 105 of this Annual Report. The Committee confirms that, following review, it has recommended both statements for approval by the Board.

In 2020 the Committee received regular updates on the steps taken by management to secure liquidity for the likely duration of the COVID-19 crisis and recovery period beyond. This included agreements reached with HSBC in April 2020 to provide a revolving loan facility of up to £50m. The facility was not used and expired in April 2021. Following discussion by the Board, and given the strong trading and healthy cash position, it was agreed that there was no need to renew or establish a replacement facility. In 2020 the Company qualified as an eligible issuer under the UK Government's Covid Corporate Financing Facility ('CCFF'). The Company did not, however, draw down on any funds under the CCFF. Softcat withdrew from the CCFF in March 2021 upon its cessation. The Board will continue to monitor liquidity risk.

Financial Reporting Council ('FRC') review of the 2020 Annual Report

During 2021, the FRC informed the Company that it had carried out a review of the disclosures in the Company's 2020 Annual Report. Based on the FRC's review of the disclosures, the FRC confirmed that there were no questions or queries which it wished to raise with the Company at the time and that it did not intend to take any action in relation to the accounting disclosures. We have noted the suggested enhancements that could be made to certain of our disclosures and these have been appropriately addressed in the 2021 Annual Report. The Audit Committee reviewed the letter from the FRC together with the changes in disclosures prepared by management in this 2021 Annual Report, which address the points raised by the FRC.

The FRC wishes to point out the scope and limitations of its review. The FRC's review and comments were based on Softcat's 2020 Annual Report and Accounts and did not benefit from detailed knowledge of Softcat's business or an understanding of the underlying transactions entered into by Softcat. The FRC provided no assurance that the Softcat 2020 Annual Report and Accounts were correct in all material respects and did not verify the information provided but considered compliance with reporting requirements only. The FRC accepts no liability for reliance on its review and findings by the Company or any third party, including but not limited to investors and shareholders.

Accountability continued

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.

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. 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 FY13

July 2013
EY appointed as auditor and conducted the external audit for FY13

November 2015
Softcat becomes a publicly listed entity

October 2017
Mandatory appointment of new audit lead partner

October 2022
Mandatory change of lead partner required

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 ended 31 July 2021, 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 2021.

In view of the requirement to undertake a competitive tender in respect of the external audit by 2023, during the year the Committee began making preliminary plans for an audit tender during FY22. Actions taken so far include:

- consideration of a timetable and outline project plan to conduct a tender;
- informal approaches and meetings with audit firms considered as potential alternatives to EY; and
- considering appropriate preliminary compliance and governance, such as confirmation of the independence of the potential alternative audit firm and that each firm would not be conflicted by any other relationship with Softcat.

The current external audit engagement partner is David Hales, who has held this role since 2017. As noted above, David's five-year term will expire in October 2022 and the Committee will work with EY on the handover to a new audit engagement partner. An update on the tender and the audit engagement partner will be provided in next year's Annual Report.

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 2021 financial year closely align to the significant judgements and issues above. The key risks identified included:

- inappropriate revenue recognition;
- presentation of revenue in respect of IFRS 15;
- misstatement of rebate income; and
- going concern and viability.

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 climate change risk. 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 2021 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. The external auditor has direct access to the Chair to raise any concerns outside formal Committee meetings.

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.

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. The Committee also took into account an assessment of the firm-wide Audit Quality Inspection ('AQI') report issued by the FRC in July 2021 together with EY's responses to that report. The Committee also noted the equivalent AQI reports issued in respect of the other audit firms which are anticipated to participate in the Company's tender for the external audit (see page 72).

Following the conclusion of the 2021 financial year, the Committee conducted an effectiveness evaluation of the external auditor. The evaluation was led by the Committee Chair and involved issuing tailored evaluation questionnaires which were completed by the Committee, by selected managers in the Finance team who regularly work with EY and by Grant Thornton (as internal auditor). The results of the survey provided useful feedback to the Committee and confirmed that overall, EY continued to perform their role well. Minor areas were highlighted to further improve the working relationship with the Committee and the Company and these will be discussed with EY.

Based on the above, 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 effective.

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 2021 and can be found on the Company's website at: www.softcat.com/about-us/investor-centre/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 2021 financial statements, the Committee considered a fee proposal from EY and the Committee reviewed the quantum and rationale relating to increased costs for EY to undertake required audits. Following the receipt of formal assurance that its fees were appropriate for the scope of the work required, the Committee agreed a charge from EY of £435,000 for statutory audit services in respect of the Company's annual financial statements.

Independence and objectivity continued

In addition to the above statutory audit fee, EY and related member firms charged the Company £7,000 for audit-related services primarily in connection with the audit of corporate governance updates. The Committee agreed a fee of £35,000 in respect of EY's review of the 2021 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 2021 and 2020 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 three-year measurement period covers the 2019, 2020 and 2021 financial years and is 7.6%, 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 30 to 33.

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 the Committee has 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. As part of the financial year-end process, management presented to the Committee an overview of the existing control framework and it summarised the key controls in operation which underpinned the control environment during FY21. Management has documented certain key controls, including IT general controls, overarching controls for the Finance department, financial management controls and audit risk financial reporting controls.

Management had considered the control environment and concluded that in its view the controls had been operating effectively throughout the year and, taken together, provided a high degree of assurance that the financial statements are free from material misstatement.

Through the processes outlined above, the Audit Committee has considered all significant aspects of the Company's risk management and internal control systems 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 as a result of the review that may significantly impact the financial statements. 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

During FY21 the Company had an internal audit function which was fully outsourced to Grant Thornton LLP ('Grant Thornton'). The aim of the internal audit function is to provide independent and objective assurance on the adequacy and effectiveness of internal controls, risk management and governance processes. The appointment and removal of the internal audit function is a matter reserved to the Committee.

Monitoring and review of the scope, extent and effectiveness of the activity of 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 their 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 2021 covered a broad range of core financial and operational processes and controls, focusing on specific risk areas. Reviews were undertaken in the following areas:

- end user IT asset management and 'Bring Your Own Device' controls operated by Softcat. This was particularly relevant in light of Softcat employees working remotely from home as a result of COVID-19;
- supplier rebate framework and calculation. This was important given the material income Softcat derives from rebates; and
- assurance in relation to the implementation of the new finance system. This was important given the significant investment cost and that it is viewed as a key platform to support Softcat's growth ambitions.

Approach to developing the 2022 internal audit plan and scheduled reviews

During the year Grant Thornton worked closely with management and the Audit Committee Chair on an internal audit plan for 2022. The plan was formulated considering an 'audit universe' which had been developed in prior years, with consideration of the important risks facing Softcat and the wider economic and regulatory climate. The internal audit plan also took into account the potential impact of the BEIS consultation and proposed reforms on improving trust in audit and corporate governance and the emerging themes on enhanced governance and controls.

During 2022 reviews are planned in the following areas:

- IT governance and access management: The review will consider the appropriateness of the governance in respect of the organisation and use of IT in the business. Alongside this, the review will assess the controls which are in place to ensure that there are robust measures for appropriate access to the Company's data and systems.
- Internal controls over financial reporting: The consultation and reforms proposed by BEIS (see above) include a strengthening of controls over financial reporting and enhanced reporting requirements in this regard. Management will be making plans to comply with the required changes once BEIS has confirmed the outcome of its consultation. In preparation for the expected reforms, a review will be conducted to assess the current maturity of financial reporting processes and controls and to identify any material gaps/priority actions to further develop controls over financial reporting.
- Fraud maturity: This review will assess the adequacy of the existing fraud control framework and it will review existing fraud prevention and detection controls. This is an important area given the evolving nature and sophistication of fraud in an increasingly digital world and that the consultation and proposals issued by BEIS (see above) include proposed reforms to strengthen companies' focus on fraud.
- A further assurance review will be conducted in relation to moving to the 'go live' project stage of the new finance system, which is envisaged early in the second half of FY22.

Effectiveness of the internal audit process

As Softcat continues to grow and the focus increases on maintaining a strong framework of internal controls and risk management, the Committee has reviewed and discussed with management the suitability of maintaining a fully outsourced internal audit function. As a result, it was agreed to move to a co-sourced model with effect from FY22 and the Company has recently appointed an experienced in-house internal auditor to further strengthen and formalise our controls and compliance framework. The appointment will also provide the additional required resource in respect of the increasing focus on financial reporting controls proposed in the reforms under the BEIS consultation. Grant Thornton will continue to conduct the reviews assigned to them by the Committee and they will work closely with the newly appointed Internal Audit Manager.

Grant Thornton has had access to the relevant documentation, premises, functions and employees to enable it to perform its activities. 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. Following the conclusion of the 2021 financial year, the Committee undertook a review of the effectiveness of Grant Thornton's role as internal auditor. The evaluation was led by the Committee Chair and involved issuing tailored evaluation questionnaires which were completed by Softcat management who had worked recently with Grant Thornton, by EY (as external auditor) and by the Committee. The evaluation concluded that Grant Thornton continues to have a sound understanding of the business, including the key issues facing the Company and that they continue to perform well. Minor recommendations arising from the evaluation to further improve the internal audit process will be discussed with Grant Thornton.

RPerriss

Robyn Perriss
Chair of the Audit Committee
25 October 2021

Effectiveness

> The Board has a diverse range of skills, experience, tenure, personalities and backgrounds. That combination continues to work well and provides the right mix of challenge and support to the business."

Members

K Slatford (Chair)
M Hellawell
R Perriss
V Murria

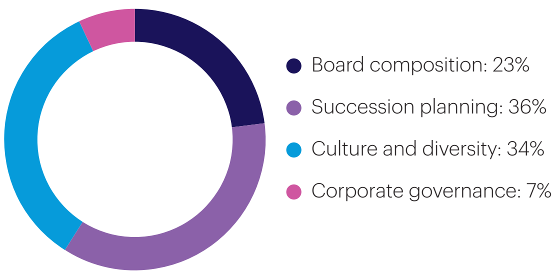
Attendance of the Nomination Committee

Name	Committee attendance 2021
K Slatford	●●●●●●
M Hellawell	●●●●●●
R Perriss	●●●●●●
V Murria	●●●●●●
Total meetings held	●●●●●●

● Attended ○ Did not attend ◌ N/A

During the year Karen Slatford assumed the role of Committee Chair from Vin Murria.

Allocation of time



Committee Chair's introduction

I am delighted to present my first report as Chair of the Nomination Committee (the 'Committee'). I took over from Vin Murria during the year and I thank Vin for chairing the Committee; I will do my best to carry on her good work. I would also like to thank the other Committee members for their help and support since I have assumed the Committee Chair.

There were no changes in the composition this year, so 2021 has been a year of consolidation in terms of composition of the Board. We have considered longer-term succession planning for the Board during the year as explained below. I was pleased to see the addition during the year of employee culture as a formal discussion and review topic for the Committee. We have also had a number of discussions on diversity and inclusion and I am delighted with the enthusiasm of management and their genuine desire to embrace a diverse workforce. We do recognise, however, that there is more still which can and will be done on diversity, particularly in managerial positions. More details on the above are in the report which follows and in the Sustainability section of this Annual Report.

If any shareholders or proxy voting advisory agencies would like to raise any matters with me in respect of the Committee, I can be contacted via the Company Secretary at cosec@softcat.com.

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 Committee is chaired by an independent Director. The biographies of the members of the Committee can be found on pages 55 and 56. The Chief Executive Officer, Chief Financial Officer, HR Director and Head of Talent, Engagement and Diversity are invited to attend meetings where appropriate. The Committee met six 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 the Committee. The Company Secretary acts as Secretary to the Committee.

The key responsibilities of the Committee are to advise on appointments to the Board, to review Board composition and to review succession planning both for the Board and senior management. The Committee also reviews and provides feedback on the initiatives to improve diversity and inclusion. Carrying out these responsibilities is critical to ensure the Board and wider business have plans in place to have the best available talent to drive the Company forward.

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. Each Director continues to devote sufficient time to meet their Board responsibilities.

The Committee considered and recommended that each Director willing to stand for re-election be proposed for reappointment at the 2020 AGM. The Board endorsed all the appointment and reappointment recommendations of the Committee.

Board appointments

As already noted, there were no changes in the membership of the Board during the year. However, the Committee has during the year reviewed the composition of the Board to ensure it remains fit for purpose. As the Committee is committed to the Board having a diverse mix, if we need to engage with an external search firm we will work with firms which have signed up to the relevant Voluntary Code of Conduct for Executive Search Firms on diversity and best practice. By using such firms, the Committee can maximise the ability to consider a wide range of suitable candidates.

Key activities during the year

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

September 2020

- Review of succession planning for senior management and the Board
- Review of the draft report from the Nomination Committee for 2020

October 2020

- Update on succession planning
- Recommendation to reappoint Directors at the 2020 AGM
- Approval of the 2020 Nomination Committee Report

December 2020

- Review of the results of the annual employee satisfaction survey and planned actions
- Discussion on employee culture
- Discussion on diversity and inclusion

March 2021

- Review of Board composition
- Review and recommendation regarding Committee Chair
- Review of the final Hampton-Alexander report on diversity

May 2021

- Update on Board composition
- Update on diversity and inclusion

July 2021

- Review of succession planning
- Update on Board composition

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 discussion or approval
- Review of and updates to the Committee's terms of reference

Effectiveness continued

Board appointments continued

Any new appointee to the Board will receive an extensive, full and tailored induction programme, prepared by the Company Secretary and overseen by Martin Hellawell as Company Chair. This will include meeting with the Senior Leadership Team and key external advisers to the Board.

The Board, particularly after taking into account the two Non-Executive Directors who have joined since 2019, has a diverse range of skills, experience, tenure, personalities and backgrounds. I believe that combination continues to work well and provides the right mix of challenge and support to the business. We strive to maintain a balance to optimise the size of the Board. Whilst there are many benefits to running a relatively small Board, the Committee has discussed the potential benefits of adding a further Non-Executive Director, if that person would add further significant value to the Board's effectiveness, skillset and expertise and be a good fit. We have a matrix to consider what particular attributes, skills and experience would be most valuable if we were to appoint a further Non-Executive Director and we shall keep this matter under review.

Succession planning

Succession planning is very important to the Committee and we have given particular attention to longer-term succession planning for the Chair, CEO and CFO. We regularly review our plans and will consider both internal and external potential candidates.

Following my appointment and the appointment of Robyn Perriss, we have improved overall succession planning and created a more robust and diverse mix of tenure on the Board. Previously, most of the Non-Executive Directors had been appointed broadly at the same time and this had created a potential 'bottleneck' as their Board retirement dates were also similar. As part of the Committee's succession planning for the longer term, we are keeping in mind that in 2024 we will reach the nine-year tenures in respect of Martin Hellawell and Vin Murria. The Committee will continue to review the likely retirement dates on the Board as part of its longer-term succession planning and Board composition refreshment.

The Committee works with the HR Director and the CEO and reviews at least annually the plans which are in place for orderly succession planning on our Senior Leadership Team. The formal succession planning reviews are in addition to regular updates provided by the CEO to the Board on changes in the Senior Leadership Team. We have a strong talent pipeline and our review also considers opportunities to develop a more diverse pipeline in leadership roles. We have also ensured we continue to provide training and development programmes throughout the pandemic to prepare managers for more senior roles.

Board member review process

Martin Hellawell as Company Chair is responsible for conducting an annual review process of the CEO and each Non-Executive Board member. The CEO performs a similar process with the CFO. The review processes gather additional feedback to support the good running of the Board. The Board also conducted an internal Board effectiveness review which resulted in a positive assessment of the Board's performance but equally some valuable pointers on how to make further improvements. More information on this year's internal effectiveness review can be found in the report on Corporate Governance on pages 62 and 63.

I, acting in my capacity as the Senior Independent Director, led a meeting of the Non-Executive Directors, without the Company Chair present, to discuss the Company Chair's performance. The Non-Executive Directors confirmed that they continued to be happy with Martin's performance and remain fully supportive of his role. We believe the current structure and membership of the Board works well for the Company, our shareholders and our other stakeholders.

As a result of the above and following further consideration by the Committee, we have recommended to the Board that each Director be proposed for reappointment at the AGM to be held in December 2021.

Diversity and inclusion

The Board and the Committee devotes significant time to the issue of diversity and inclusion in the Company and management realises the importance and benefits of creating a more diverse workforce at all levels in the Company. This continues to be a long-term endeavour and we recognise it as such.

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.

During the year, the final report was issued under the Hampton-Alexander Review. The Review recommended a target for FTSE 350 companies to reach at least 33% of their board and leadership teams to comprise females. I am pleased to report that the target was met in respect of the Board (50%). Although welcomed improvements were made in increasing women in leadership roles, we did narrowly miss the Review target and achieved 29.3%. As already noted, the Committee does recognise that more progress is needed in respect of the diversity of our leadership team and plans to improve this have been discussed with the Committee. The Board currently meets the recommendation set by the Parker Review that boards should have at least one person of colour. Whilst we have reached some of these targets, 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.

The Committee has also received briefings on the initiatives to improve inclusion in the business and the Company employs a dedicated resource to co-ordinate our diversity and inclusion efforts. The briefings received by the Committee included not only diversity regarding gender, but also on ethnicity, sexual orientation, disability and updates on various inclusion activities such as supporting family wellbeing outside of work. More information about diversity and inclusion in the business can be found in the Sustainability section of this Annual Report on pages 40 to 51.

Assessment of the independence of the Non-Executive Directors

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

- report to the Board any material changes to their commitments;
- notify the Company Secretary 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. All Non-Executive Directors (excluding the Company 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 (subject to any restrictions due to the COVID-19 pandemic). Letters of appointment and service contracts will be available for inspection at the 2021 AGM (subject to any restrictions due to the COVID-19 pandemic).

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.

Karen Slatford
Chair of the Nomination Committee
25 October 2021

Letter from the Chair of the Remuneration Committee

> The Committee has carefully considered the implications for our executive remuneration arrangements for 2021/22 and beyond. We have made four changes, all of which are within our current Directors' Remuneration Policy."

Members

K Slatford (Chair)
R Perriss
V Murria

Attendance of the Remuneration Committee

Name	Committee attendance 2021
K Slatford	●●●●●●
V Murria	●●●●●●
R Perriss	●●●●●●
Total meetings held	●●●●●●

● Attended ○ Did not attend N/A

Allocation of time

- Workforce remuneration and conditions: 24%
- Executive remuneration: 41%
- Remuneration market practice and developments: 20%
- Corporate governance: 15%

Dear shareholder

I am very pleased to present this report as Chair of Softcat's Remuneration Committee (the 'Committee'). I would like to thank the Committee members for their support and contribution this year.

Business performance

The Company continued to perform well during the year. There was strong growth in revenue and double-digit growth in gross profit and operating profit. Operational performance was also excellent and we have continued to invest for future growth. You will see our performance and progress explained in more detail in the Strategic Report but I would like to pick out some key achievements, which are a continuing credit to the business and its leadership:

- Revenue growth: 7%
- Gross profit growth: 17%
- Operating profit growth: 27%
- Employee engagement: 93%
- Customer satisfaction: 95%

Remuneration Policy (the 'Policy')

Our current Policy was approved by shareholders at the 2019 AGM with a vote of 98.6%, which is a high level of support. The Policy incorporated the recommendations and good points of practice set out in the 2018 UK Corporate Governance Code. The Policy also provides sufficient flexibility for the Committee to make changes in executive remuneration to ensure that this remains fit for purpose (please see below). Given this, following assessment by the Committee, we consider that the Policy is still fit for purpose. As such, no changes to the Policy are proposed for the 2021 AGM.

Main activities during FY21

October 2020

- Review of Remuneration Policy
- Review and approval of the 2020 Remuneration Report
- Update on gender pay gap and ethnic pay gap performance and reporting
- Consideration of the proposals for the grant of LTIPs to Executive Directors for FY21 and other share-based awards to senior managers below Board level
- Review and determination of vesting outcomes for LTIPs granted in 2017
- Review of impact of share-based awards on shareholder dilution
- Review and approval of the annual bonuses awarded to Executive Directors and Senior Leadership Team ('SLT') members for FY20
- Consideration of the annual bonus arrangements for the Executive Directors and SLT members for FY21
- Review of achievement against share ownership targets for the Executive Directors

November 2020

- Approval of the proposals for the grant of LTIPs to Executive Directors
- Review of independent confirmation of vesting outcomes for LTIPs subject to the achievement of performance conditions

March 2021

- Review and discussion on benchmarking of executive remuneration
- Discussion of market trends on performance metrics
- Update on workforce pay and conditions and discussion of Company-wide pay review
- Review and determination of vesting outcomes for the LTIPs granted to CEO in 2018
- Corporate governance updates

May 2021

- Review of market practices in respect of fees for Non-Executive Directors
- Discussion on all-employee share schemes
- Interim update report on performance of annual bonus plan and outstanding LTIPs
- Discussion of executive remuneration and approval of changes for FY22

July 2021

- Update on shareholder consultation regarding executive remuneration changes for FY22
- Update on workforce remuneration, including salary reviews and bonuses below Board level
- Consideration of proposed approach and timing in respect of annual bonus and LTIP awards for FY22
- Review of remuneration trends and remuneration-related corporate governance developments for listed companies

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 discussion or approval
- Review of and updates to the Committee's terms of reference
- Review of the outcomes of shareholder voting on the Remuneration Report

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 outcomes during the year

During the year, the Board regularly reviewed Softcat's financial and operational performance. We confirmed in trading updates during the year that:

- the Company took no form of Government support during the pandemic nor made any headcount reductions. Investment in our growth strategy continued throughout the pandemic;
- we retained our strong culture at Softcat which was a source of great strength to deal with the challenges of the pandemic;
- we continued to grow and take share in a market that has remained relatively resilient during the pandemic; and
- the Board expected results for the full year ended 31 July 2021 to be ahead of expectations.

This strong performance resulted in an excellent achievement of many of the Company's KPIs (outlined on pages 34 and 35), including performance against our operating profit targets, leading to 100% of the maximum annual bonus being earned by the Executive Directors.

Good performance has been sustained for the past few years and during the financial year the Long Term Incentive Plan ('LTIP') awards granted in November 2017 to Graham Charlton and in April 2018 to Graeme Watt vested. The Committee assessed the vesting outcomes for the LTIPs and concluded that maximum metrics of total shareholder return ('TSR') and earnings per share ('EPS') had been attained. The LTIP awards therefore vested in full.

Letter from the Chair of the Remuneration Committee continued

Remuneration outcomes during the year continued

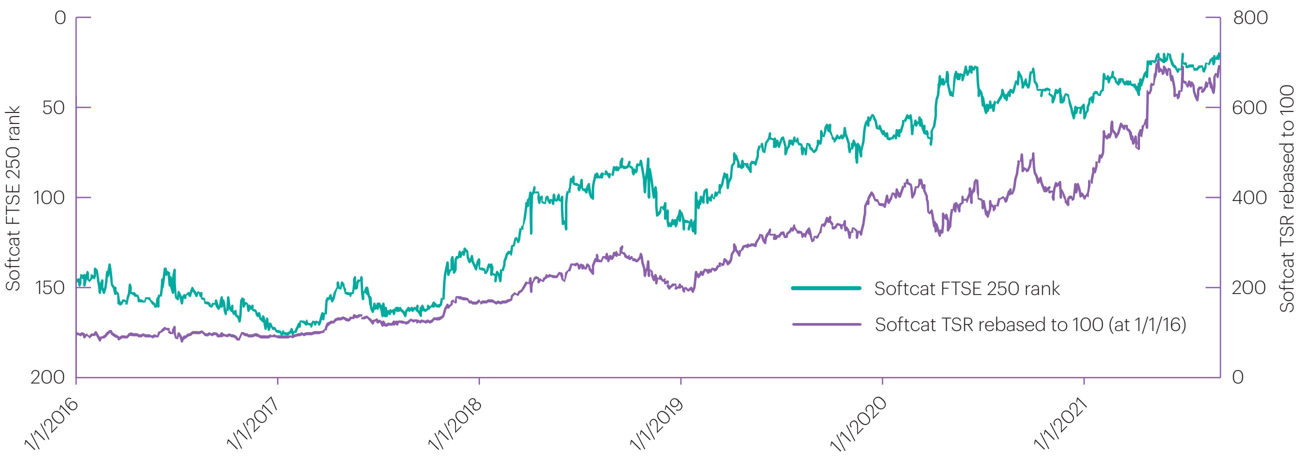
During the year the Committee concluded that all long-term incentive and annual bonus outcomes were appropriate and no discretion was exercised to amend any remuneration outcomes for the Executive Directors. This conclusion was reached after taking into account relevant matters, such as the performance of the business and the alignment between the Executive Directors and the wider workforce in respect of annual variable pay for the year.

Looking forward, the LTIPs granted in 2018 are due to vest in late 2021. Based on current performance, I would expect the LTIPs, when they vest, to exceed the threshold performance conditions (EPS and TSR), which were set and announced at the time of grant. The Committee will as usual determine the extent to which the performance conditions have been met, along with any other relevant matter, before formally concluding on the vesting outcome.

Changes in executive remuneration for FY22

The Committee made some changes to the remuneration for Executive Directors in light of the performance of the business and shareholder value creation. Over recent years our market capitalisation has doubled and we have transitioned from a mid-tier FTSE 250 company to one of the top 50 in the FTSE 250.

Softcat FTSE rank and TSR as at the end of FY21



Summary of changes

Given this context, the Committee carefully considered the implications for our executive remuneration arrangements for 2021/22 and beyond. We consulted in advance with our largest shareholders, who were broadly supportive, and also with the major proxy advisory agencies. We made four changes, all of which are within our current Directors' Remuneration Policy:

- 10% base salary increase to both the CEO and CFO, to £525k and £350k respectively, effective from 1 August 2021;
- increased the normal LTIP grant size from 100% to 150% of salary for FY22 (the normal maximum allowed for under our Policy is 200%);
- amended our annual bonus measures from being purely based on operating profit to include 20% based on robust ESG goals, which for 2021/22 will focus on customer and employee satisfaction; and
- increased the shareholding requirement for the CFO role to 200% of salary in line with that of the CEO and also shareholder expectations.

The impact of these changes are:

- The increase is delivered 20% in fixed and 80% in variable pay (at target), maintaining our strong pay for performance culture.
- Salaries are moved towards the lower quartile of the FTSE 250. This is despite Softcat's market capitalisation being above the upper quartile of this group.
- The increase is largely delivered in shares which are linked to future performance over three years, with a two-year holding period, further enhancing our executives' alignment to shareholders.

Executive share ownership

The executive share ownership guidelines under our current Remuneration Policy require a minimum shareholding target of 200% and 150% of salary for the CEO and CFO respectively. Executives are permitted five years to reach the target and we already operate post-vesting and post-cessation holding requirements. To further strengthen the alignment of interests between the CFO and our shareholders, the Committee has increased the CFO's minimum holding requirement to 200% of salary, which will apply in respect of the vesting of future share awards. This will subsequently be incorporated into our revised Remuneration Policy when it is renewed in 2022.

Rationale for the changes

Effective executive leadership is critical to Softcat's success and the Committee must ensure that the remuneration for our CEO and CFO appropriately reflects their performance and motivates them to continue to drive this high level of business performance. Softcat's approach to remuneration has evolved since our IPO in 2015, but our philosophy of rewarding high performance through a combination of a broadly competitive level of salary with highly competitive variable pay linked to performance has remained consistent and these changes reflect this position.

Base salary increase

Our review concluded that the salaries of our Executive Directors were no longer positioned appropriately either against the external market, or to reflect the performance, experience and capability of Graeme Watt and Graham Charlton. Our conclusion was that salaries should be set to at least a lower quartile position against the FTSE 250 comparator group (this is still below the typical salaries of companies with a similar market capitalisation to Softcat).

The Committee believes that the best outcome for all stakeholders is to increase pay to a sufficient level to avoid significant misalignment with the market whilst maintaining the opportunity for reward through exceptional performance. We believe that an increase of 10% to the base salary of both the CEO and CFO achieves that goal and reduces a potentially significant retention risk for the business.

We are focused on ensuring that the reward arrangements across Softcat are appropriate and performance driven as well as being cost effective in a highly competitive employment market.

LTIP increase and targets

We also considered the executives' total earnings opportunity and concluded that this was below the market level, particularly given the continued growth and success of our business and the contribution and value of our key executives. Whilst we felt that the annual bonus, which currently has an annual maximum of 150% of salary, was broadly competitive, the long-term incentive opportunity of 100% of salary was below appropriate positioning, and not in line with our focus on variable pay opportunity as a key driver of performance. This increase will only be delivered in practice if stretching performance conditions are met (currently EPS and TSR) over a three-year period and will be delivered in shares which must be held for five years in total to ensure shareholder alignment.

LTIP targets are included on page 92. The Committee carefully considered the target-setting methodology and EPS in particular, in light of the increased quantum. We have set the EPS 'target' delivering a 67% outcome (equivalent to 100% of salary – the previous maximum vesting amount) in the same way we previously set our maximum target. We have then added a further stretch to this, which is required in order to achieve the increased maximum vesting. The EPS targets set take into account the expected increase in Corporation Tax from April 2023.

Changes to bonus measures

As part of our review the Committee considered the growing importance of wider non-financial metrics to measure the success of a business, including the use of environmental, social and governance ('ESG') measures. We have decided to introduce an assessment of ESG goals in respect of 20% of the annual bonus. Measures may change in future years but for 2021/22 this measure will focus on customer satisfaction and employee engagement.

We will continue to provide comprehensive retrospective disclosure of the outcome against targets, fully in line with our current approach.

Wider workforce context

We continued to receive regular updates on remuneration across the workforce to ensure the Committee's deliberations were well informed. The proposed approach for the CEO and CFO is fully consistent with our philosophy of driving performance and rewarding the attainment of stretching targets which we operate across Softcat. Our review noted that, across the last three years, on average around 10% of the workforce has been awarded increases of 10% or more reflecting a combination of external market competitiveness, individual performance and value to our business. We are focused on ensuring that the reward arrangements across Softcat are appropriate and performance driven as well as being cost effective in a highly competitive employment market. Our approach has been, and continues to be, to ensure that our executives are treated fairly and consistently with our broader employee group.

Having a dedicated and passionate team and providing excellent customer service is core to what we do at Softcat and helps drive exceptional performance. We believe it is right to recognise and reward this through fair remuneration. These changes seek to maintain our pay philosophy, which has served the business well since our IPO.

What we have done during the year

The calendar activities (page 81) summarise the areas of focus and actions for the Committee during the 2021 financial year, all of which were within the framework of the current Remuneration Policy.

In conclusion

The Committee continues to focus on ensuring that our remuneration arrangements remain fit for purpose and take into account any relevant internal or external factors as appropriate. We aim to preserve a good alignment of interests between our shareholders and our management team.

The Annual Report on Remuneration (pages 84 to 98) together with this letter will be subject to an advisory shareholder vote at the forthcoming AGM on 15 December 2021. I trust that I can count on your continued support. If shareholders do wish to discuss any issues about executive remuneration, I can be contacted via the Company Secretary at cosec@softcat.com.

Karen Slatford
Chair of the Remuneration Committee
25 October 2021

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 two sections:

- the Annual Statement by the Remuneration Committee Chair; and
- the Annual Report on Remuneration, incorporating:
  - an 'at a glance' section summarising our Remuneration Policy; and
  - details of payments made to the Directors and details of the link between Company performance and remuneration for the 2021 financial year.

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 15 December 2021.

Part A – At a glance

Introduction

In this section, we set out a summary of our Remuneration Policy, its link to corporate strategic objectives and the performance and remuneration outcomes for the 2021 financial year.

Our Remuneration Policy and its link to our Company strategy

The Company's strategy is laid out on pages 26 and 27.

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.

	Strategic priorities				
Remuneration Policy (from the date of shareholder approval)	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
Annual bonus 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 2022: • The maximum bonus opportunity is 150% for the CEO and CFO respectively. • We shall amend our annual bonus measures to include 20% based on robust ESG goals, initially with a focus on customer and employee satisfaction.	✓ **Operating profit** 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.	✓	✓	✓	✓
LTIP 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: • earnings per share ('EPS') growth; and • comparative total shareholder return ('TSR'). For 2022, the normal annual award for each of the CEO and CFO will increase from 100% to 150% of salary.	✓ **EPS and TSR** 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.	✓ **TSR** 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).	✓ **EPS** 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.	✓	✓

Remuneration Policy (from the date of shareholder approval)	Strategic priorities: 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
Share Incentive Plan ('SIP')				✓	✓
Minimum shareholding requirements • Chief Executive: 200% of salary • Chief Financial Officer: 150% of salary From 2022, the minimum shareholding requirements for the CFO will increase to 200% of salary.				✓	

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 the remuneration practices of the Company. 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 or any material changes within the existing Policy.

During the financial year the Committee consulted with major shareholders and certain proxy voting agencies, regarding the changes in remuneration for the Executive Directors, as explained in the letter from the Committee Chair. The Committee explained the rationale, in detail, behind the proposal and invited comments. Responses were provided for any question from those with whom the Committee consulted.

Shareholder support remains strong for the remuneration practices of the Company. The Remuneration Policy received 98.6% votes in favour at the 2019 AGM. The advisory vote for the Annual Report on Remuneration at the 2020 AGM received 97.69% votes in favour. The Committee is grateful for the continuing support of shareholders.

Part A – At a glance continued

Considerations of employment conditions elsewhere in the Company

The remuneration strategy 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 our Remuneration Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success. This includes for all employees: base pay, certain employment benefits, a pension plan and participation in the SIP for all eligible employees. Commissions are available for qualifying sales employees whilst other employees may participate in other annual bonus plans. Executive Directors are entitled to participate in an annual bonus plan and an LTIP as are some members of the senior management team.

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

			Strategic objectives				
Plan	Purpose	Eligibility	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
SIP	Broaden share ownership and share in corporate success over the medium term.	All eligible employees				✓	✓
Annual bonus	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	✓	✓	✓	✓	✓
LTIP	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 (Vin Murria). There are also regular employee engagement meetings led by the CEO and CFO.

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 tier 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 2021 financial year (FY21) (audited)

In respect of FY21, 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 FY21 and the extent to which they were satisfied are set out below:

							Annual bonus payout	
Performance condition	Performance period	Threshold	Target	Maximum	Actual	Actual as a % of maximum opportunity	Graeme Watt	Graham Charlton
Operating profit	FY21	£84.33m	£93.7m	£103.07m	£119.4m	100%	£716,108	£477,405

No discretion was exercised by the Committee in relation to the outcome of the annual bonus awards. In respect of the bonus payout up to 100% of salary, two-thirds was paid in cash and one-third was paid by way of deferred shares. In respect of the bonus payout above 100% of salary, all of this shall be by way of deferred shares.

Long-term incentives awarded in FY21 (audited)

On 25 November 2020 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[1]
Graeme Watt	100	40,480	25/11/20	£11.45
Graham Charlton	100	26,986	25/11/20	£11.45

Note:

1. The share price used to determine the award was calculated by reference to the prevailing market price of an ordinary share on the business day prior to the award.

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 92.

Single figure remuneration for our Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY21.

	Salary	Taxable benefit	Pension	**Total fixed**	Bonus[1]	LTIP[2]	**Total variable**	**Total**
Graeme Watt (CEO)	£477,405	£4,106	£23,870	**£505,381**	£716,108	£1,366,604	**£2,082,712**	**£2,588,093**
Graham Charlton (CFO)	£318,270	£4,106	£15,889	**£338,264**	£477,405	£923,243	**£1,400,648**	**£1,738,913**

Notes:

1. In respect of performance up to target, two-thirds of the annual bonus earned will be paid in cash and one-third will be deferred into shares (by way of nil-cost options). In respect of performance above target, all of the annual bonus earned will be deferred into shares (by way of nil-cost options).
2. LTIP awards made on 28 November 2017 to Graham Charlton vested during FY21. The award was calculated by reference to the prevailing market price on the business day preceding the grant. Details of the performance condition (relative TSR and EPS targets) were disclosed in an announcement to the London Stock Exchange at the time of grant. As a result of full achievement of the performance criteria, nil-cost options over 74,074 shares were exercised at a share price of £11.37 per share. Participants may also receive a cash payment representing the value of dividends (a dividend equivalent) on the shares over the performance period and a cash dividend equivalent payment was made upon vesting which is included in the above. The aggregate share price on exercise and dividend equivalent included above were £842,221 and £81,022 respectively.

   LTIP awards made on 4 April 2018 to Graeme Watt vested during FY21. The award was calculated by reference to the prevailing market price on the business day preceding the grant. Details of the performance condition (relative TSR and EPS targets) were disclosed in an announcement to the London Stock Exchange at the time of grant. As a result of full achievement of the performance criteria, nil-cost options over 66,864 shares were exercised at a share price of £18.725 per share. Participants may also receive a cash payment representing the value of dividends (a dividend equivalent) on the shares over the performance period and a cash dividend equivalent payment was made upon vesting which is included in the above. The aggregate share price on exercise and dividend equivalent included above were £1,252,028 and £114,576 respectively.

Remuneration changes

During the year, management had taken a prudent approach to conserve cash in the business as a result of the COVID-19 pandemic. It was agreed initially that there would be a pay freeze across the Company, including for the Board. An exception was made for the lowest paid staff (those earning less than £25,000 per annum), who received a pay rise. Following further review of the Company's performance later in the year, the Company agreed to reinstate a pay rise for FY21 (backdated to the beginning of the financial year). Executive Directors received a pay rise of 3% in basic salary. This was in line with the default pay rise for the employees of the Company. The Non-Executive Directors waived any entitlement to increases in fees for FY21 and their fees remained unchanged.

Please see the letter from the Committee Chair in respect of remuneration changes for the Executive Directors in FY22. Non-Executive Directors received an increase of 3% in their fees in respect of FY22, which is in line with the default pay rise for employees in the Company.

Part A – At a glance continued

Remuneration Policy table summary

In accordance with the remuneration reporting regulations, the Directors' Remuneration Policy (the 'Policy') summarised below was approved at the AGM on 6 December 2019 and will apply for a period of three years from the date of approval. The Policy is contained in Softcat's 2019 Annual Report and Accounts, which is available on the Company's website at https://www.softcat.com/about-us/investor-centre/shareholder-information. 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.

Element of remuneration	Operation
Salary	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Company; • the general performance of the Company; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; • any change in scope, role and responsibilities; and • the economic environment. In general, salary increases for Executive Directors will be in line with the increase for employees. 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.
Benefits	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.
Pensions	The Executive Directors are entitled to participate in the Company's applicable pension plans. Executive Directors' pensions are aligned with the employer contributions for the wider workforce, currently 5% of salary.
Annual and Deferred Share Bonus Plan (the 'Bonus Plan')	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 200% of salary. The maximum bonus opportunity is currently 150% of salary. This can only be attained by achieving a level of stretch in the targets set. There is a mandatory deferral of one-third of bonuses up to 100% of salary and all bonuses above 100% of salary into shares. The deferred elements vest after a minimum period of three years based on continued employment. The bonus contains clawback and malus provisions.
Long Term Incentive Plan ('LTIP')	LTIP maximum grant is 200% of salary p.a. (250% in exceptional circumstances). The Committee considers and sets the performance measures and targets for each LTIP award. See page 92 for the performance conditions of the grant made in the year. The LTIP contains clawback and malus provisions. There is a mandatory two-year post-vesting holding period.
Share Incentive Plan ('SIP')	The Company operates a SIP in which the Executive Directors are eligible to participate. The SIP is operated in line with HMRC legislation and is open to all eligible employees (UK employees with at least three months' service). The SIP encourages employees to become shareholders in the Company and thereby align their interests with shareholders.

Element of remuneration	Operation
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.

There is a mandatory two-year post-cessation holding period.

* The Remuneration Committee has approved an increased minimum shareholding requirement for the CFO to 200% of salary, effective for financial year 2022. This change will be reflected formally in the next Remuneration Policy, in 2022.

Element of remuneration	Operation
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 paid additional fees for chairing Committees, the Senior Independent Director and the Designated Non-Executive Director for Workforce Engagement. 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.

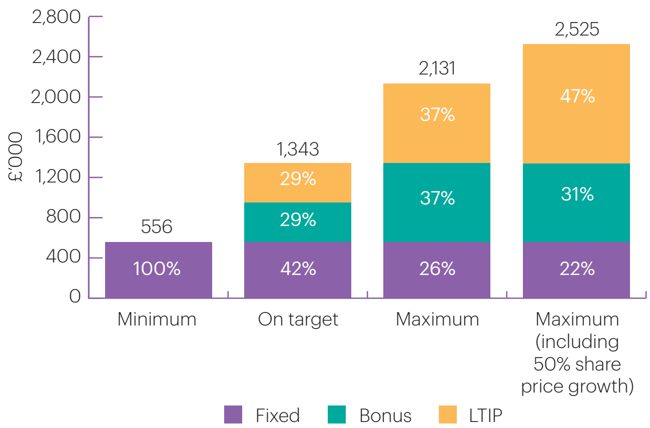
There are no changes to the approved Directors' Remuneration Policy. The full Policy is available to view in Softcat's 2019 Annual Report which is on the Company's website at www.softcat.com/about-us/investor-centre/shareholder-information.

Illustrations of the application of the Remuneration Policy

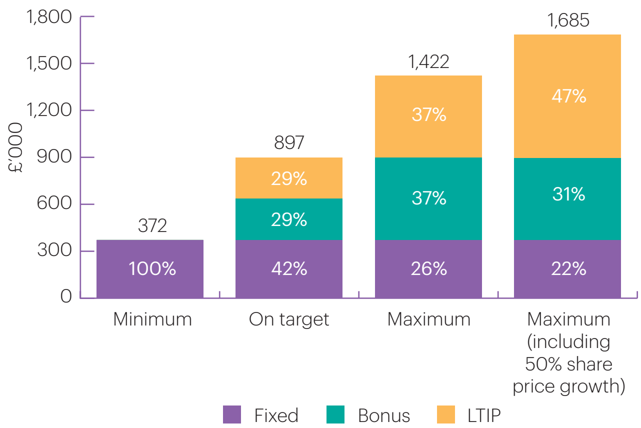
The charts below illustrate the remuneration that would be paid to each of the Executive Directors for the 2022 financial year under three different performance scenarios: (i) minimum; (ii) on target; and (iii) maximum. The elements of remuneration have been categorised into three components: (i) fixed; (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 Officer (Graeme Watt)



Chief Financial Officer (Graham Charlton)



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 on the previous page.

Element	Description	Minimum	Target	Maximum	Maximum including 50% share price growth
Fixed[1]	Salary, benefits and pension	Included	Included	Included	Included
Annual bonus[2]	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
LTIP[2,3]	Award under the LTIP Maximum annual award of 150% 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 2021 benefits payments and pension values as per the single figure table. The actual benefits and pension contributions for FY22 will only be known at the end of the financial year. Basic pay reflects the 10% increase awarded for FY22.
2. 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.
3. 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: From Company	Notice periods: From Director	Compensation provisions for early termination
Graeme Watt	1 April 2018	Rolling	12 months	12 months	None
Graham Charlton	29 October 2015	Rolling	12 months	12 months	None

Non-Executive Directors

Name	Date of letter of appointment
Martin Hellawell	1 April 2018
Vin Murria	3 November 2015
Karen Slatford	22 October 2019
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 FY21 and FY20.

	Salary[1]		Taxable benefits[1,3]		Pension[1]		Total fixed		Bonus[2,4]		LTIP[2]		Total variable		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Graeme Watt (CEO)	**477.4**	463.5	**4.1**	2.7	**23.9**	23.2	**505.4**	489.4	**716.1**	502.0	**1,366.6**	—	**2,082.7**	502.0	**2,588.1**	991.4
Graham Charlton (CFO)	**318.3**	309.0	**4.1**	3.1	**15.9**	15.5	**338.3**	327.6	**477.4**	334.7	**923.2**	1,531.1	**1,400.6**	1,865.8	**1,738.9**	2,193.4

Notes:

1. Fixed pay consists of salary, taxable benefits and pensions as set out above.
2. Variable pay consists of bonus and LTIP as set out above. Further details on the LTIPs which vested and were exercised by Graham and by Graeme during the year are provided in the section 'Single figure remuneration for our Executive Directors' above.
3. See section below setting out details of the benefits provided.
4. Details of the bonus targets, their level of satisfaction and the resulting bonus earned in FY21 are set out on page 86.

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	**2021 fees**	2020 fees	Roles
Martin Hellawell[1]	**£157,944**	£1,188,834	Non-Executive Chair
Karen Slatford[2]	**£71,301**	£44,252	Senior Independent Director, Chair of the Remuneration Committee and Chair of the Nomination Committee
Vin Murria[3]	**£68,525**	£66,080	Independent Non-Executive Director and Designated Director for Workforce Engagement
Robyn Perriss	**£61,902**	£60,100	Independent Non-Executive Director and Chair of the Audit Committee

Notes:

1. 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. The fee for 2020 includes £1,030,908 in respect of the exercise of an LTIP during the year, which was awarded to him when he was the CEO.

   As previously reported, the Remuneration Committee exercised its discretion to allow Martin to continue to receive his health benefits as Chair. The cost of providing this cover during FY21 and other P11D benefits was £3,444 (2020: £3,426) and is included in the figure for Martin's fees above.
2. The fees for Karen Slatford are pro-rated with effect from the respective date of appointment as Chair of the Nomination Committee.
3. The fees for Vin Murria are pro-rated with effect from the respective date she stepped down as Chair of the Nomination Committee.

Taxable benefits

Benefits in the year for the Executive Directors comprised health benefits such as private health insurance, health cash plan, critical illness, income protection, dental and life cover. Figures are reported where appropriate.

2021 annual bonus outcomes

In respect of 2021, the bonus awards payable to Executive Directors were agreed by the Committee, having carefully reviewed the Company's results. Changes to the annual bonus structure operating for 2022 are explained in the letter from the Committee Chair on pages 80 to 83.

Details of the targets used to determine bonuses in respect of FY21 and the extent to which they were satisfied are shown in the table on page 86. These figures are included in the single figure table.

Part B – Annual report on remuneration continued

Long-term incentives awarded and vested

Awarded in FY21 (audited)

Awards under the Company's LTIP made in FY21 are shown in the table on page 87. The awards were subject to the following performance conditions:

Measure	Weighting	Details
Adjusted EPS	50%	• 20% vesting of this element for threshold adjusted EPS at end of performance period of 38.9p (FY20: 38.6p) • Full vesting for 46.9p (FY20: 45.5p) • Straight-line vesting between these points
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	50%	• 30% vesting for median performance against the comparators • Full vesting for upper quartile performance • Straight-line vesting between these points

The EPS targets were set following the end of the 2020 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.

Vested in FY21 (audited)

Awards under the Company's LTIP granted in November 2017 to Graham Charlton and 4 April 2018 to Graeme Watt vested and were exercised by Graham and Graeme in FY21. Options over 119,767 shares were granted to Graham and options over 66,864 shares were granted to Graeme. Vesting of the awards was subject to the following performance conditions (which were disclosed at the time of grant):

Measure	Weighting	Details
Adjusted EPS	50%	• 20% vesting of this element for adjusted EPS at end of performance period of 23.7p • Full vesting for 26.9p • Straight-line vesting between these points
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	50%	• 30% vesting for median performance against the comparators • Full vesting for upper quartile performance • Straight-line vesting between these points

EPS for FY20 was 38.2p per share and upper quartile performance was achieved in respect of the TSR. Following formal review by the Committee, the Committee confirmed that full vesting had been achieved in respect of both EPS and TSR. Further details on the LTIPs which vested are provided in the tables in respect of single figure remuneration.

To be awarded in FY22

Vesting of the awards will be subject to the following performance conditions:

Measure	Weighting	Details
Adjusted EPS	50%	• 20% vesting of this element for adjusted EPS at end of performance period of 49.5p • 67% vesting of this element for adjusted EPS at end of performance period of 53.8p • Full vesting for 59.4p • Straight-line vesting between 20% and 67% and between 67% and full vesting
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	50%	• 30% vesting for median performance against the comparators • Full vesting for upper quartile performance • Straight-line vesting between these points

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 FY21, both Graham Charlton and Graeme Watt received 5% of salary either as an employer pension contribution into the defined contribution scheme or as a pension cash allowance. This is in line with employer pension contributions available for the general workforce.

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

Share Incentive Plan ('SIP')

There were no free shares awarded in FY21 (FY20: nil). Free shares were awarded under the SIP on 11 December 2015, and became free of any restrictions on the fifth anniversary following the award. Graham was awarded 301 free shares in 2015, which he retained.

The Executive Directors have an entitlement to purchase partnership shares under the SIP. Graham Charlton and Graeme Watt purchased 125 and 124 partnership shares respectively during the year. The total SIP holdings are provided on page 93 as part of the Directors' share interests table.

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

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

Statement of Directors' shareholding and share interests (audited)

				Other shares held		Options			
Director	Shareholding requirement (% of salary)[1]	Current shareholding (% of salary)[2]	Beneficially owned[3]	LTIP interests subject to performance conditions	Deferred shares not subject to performance conditions	Vested and unexercised	Unvested	Exercised	Shareholding requirement met?
Executive Directors									
Graeme Watt	200	228	35,621[3]	157,501	38,969[4]	—	—	—	Yes
Graham Charlton	200	601	82,068[3]	105,000	31,937[4]	—	—	—	Yes
Non-Executive Directors									
Martin Hellawell[5]	n/a	n/a	4,201,857	n/a	n/a	n/a	n/a	n/a	n/a
Karen Slatford	n/a	n/a	—	n/a	n/a	n/a	n/a	n/a	n/a
Vin Murria	n/a	n/a	165,397	n/a	n/a	n/a	n/a	n/a	n/a
Robyn Perriss	n/a	n/a	15,000	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

1. 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 at least 200% of base salary.

   The shareholding requirement is calculated as follows:

   - Shares owned by the Executive Director (and their associates) count towards the ownership target.
   - Shares which have vested, but which remain subject to a holding period and/or clawback, count towards the ownership target.
   - Unvested shares, which are not subject to a further performance condition, count towards the ownership target on a net of tax basis. This includes deferred awards under the Annual Bonus Plan.
   - Unvested awards and unexercised options which have performance conditions attached do not count towards the ownership target.
2. This is based on a closing share price of £19.33 at 30 July 2021 (being the last business day before 31 July 2021) 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.
3. This includes investment in partnership shares under the SIP. Graeme and Graham have each purchased 22 partnership shares between the year end and the date of this report, which is not included above.
4. This is in respect of previous awards of nil-cost options granted under the Deferred Share Bonus Plan.
5. Includes ordinary shares held by, or in trust for, Martin and/or his family members.

Fees retained for external non-executive directorships by Executive Directors

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.

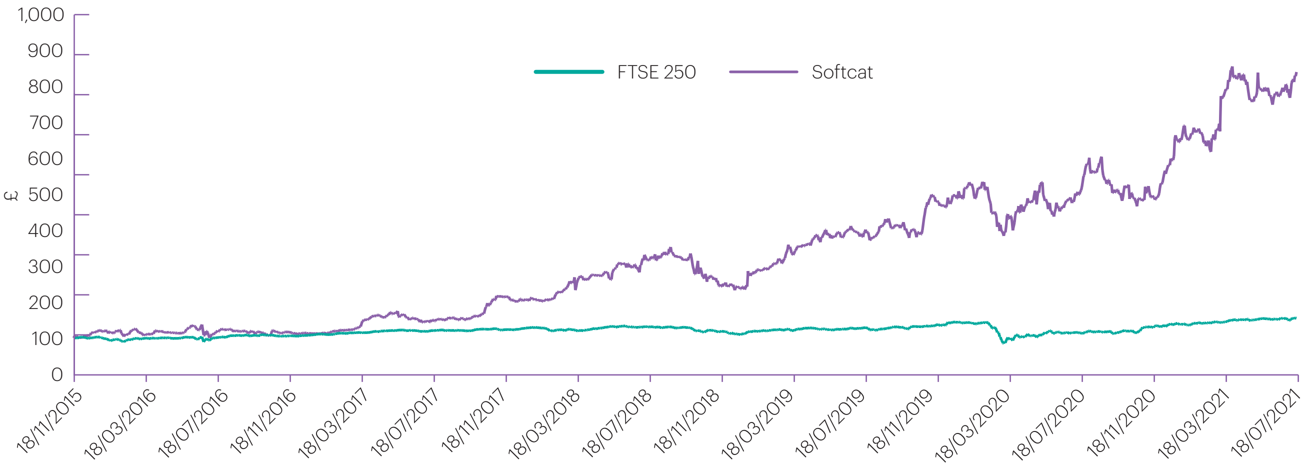
Part B – Annual report on remuneration continued

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 2021.

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		2021	2020	2019	2018	2017	2016	2015
G Watt	Total single figure	**£2,588,093**	£991,372	£919,518	£305,539	—	—	—
M Hellawell[1]		—	—	—	£532,716	£774,908	£562,117	£335,762
G Watt	Annual bonus payment level achieved	**100**	72	100	100	—	—	—
M Hellawell[1]	(% of maximum opportunity)	—	—	—	100	100	99	72
G Watt	LTIP vesting level achieved	**100**						
M Hellawell[1]	(% of maximum opportunity)	**n/a**	n/a	n/a	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 2021 financial year. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2021 financial year	Disbursements from profit in 2020 financial year
Profit distributed by way of dividend	**£60.8m**	£52.3m
Total tax contributions[1]	**£36.4m**	£30.2m
Overall spend on pay, including Executive Directors	**£127.8m**	£111.2m

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

The table below sets out the annual change in Director's remuneration from the previous year compared to the average annual change in remuneration for all other employees. The notes beneath this table describe how we have calculated the year-on-year change.

	% increase/(decrease) in remuneration in 2020 compared with remuneration in 2019			**% increase/(decrease) in remuneration in 2021 compared with remuneration in 2020**		
	Salary or fees	Bonus[2]	Benefits[3]	**Salary or fees**	**Bonus[2]**	**Benefits[3]**
Graeme Watt[1]	3%	12%	0%	**3%**	**43%**	**37%**
Graham Charlton[1]	3%	12%	-9%	**3%**	**43%**	**37%**
Martin Hellawell	3%	0%	1%	**0%**	**0%**	**1%**
Vin Murria[4]	23%	0%	0%	**4%**	**0%**	**0%**
Robyn Perriss	0%	0%	0%	**3%**	**0%**	**0%**
Karen Slatford[5]	0%	0%	0%	**6%**	**0%**	**0%**
All employees[6]	5%	-14%	-14%	**3%**	**12%**	**1%**

Notes:

1. For the Directors, the percentage change reflects the figures set out in the single figure table on page 91. The FY21 uplift in benefits is due to an adjustment made in the current year which incorporates adjustments for prior period balances totalling £2,418. Removing the impact of this adjustment would show growth, on a like-for-like basis, of 14% over the prior year. Figures are on an annualised basis where the Director joined or left during the year.
2. Excludes commissions for employees.
3. Includes private medical insurance only for employees.
4. Vin Murria was appointed as the Chair of the Nomination Committee until 24 March 2021. Fees receivable for these duties are in addition to the fees payable as a Non-Executive Director.
5. From 24 March 2021, Karen Slatford was appointed as Chair of the Nomination Committee. Fees receivable for these duties are in addition to the fees payable as a Non-Executive Director.
6. 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 increase in bonus is due mostly to improved performance versus targets for senior management when compared to the prior year. The benefits values have fluctuated due to change in premiums.

Part B – Annual report on remuneration continued

CEO pay ratios

The UK Government 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. CEO pay ratio data is presented below for 2021, with comparative figures for 2020 and 2019, which were disclosed in last year's Directors' Remuneration Report. The data shows how the CEO's single figure remuneration for 2021 (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 percentiles.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	**Option A**	**89:1**	**57:1**	**32:1**
2020	Option A	33:1	21:1	12:1
2019	Option A	35:1	22:1	12:1

The Government's methodology of Option 'A' has been used to calculate the remuneration of 1,655 (FY20: 1,519) employees who were employed on the assessment date of 31 July for each respective financial year. 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 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 respective financial year);
- gains realised from exercising awards granted under the SIP or LTIP share plans; and
- the value of taxable benefits (including pension contributions).

The ratio between the total remuneration of the CEO and the total remuneration of the remaining UK workforce increased significantly in 2021 due to an LTIP award which vested and was exercised during the period. The LTIP was granted in 2018 following the appointment of Graeme Watt as CEO. The value of the LTIP when it was exercised was approximately £1.4m and this resulted in an increase to the single figure remuneration compared to 2019 and 2020, which did not include any vesting of LTIP awards. Normalising the 2021 total pay figure of the CEO to that comparable to previous years (excluding the LTIP), the median pay ratio would be 27:1. This is higher than the last two periods due to higher growth in the CEO's total remuneration, driven by an increase in bonus payable, whilst the average earnings of the remaining UK workforce have remained broadly in line with previous years. The Committee believes that the median pay ratio is consistent with the Company's pay, reward and progression policies.

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

	CEO	All employees		
	(See single figure table, page 91)	25th percentile	Median	75th percentile
2021 salary	£477,405	£27,380	£43,246	£72,871
2021 total pay	£2,588,093	£29,184	£45,347	£81,661

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, 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 attends meetings. The Chief Executive Officer, the Chief Financial Officer, the Director of Human Resources and the Reward, Payroll & Policy Manager 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. 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 £87,750 (2020: £118,100) 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 and the advisory vote on the Annual Report on Remuneration at the 2020 AGM.

	Votes for	%	Votes against	%	Votes withheld
Annual Report on Remuneration	167,295,326	97.69	3,950,771	2.31	15,019

Statement of implementation of the Remuneration Policy in the 2020/21 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.

	What was implemented in 2020/21	**Implementation in 2021/22**
Base salary	In light of the uncertainty caused by the COVID-19 pandemic, base salaries for most employees (including Executive Directors) were initially frozen. Following a review of performance later in the financial year, base salaries for the CEO and CFO were £477,405 and £318,270 respectively. This represented a rise of 3% each, consistent with the base salary increase for the overall employee population.	**Following a review of executive remuneration, base salaries for the CEO and CFO are increased to £525,146 and £350,097 respectively. This represents a rise of 10% each. See the letter from the Committee Chair for more details.**
Pension	The Company operates employer contributions for the employee population (including Executive Directors) to up to 5% of base pay. The Remuneration Policy provides that employer contributions in respect of Executive Directors shall be in line with the wider workforce.	**No change.**
Benefits	No change.	**No change.**
Annual Bonus Plan ('ABP') • Cash • Deferred share award	For FY21 the annual bonus measure was based on the achievement of operating profit. The maximum opportunity was set at 150% of salary. To further align the ABP to the interests of our shareholders: • any bonus awarded above 100% of salary was deferred into shares (in addition to the existing one-third deferral into shares for any award below 100% of salary); and • the increased maximum bonus opportunity could 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.	**For FY22 the annual bonus measure is being amended to include 20% based on robust ESG goals, which initially focus on customer and employee satisfaction. See the letter from the Committee Chair for more details.**

Part B – Annual report on remuneration continued

Statement of implementation of the Remuneration Policy in the 2020/2021 financial year continued

	What was implemented in 2020/21	Implementation in 2021/22
LTIP	2020 LTIP awards: • The maximum annual award levels for the CEO and CFO were 100% of salary. • The performance measures and weightings were 50% EPS growth and 50% relative TSR. • The Committee reviewed the EPS performance target range in light of the Company's strategic plan over the next period. Taking into account these factors the Committee set the EPS range for the 2020 LTIP grant at challenging levels. The targets were disclosed on grant.	**2021 LTIP awards:** • **The annual award level increases to 150%. See the letter from the Committee Chair for more details.** • **No change to the performance measures or their weighting.** • **Relative TSR is still assessed against the FTSE 250 (excluding real estate and investment trusts). EPS targets are shown on page 92.**
Shareholding requirements	CEO: 200% of salary CFO: 150% of salary To be built up over five years from appointment. Only shares owned by the Executive Director count towards the target. The Remuneration Policy introduced a post-cessation shareholding requirement: • 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. • Applicable to future share awards vesting under the ABP and LTIP.	**The shareholding requirement for the CFO increases to 200% of salary.** **The shareholding requirement shall be calculated as follows:** • **Shares owned by the Executive Director count towards the ownership target.** • **Shares which have vested, but which remain subject to a holding period and/or clawback, count towards the ownership target.** • **Unvested shares, which are not subject to a further performance condition, count towards the ownership target on a net of tax basis. This includes deferred awards under the Annual Bonus Plan.**
Chair and Non-Executive fees	The Non-Executive Directors waived any entitlement to increases in fees. Chair fee: £154,500 Board fee: £50,648 Senior Independent Director fee: £5,627 Committee chair fee (per Committee) and fee for the Designated Director for Workforce Engagement: £11,254	**Fees increase by 3%, in line with the default pay rise for employees of the Company.** **Chair fee: £159,135** **Board fee: £52,167** **Senior Independent Director fee: £5,796** **Committee chair fee (per Committee) and fee for the Designated Director for Workforce Engagement: £11,592**

Karen Slatford
Chair of the Remuneration Committee
25 October 2021

The following is the report of the Directors of the Company for the financial year ended 31 July 2021.

Non-Financial Reporting Directive

In accordance with Sections 414CA and 414CB of the Companies Act 2006, the following chart summarises where you can find further information in this Annual Report on each of the key areas of disclosure that these sections require.

Environmental, social and employee-related matters	• This year we have provided further disclosure on Softcat's environmental commitments, including voluntary reporting on aspects of Task Force on Climate-related Financial Disclosures ('TCFD') in advance of mandatory reporting. Our Green Teams continue to raise awareness of the importance of environmental issues through their activities. • Our positive and inclusive culture, as well as good employee engagement, are integral to Softcat's success. Both the Board and management understand this and a considerable amount of time is spent ensuring these are maintained. • We discuss each of these areas in the Sustainability section of this report on pages 40 to 51 and in the Corporate Governance Report on pages 58 to 66.
Human rights and anti-bribery-related matters	• Human rights abuse and modern slavery risks are not considered a material issue for the Company. • We operate anti-bribery procedures which support compliance with the UK Bribery Act and other legislation. • We discuss each of these areas in the Sustainability section of this report on pages 40 to 51 and in the Corporate Governance Report on pages 58 to 66.
Diversity policy and approach	• We continue to put great importance on the positive benefits that diversity of gender, ethnicity, experience, background and viewpoints can bring to the business. • We support numerous initiatives to help improve diversity and inclusion. Progress on these is monitored by both senior management and the Board. The Board acknowledges there is more we need to do to improve diversity in areas of our business and we will continue with our efforts. • We discuss some of the actions taken in response to employee engagement in the Section 172 Statement on pages 36 to 39 of this report, our approach to diversity in the Sustainability section on pages 40 to 51, in the Chair's Statement on pages 12 to 14 and in the Nomination Committee Report on pages 76 to 79.
Business model, policies, principal risks and KPIs	• We operate a business model which includes non-financial inputs and outputs. Our business model is underpinned by our straightforward strategy. • 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. • 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. • We discuss our business model on pages 16 and 17 and key risks on pages 30 to 33 and selected KPIs are reported on pages 34 and 35. Our strategy is discussed in various places in the Strategic Report, including pages 26 and 27.

Directors' Report

The Directors present their report for the year to 31 July 2021.

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 Guidance 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 52 and 53 of this report;
- statement explaining how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year – refer to pages 36 to 39 of this report;
- strategy and relevant future developments – refer to pages 26 and 27 of the Strategic Report; and
- financial risk management objectives and policies – refer to the 'Risk management' section included in the Strategic Report on pages 30 to 33 and note 21 to the financial statements.

The information in respect of the Non-Financial Reporting Directive appearing in this Directors' Report is also incorporated by reference as required in the Strategic Report.

Directors of the Company

The following Directors have held office since 1 August 2020:

Name	Position	Date of appointment
M Hellawell	Chair	Appointed as a Director on 24 March 2006 and Chair on 1 April 2018
G Watt	Chief Executive	Appointed 1 April 2018
G Charlton	Chief Financial Officer	Appointed 19 March 2015
V Murria	Independent Non-Executive Director	Appointed 3 November 2015
K Slatford	Independent Non-Executive Director	Appointed 5 December 2019
R Perriss	Independent Non-Executive Director	Appointed 1 July 2019

Biographies of the Directors as at 25 October 2021 can be found on pages 55 and 56.

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 2021 are disclosed in the Remuneration Report on page 93. 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 2021 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 2021 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 2021 was 199,041,810 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 a Share Incentive Plan Trust ('SIP Trust') for the benefit of employees and former employees of the Company. As at 31 July 2021, the SIP Trust held 214,622 shares (2020: 320,779) awarded to employees as part of the free share award, subject to service conditions. A further 346,958 shares (2020: 345,054) were held on behalf of employees who have taken part in the Company's voluntary partnership share purchase programme. The SIP Trust also held 51,007 unallocated shares (2020: 49,803).

During the year ended 31 July 2021, share options were exercised pursuant to the Long Term Incentive Plan, resulting in the additional listing and allotment of 362,639 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 17 to the financial statements.

The Company passed the following resolutions on 10 December 2020:

- an ordinary resolution providing the Directors with authority to:
  - (i) allot ordinary shares up to a maximum nominal amount of £33,113, 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 £66,227 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 the Directors with authority to:
  - (i) allot shares or sell treasury shares for cash up to a maximum nominal amount of £4,967; and
  - (ii) allot shares or sell treasury shares for cash up to a maximum nominal amount of £4,967, in connection with an acquisition or other capital investment,

  otherwise than to existing shareholders pro rata to their shareholding; and
- a special resolution providing the Directors with authority to make market purchases of up to 19,868,367 of the Company's ordinary shares.

These authorities are due to expire at the Company's AGM to be held on 15 December 2021 and proposals for the renewal of the authority to allot ordinary shares and to make market purchases of the Company's own ordinary shares are set out in the Notice of the Annual General Meeting. The Directors have no current intention of exercising the authority in respect of the purchase of the Company's own shares, which is sought in the best interests 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 2021 in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, and those holdings may have changed since notification to the Company.

	As at 31 July 2021		As at 25 October 2021	
	Ordinary shares	Voting rights	Ordinary shares	Voting rights
Peter Kelly[1]	64,976,058	32.6%	64,976,058	32.6%
Mawer Investment Management Limited	9,946,370	5.0%	9,946,370	5.0%
John Nash[1]	7,244,714	3.6%	7,244,714	3.6%

Note:
1. The ordinary shares held by Peter Kelly 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 25 October 2021, Peter Kelly, the founder of Softcat plc, held 32.6% 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 21 to the financial statements.

Research and development

The Company did not carry out any research and development activities during the year (2020: none).

Political donations

The Company did not make any political donations during the period (2020: £Nil).

A resolution to authorise the Company to make political payments up to an aggregate amount of £100,000 has been included for shareholder consideration in the Notice of AGM for 2021. 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 and energy consumption

Information relating to the following is detailed in the Sustainability Report, on pages 40 to 51 of the Strategic Report:

- greenhouse gas emissions; and
- energy consumption and energy efficiency.

Corporate social responsibility

Details on our commitment to corporate social responsibility can be found in the Sustainability Report on pages 40 to 51 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 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 and ethnicity breakdown are given in the Sustainability Report on page 40.

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, emails and the intranet. The Board has also appointed Vin Murria as the Designated Non-Executive Director for Workforce Engagement.

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 ordinary dividend of 14.4p per ordinary share and a special dividend of 20.5p per ordinary share to be paid on 20 December 2021 to all ordinary shareholders who were on the register of members at the close of business on 12 November 2021. Shareholders will be asked to approve the final and special dividends at the AGM on 15 December 2021.

The Company's dividend and distributions policy is detailed in the Corporate Governance Report on page 64.

Requirements of the Listing Rules

The following table provides references to where the information required by 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 80 to 98
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Directors' Remuneration Report, pages 80 to 98
Details of any non-pre-emptive issues of equity for cash.	Directors' Report, page 101
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 102

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 2021 AGM.

Branches

The Company operates branches in Australia, the United States of America, the Netherlands, Singapore, Hong Kong and Ireland.

Going concern

Overview

In considering the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 1 to 51) and Chief Financial Officer's review sections (see pages 28 and 29) of this Annual Report. Given the ongoing economic uncertainty of the COVID-19 pandemic and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

The Company has modelled three scenarios in its assessment of going concern. These are:

- the base case;
- the severe but plausible case; and
- the reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a thirteen month period from the date of this report (the going concern period) until 30 November 2022. All the forecasts reflect the payment of the FY21 dividend of £69.5m which will be paid in December 2021 subject to approval at the AGM.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to gain competitive advantage in an increasingly digital age. Public Sector, a large and fast-growing area of the business, continues to show no negative sensitivity to COVID-19. The Company strategy remains unchanged and will continue to focus on increasing the customer base and spend per customer during the going concern period.

Liquidity and financing position

At 31 July 2021, the Company held instantly accessible cash and cash equivalents of £101.7m, while net current assets were £161.3m. Note 21 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. The Revolving Credit Facility ('RCF') and Covid Corporate Financing Facility ('CCFF') were both cancelled in the year as at no point did the Company require them to be drawn down. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £45m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Continued operational and business impact of COVID-19

Please see pages 12, 18, 19, 29, 32 and 33 in the Strategic Report where the impact on the business has been disclosed. Management have, in all three scenarios, modelled the potential future impact of COVID-19 on the business and considered the impact it had during the period from March 2020 to July 2021. Despite the continued lockdowns in the UK, the Company has traded well delivering double-digit year-on-year growth. COVID-19 is expected to have an ongoing impact on the customer base with a potential increased credit risk as a result of the government aid schemes announced over the last 18 months ending and on the supply chain with disruptions related to a worldwide shortage of semiconductors. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case

The base case, which was approved by the Board in October 2021, takes into account the FY22 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2021. The key inputs and assumptions in the base case include:

- revenue growth in mid-single digit range in line with historic rates pre COVID-19;
- rebate income continues to be received in proportion to cost of sales as in FY21;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in the business IT infrastructure as well as a return of travel and staff entertainment costs which were put on hold during the last twelve months due to travel restrictions and social distancing/lockdowns.

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. We will offer a hybrid working model with a balance of remote working and return to the office. This is not expected to have a significant impact on the operational performance of the Company. Year to date trading to the end of September 2021 is consistent with the base case forecast.

Severe but plausible case

Given the continued impact of COVID-19 on our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is significantly below any historic trend and more severe than experienced during the height of the pandemic. The complications as a result of COVID-19, being an increased risk of longer hardware lead times and potential increased credit risk have been factored into these models as deemed appropriate.

The key inputs and assumptions include:

- an average 10% reduction in revenue, compared to the base case;
- reduced gross profit margins of 1% in the period;
- additional bad debt write offs of £5m across the forecast period;
- extending the debtor days by one day from historic levels achieved and no change to historic supplier payment days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- both commission cost and rebate income adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

The purpose of this scenario was to consider if there was a significant risk that the Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Company continues to be profitable, and the Company would still have sufficient cash reserves to meet the Board's minimum requirements. Despite this, management have modelled further cost saving and working capital action (see mitigating actions) that will enable the Company to mitigate the impact of reduced cash generation further, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £20m cost reduction on an annualised basis and additional annual working capital savings of £25m, before considering the cost of delivering them and the point at time at which they were delivered. The actions which if implemented would offset the reduced activity:

- bonus costs scaled back in line with performance;
- no interim dividend in H2 of FY22;
- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

Reverse stress test

The Directors have performed a reverse stress test exercise to see how extreme conditions would need to be for the Company to become cash negative within a twelve-month period. The conditions go significantly further than the severe but plausible scenario and reflect a scenario that the business consider remote. The four combined stresses modelled are as follows:

1. reduction of 20% in gross invoiced income, compared to the base case;
2. reduced achievable gross margin by 4%;
3. large and immediate bad debt write offs; and
4. extending the debtor days by four days from historic levels achieved and no change to historic supplier payment days.

All four inputs are greater than the business has ever experienced in its history. In the modelled scenario, prior to mitigations, the business could become cash negative within twelve months.

Whilst the Board considers such a scenario to be extremely remote a programme of further actions to mitigate the impact, in excess of those set out above, would be actioned should the likelihood of such a scenario increase. The Board considers the forecasts and assumptions used in the reverse stress test, as well as the event that could lead to it, to be extremely remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has significant liquidity headroom to continue in operational existence for twelve months post the date of this report. Accordingly, at the October 2021 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. The ongoing impacts of COVID-19 on both customers and suppliers continue to create market uncertainty and should the impact of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

Disclosure of information to the auditor

The Directors in office at the time of approval of the Directors' Report are listed on pages 55 and 56 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 2021 AGM will take place on 15 December 2021 at the Company's registered office: Softcat plc, Fieldhouse Lane, Marlow, Buckinghamshire SL7 1LW.

The Chair of the AGM intends for a poll to be called in respect of each of the resolutions to be voted on at the 2021 AGM. Subject to any restrictions set out in this section, in the event of 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 in the event of 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 Centre section of the Company's website, 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 usually 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.

Annual General Meeting continued

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 results of each of the resolutions to be voted on at the 2021 AGM will be published to the London Stock Exchange and will be available on the Company's website.

The AGM is the Company's principal forum for communication with private shareholders and the Directors recognise its important role. The Chair of the Board and the Chairs of the Committees, together with the other Directors, will be available to answer shareholders' questions at the meeting. Additionally, shareholders will be given the opportunity to submit questions via email, to the Directors, ahead of the meeting. Questions may be submitted to cosec@softcat.com or by letter addressed to the Company Secretary at the Company's registered office. Questions should be received up to 24 hours in advance of the meeting and a response will be provided. Further information and requirements can be found within the Notice of 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to:

- 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.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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 55 and 56) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- that the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 Officer
25 October 2021

Graham Charlton
Chief Financial Officer
25 October 2021

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

Luke Thomas
Company Secretary
25 October 2021

Opinion

We have audited the financial statements of Softcat plc for the year ended 31 July 2021 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 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. 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 listed 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 going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding management's process and controls related to the assessment of going concern;
- checking the arithmetical accuracy of the cash flow forecast models and assessing the Group's historical forecasting accuracy;
- obtaining management's going concern models which included a base case, a severe yet plausible downside cash flow scenario, and a reverse stress test covering the going concern assessment period. These forecasts include an assessment of available cash balances given Company has no external debt arrangements as well as understanding how the impact of COVID-19 and potential supply chain shortages had been reflected in the forecasts;
- considering the downside scenarios identified by management, independently assessing whether there are any other scenarios which should be considered, and assessing the quantum of the impact on the available cash flows of the downside scenarios in the going concern period;
- challenging management's assumptions within the cash flow forecasts in relation to the forecast growth rates in the going concern period, including comparison to internal and external economic forecasts. Due to uncertainty in the wider economic markets and potential impact of supply chain shortages post COVID-19 we have focused our work on further sensitivities to the severe but plausible scenario and whether the reverse stress test is considered remote;
- assessing the adequacy of the going concern assessment period until 30 November 2022, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate;
- comparing management's forecasts to actual results through the subsequent events period and performing enquiries to the date of this report; and
- assessing if the going concern disclosures in the financial statements are appropriate and in accordance with the revised ISA UK 570 going concern standard.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of thirteen months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Overstatement of performance through the misstatement of revenue recognised at or near year end • IFRS 15 presentation of revenue in respect of principal versus agent • Misstatement of rebate income to overstate reported results at or near year end
Materiality	• Overall materiality of £6.0m which represents 5% of profit before tax

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 UK-based audit engagement team.

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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Overstatement of performance through the misstatement of revenue recognised at or near year end During the year the Company recognised revenue of £1,156.7m (2020: £1,077.1m). Refer to the Audit Committee Report (page 70); accounting policies (page 119 to 122); and note 2 of the Company financial statements (pages 127 and 128). • Management's process for accounting for certain revenue transactions, particularly the review process at year end to record revenue in the appropriate period, is mostly manual and therefore susceptible to error (either deliberate or without intent). The accounting is made more challenging due to the reliance on suppliers to notify the Company of delivery, and for suppliers who ship from outside of the UK which results in a longer delivery lead time needing to be built into the assumptions utilised by management. There is a risk that revenue is recognised prematurely or fictitiously. • Certain compensation incentives are based on quarterly and annual gross margin targets, creating a risk of revenue misstatement through management override via top-side revenue journals with no associated cost or revenue recognised in the incorrect period prematurely.	We performed the following procedures: • updated our understanding of management's cut-off assessment, including the delivery lead time assumptions utilised; • 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; • tested an independent sample of transactions invoiced in the two weeks either side of the year end, vouching to invoices and proof of delivery, to confirm these had been recorded in the correct period; • considered the impact of specific significant contracts recognised across the balance sheet date, vouching the split of revenue recognised; • to address the risk of management override, we tested a sample of journal entries recorded at or near year end as well as top-side adjustments by verifying to appropriate supporting documentation; • tested a sample of sales transactions deferred at the year end and recalculated the split of revenue recognised and the deferred elements based on a review of the supporting documentation to obtain assurance over the recognition of revenue. We also selected a sample of invoices from billing data and verified that the revenue was appropriately recognised or deferred, based on completion of the performance obligation; and • analysed sales-related journal entry data to track sales from revenue through to accounts receivable through to cash collection using data analytics tools. 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.	We concluded that the revenue recognised at or near year end was properly accounted for and that revenue has appropriately been recognised in accordance with IFRSs.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 15 presentation of revenue in respect of principal vs agent During the year the Company recognised revenue of £1,156.7m (2020: £1,077.1m). The adjustment recorded in respect of income to be recognised net as agent under IFRS 15 amounted to £781.8m (2020: £569.1m). Refer to the Audit Committee Report (page 70); accounting policies (page 119 to 122); and note 2 of the Company financial statements (pages 127 and 128). There is a risk that the reported revenue may be incorrectly presented on a gross basis as a result of the incorrect assessment of 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. As products and services offered continually evolve the assessment of control needs to be revisited on an ongoing basis. The nature of the current systems is to process all revenue streams gross, and a manual adjustment is made by management at year end to record revenue on a net basis where Softcat are the agent in the arrangement.	We performed the following procedures: • updated our understanding of management's judgement over the classification of transactions between gross and net presentation; • assessed management's judgement made for any significant new product types by independently assessing the nature of such products and meeting with key members of the sales and solutions teams to develop an understanding of the consulting element of Softcat's customer offering, and challenged the distinction between sales effort and service delivery in order to help ascertain the exercise 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; • tested a sample of transactions across the year to determine the Company's control over the product or service including: – verified the product type to external sources, such as supplier websites, and met with key members of the sales and solutions teams to develop an understanding of the consulting element of each sample selected to challenge the distinction between sales effort and service delivery in order to help ascertain the level of control of goods prior to their delivery; and – assessed if principal (gross) or agent (net) treatment should be applied and compared this to management's conclusion to determine if this was appropriate according to the criteria set out within the standard; • reperformed management's calculation of the adjustment to record revenue on a net basis; and • tested that the methodology utilised to calculate the adjusted performance measure ('APM') 'gross invoiced income' is consistent with the FY20 financial statements, assessed management's rationale for including the APM and ensured that the amount reported is reconciled to reported revenue.	We concluded that the judgements made by management are consistent with the level of control we have observed, the presentation and disclosure of revenue is materially correct, and has been recognised in accordance IFRSs. We concluded management's rationale for including the APM to be reasonable. The disclosures in respect of the APM are appropriate and are correctly reconciled to revenue.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of rebate income to overstate reported results at or near year end Accrued rebate income at 31 July 2021 amounts to £8.1m (2020: £6.0m). Refer to the Audit Committee Report (page 70; accounting policies (page 122); and note 11 of the Company financial statements (page 133). 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.	We performed the following procedures: • tested the year-end rebate receivable by confirming a sample of rebates due from suppliers to third party source documentation; • analysed the rebate receivable by vendor and compared the largest vendor level balances (making up 88% of the balance) against 31 July 2020 to identify movements that are not in line with our expectation or understanding of the business. Performed analysis to understand the drivers of increases or decreases in the underlying balances; • assessed the cash conversion of rebates accrued at the year end and tested a sample to subsequent receipts; • tested a sample of rebate transactions recorded in 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 • analysed the rebate receivable by vendor and compared the largest vendor level balances against 31 July 2020 to identify movements that are not in line with our expectation or understanding of the business and then performed procedures to understand the drivers for the increases or decreases in the underlying balances.	We concluded that the rebate receivable and corresponding income are materially correct and have been recognised in accordance with IFRSs.

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 £6.0m (2020: £4.7m), which is 5% (2020: 5%) of profit before tax. We believe that profit before tax provides us with the 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 given final profit before tax was higher than forecasted profit before tax.

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% (2020: 75%) of our planning materiality, namely £4.5m (2020: £3.5m). We continue to set performance materiality at this percentage due to the low number of audit differences.

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 £0.3m (2020: £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 set out on pages 1 to 106, including the Strategic report (pages 1 to 51) and Corporate governance report (pages 52 to 106), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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.

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 course of 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 themselves. 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.

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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 104 and 105;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 106;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 to 33;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 30 to 33 and page 74; and;
- the section describing the work of the Audit Committee set out on pages 67 to 75.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 106, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- 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, the Companies Act 2006 and the UK Corporate Governance Code 2018), relevant tax compliance regulations in the UK and relevant employment law 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.
- We understood how Softcat plc is complying with those frameworks by making enquiries 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 propensity to influence 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). In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.
- 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 enquiries 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

- Following the recommendation from the Audit Committee, we were reappointed by the Company on 10 December 2020 to audit the financial statements for the year ended 31 July 2021 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 31 July 2013 to 31 July 2021.
- 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
25 October 2021

Statement of profit or loss and other comprehensive income

For the year ended 31 July 2021

	Notes	2021 £'000	2020 £'000
Revenue	2	**1,156,667**	1,077,127
Cost of sales		**(880,309)**	(841,422)
Gross profit		**276,358**	235,705
Administrative expenses		**(156,942)**	(141,972)
Operating profit	3	**119,416**	93,733
Finance income	4	**28**	200
Finance cost	4	**(477)**	(316)
Profit before tax		**118,967**	93,617
Income tax expense	5	**(22,782)**	(17,953)
Profit and total comprehensive income for the year		**96,185**	75,664
Profit attributable to:			
Owners of the Company		**96,185**	75,664
Earnings per ordinary share (p)			
Basic	18	**48.4**	38.2
Diluted	18	**48.2**	38.0

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

Statement of financial position

As at 31 July 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	7	**11,753**	11,897
Right-of-use assets	8	**7,022**	8,698
Intangible assets	9	**5,202**	1,301
Deferred tax asset	15	**3,149**	2,408
		27,126	24,304
Current assets			
Inventories	10	**38,411**	11,744
Trade and other receivables	11	**329,666**	314,123
Income tax receivable		**432**	636
Cash and cash equivalents	14	**101,724**	80,139
		470,233	406,642
Total assets		**497,359**	430,946
Current liabilities			
Trade and other payables	12	**(293,528)**	(263,866)
Contract liabilities	13	**(12,759)**	(13,929)
Income tax payable		**—**	—
Lease liabilities	8	**(2,598)**	(1,867)
		(308,885)	(279,662)
Non-current liabilities			
Contract liabilities	13	**(3,626)**	(2,565)
Lease liabilities	8	**(5,704)**	(7,972)
		(9,330)	(10,537)
Total liabilities		**(318,215)**	(290,199)
Net assets		**179,144**	140,747
Equity			
Issued share capital	17	**100**	100
Share premium account		**4,979**	4,979
Reserves for own shares		**—**	—
Retained earnings		**174,065**	135,668
Total equity		**179,144**	140,747

These financial statements were approved by the Board of Directors and authorised for issue on 25 October 2021.

On behalf of the Board

Graeme Watt
Chief Executive Officer

Graham Charlton
Chief Financial Officer

Softcat plc company registration number: 02174990

Statement of changes in equity

For the year ended 31 July 2021

Equity attributable to owners of the Company

	Share capital £'000	Share premium account £'000	Reserves for own shares £'000	Retained earnings £'000	Total £'000
Balance at 1 August 2019	99	4,979	—	110,135	115,213
Total comprehensive income for the year	—	—	—	75,664	75,664
Share-based payment transactions	—	—	—	1,958	1,958
Dividends paid	—	—	—	(52,338)	(52,338)
Shares issued in the year	1	—	—	—	1
Dividend equivalents paid	—	—	—	(259)	(259)
Tax adjustments	—	—	—	508	508
Balance at 31 July 2020	100	4,979	—	135,668	140,747
Total comprehensive income for the year	—	—	—	96,185	96,185
Share-based payment transactions	—	—	—	2,267	2,267
Dividends paid	—	—	—	(60,815)	(60,815)
Shares issued in the year	—	—	—	—	—
Dividend equivalents paid	—	—	—	(196)	(196)
Tax adjustments	—	—	—	1,117	1,117
Other	—	—	—	(161)	(161)
Balance at 31 July 2021	**100**	**4,979**	**—**	**174,065**	**179,144**

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 2021, 362,639 share options (2020: 422,567) were exercised and new shares were issued to satisfy this exercise. Proceeds of £Nil (2020: £Nil) were realised from the exercise of these share options.

As at 31 July 2021, the SIP Trust held 218,258 shares (2020: 320,779) awarded to employees as part of the free share award, subject to service conditions. A further 348,779 shares (2020: 345,054) were held on behalf of employees who have taken part in the Company's voluntary partnership share purchase programme. The SIP also held 51,007 unallocated shares (2020: 49,803).

Statement of cash flows

For the year ended 31 July 2021

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	19	**91,252**	64,170
Investing activities			
Finance income	4	**28**	200
Purchase of property, plant and equipment	7	**(2,265)**	(7,664)
Purchase of intangible assets	9	**(4,199)**	(1,293)
Net cash used in investing activities		**(6,436)**	(8,757)
Financing activities			
Issue of share capital		**—**	(1)
Dividends paid	6	**(60,815)**	(52,338)
Payment of principal portion of lease liabilities	8	**(2,125)**	(1,882)
Payment of interest portion of lease liabilities	4,8	**(291)**	(316)
Net cash used in financing activities		**(63,231)**	(54,537)
Net increase in cash and cash equivalents		**21,585**	876
Cash and cash equivalents at beginning of year	14	**80,139**	79,263
Cash and cash equivalents at end of year	14	**101,724**	80,139

1 Accounting policies

1.1 Corporate information

The financial statements of Softcat plc for the year ended 31 July 2021 were authorised for issue in accordance with a resolution of the Directors on 25 October 2021. 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 accounting standards (IFRS) in conformity with the requirements of the Companies Act 2006. IFRS includes the application of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee ('IFRIC') interpretations.

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 at 1 August 2020. The accounting policies set out below have, unless otherwise stated (see 1.4 below), been applied consistently to all periods presented in these financial statements.

Going concern

Overview

In considering the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 1 to 51) and Chief Financial Officer's review sections (see pages 28 and 29) of this Annual Report. Given the ongoing economic uncertainty of the COVID-19 pandemic and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

The Company has modelled three scenarios in its assessment of going concern. These are:

- the base case;
- the severe but plausible case; and
- the reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a thirteen month period from the date of this report (the going concern period) until 30 November 2022. All the forecasts reflect the payment of the FY21 dividend of £69.5m which will be paid in December 2021 subject to approval at the AGM.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to gain competitive advantage in an increasingly digital age. Public Sector, a large and fast-growing area of the business, continues to show no negative sensitivity to COVID-19. The Company strategy remains unchanged and will continue to focus on increasing the customer base and spend per customer during the going concern period.

Liquidity and financing position

At 31 July 2021, the Company held instantly accessible cash and cash equivalents of £101.7m, while net current assets were £161.3m. Note 21 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. The Revolving Credit Facility ('RCF') and Covid Corporate Financing Facility ('CCFF') were both cancelled in the year as at no point did the Company require them to be drawn down. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £45m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Continued operational and business impact of COVID-19

Please see page 2 in the Strategic Report where the impact on the business has been disclosed. Management have, in all three scenarios, modelled the potential future impact of COVID-19 on the business and considered the impact it had during the period from March 2020 to July 2021. Despite the continued lockdowns in the UK, the Company has traded well delivering double-digit year-on-year growth. COVID-19 is expected to have an ongoing impact on the customer base with a potential increased credit risk as a result of the government aid schemes announced over the last 18 months ending and on the supply chain with disruptions related to a worldwide shortage of semiconductors. The Board continue to monitor the global and national economic environment and organise operations accordingly.

1 Accounting policies continued

1.2 Basis of preparation continued

Going concern continued

Base case

The base case, which was approved by the Board in October 2021, takes into account the FY22 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2021. The key inputs and assumptions in the base case include:

- revenue growth in mid-single digit range in line with historic rates pre COVID-19;
- rebate income continues to be received in proportion to cost of sales as in FY21;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in the business IT infrastructure as well as a return of travel and staff entertainment costs which were put on hold during the last twelve months due to travel restrictions and social distancing/ lockdowns.

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. We will offer a hybrid working model with a balance of remote working and return to the office. This is not expected to have a significant impact on the operational performance of the Company. Year to date trading to the end of September 2021 is consistent with the base case forecast.

Severe but plausible case

Given the continued impact of COVID-19 on our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is significantly below any historic trend and more severe than experienced during the height of the pandemic. The complications as a result of COVID-19, being an increased risk of longer hardware lead times and potential increased credit risk have been factored into these models as deemed appropriate.

The key inputs and assumptions include:

- an average 10% reduction in revenue, compared to the base case;
- reduced gross profit margins of 1% in the period;
- additional bad debt write offs of £5m across the forecast period;
- extending the debtor days by one day from historic levels achieved and no change to historic supplier payment days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- both commission cost and rebate income adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

The purpose of this scenario was to consider if there was a significant risk that the Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Company continues to be profitable, and the Company would still have sufficient cash reserves to meet the Board's minimum requirements. Despite this, management have modelled further cost saving and working capital action (see mitigating actions) that will enable the Company to mitigate the impact of reduced cash generation further, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £20m cost reduction on an annualised basis and additional annual working capital savings of £25m, before considering the cost of delivering them and the point at time at which they were delivered. The actions which if implemented would offset the reduced activity:

- bonus costs scaled back in line with performance;
- no interim dividend in H2 of FY22;
- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

1 Accounting policies continued

1.2 Basis of preparation continued

Going concern continued

Reverse stress test

The Directors have performed a reverse stress test exercise to see how extreme conditions would need to be for the Company to become cash negative within a twelve-month period. The conditions go significantly further than the severe but plausible scenario and reflect a scenario that the business consider remote. The four combined stresses modelled are as follows:

1. reduction of 20% in gross invoiced income, compared to the base case;
2. reduced achievable gross margin by 4%;
3. large and immediate bad debt write offs; and
4. extending the debtor days by four days from historic levels achieved and no change to historic supplier payment days.

All four inputs are greater than the business has ever experienced in its history. In the modelled scenario, prior to mitigations, the business could become cash negative within twelve months.

Whilst the Board considers such a scenario to be extremely remote a programme of further actions to mitigate the impact, in excess of those set out above, would be actioned should the likelihood of such a scenario increase. The Board considers the forecasts and assumptions used in the reverse stress test, as well as the event that could lead to it, to be extremely remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has significant liquidity headroom to continue in operational existence for twelve months post the date of this report. Accordingly, at the October 2021 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. The ongoing impacts of COVID-19 on both customers and suppliers continue to create market uncertainty and should the impact of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

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 to the customer and the performance obligation has been met by the Company. Management therefore performs an exercise to capture items that may have been dispatched from the 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 income, which is recognised as a contract liability, and associated inventory 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. We further assess a five day risk window for international hardware shipments.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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 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 Accounting policies continued

1.3 Critical accounting judgements and key sources of estimation uncertainty continued

Determining the lease term of contracts with renewal and termination options

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

1.4 Adoption of new and revised standards

There have been no new standards effective, or issues but not yet effective, in the period to 31 July 2021, that materially affect Softcat. There has also been no change that will materially affect Softcat based on existing standards.

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; 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 to be 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, therefore the Company has satisfied its performance obligation. In line with industry standard terms, payment is generally due 30 days after invoice date.

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.

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 and exhibits control 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. The criticality of updates is used to further assess the level of control the Company has in a transaction and therefore whether it should be recorded as principal or agent. Updates require the continued input of the vendor without involvement of the Company and therefore moves the finely balanced control assessment away from principal and towards agent, to the extent the updates are deemed critical.

1 Accounting policies continued

1.5 Revenue recognition continued

Principal versus agent continued

Software revenue continued

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 following the indicators of control. 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.

Whether the Company is deemed to be a principal or agent in the transaction, the revenue associated with the license sale is recognised upon the transfer of the license to the customer. At this point Softcat has satisfied its performance obligations. Payment is generally due 30 days from invoice date.

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. As the Company has satisfied its performance obligations by arranging the transfer of the licensing to the customer, revenue is recognised in full at that point on a net basis as the Company is acting as an agent in the transaction, with an invoice subsequently raised. Payment is generally due within 30 days from invoice date.

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 as the Company has satisfied its performance obligations at the point of initial transaction being completed between the vendor and the customer. This fee is recognised net as the Company is acting as an agent in these transactions. Payment is generally due within 30 days of the initial transaction between the vendor and the customer.

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.

Payments for these goods are generally received on industry standard terms of 30 days from the date of invoice.

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.

Revenue is recognised in full on satisfactory completion of the work by the partner, as this is the point the Company has satisfied its performance obligations. Payment is generally due within 30 days from completion of the work.

1 Accounting policies continued

1.5 Revenue recognition continued

Principal versus agent continued

Deferred costs

IFRS 15 requires certain costs to fulfil a contract to be recognised as a separate asset. These deferred costs are deferred until the performance obligation to which they relate has been met. Deferred costs are measured at the purchase price of the services received. Deferred costs are released from the Statement of Financial Position in line with the recognition of revenue on the specific transaction to which the costs 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.

Commissions have been incurred in respect of contracts whereby the performance obligation has not yet been satisfied, however, the Company has applied the practical expedient and recognised the commission as an expense when incurred given that the period over which the commission would have been recognised is less than a year.

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). This occurs infrequently and is usually to support the wishes of the customer who sometimes may prefer to provide funds upfront which can then be allocated to future orders. Contract liabilities are recognised as revenue when Softcat performs obligations under the contract. Further details of contract balances are provided in note 13.

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.

Funded training costs

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. The costs of these activities are recognised within cost of sales.

Early 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. Other forms of rebate received from commercial partners include income from training provided to staff. 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.

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 Accounting policies continued

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 fifteen years straight line

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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

A lease is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company's leases, which predominantly relate to property leases, are recognised in line with IFRS 16.

The leases policy under IFRS 16 is as follows:

i) Right-of-use assets

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

Property lease assets	three to ten years straight line

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

1 Accounting policies continued

1.11 Leases continued

ii) Lease liabilities

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

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

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

Softcat applies the short-term lease recognition exemption to any short-term leases it enters into (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Softcat also applies the lease of low-value assets recognition exemption to leases that are considered to be low value and under £5,000. Lease payments on low-value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

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.

The simplified approach on expected credit losses (ECL's) 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.

As accrued income has a contractual right to receive cash, it is a financial asset and therefore also subject to loss allowances under IFRS 9. The loss allowance for accrued income is 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, supplier credit ratings, communication quality, industry norms and the current economic climate.

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.

1 Accounting policies continued

1.13 Financial instruments continued

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.

The transfer described above qualifies for derecognition 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.

Cash flows in respect of these arrangements are recognised within cash generated from operations and typically result in a £Nil impact given that the Company acts as agent in the receipt and transfer of cash payments.

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.

For deferred tax on leases, Softcat has applied the initial recognition exception under IAS 12. Under the general approach of IAS 12, the depreciation of the right-of-use asset is regarded as reducing the temporary difference that arose on initial recognition of the asset, and therefore gives rise to no tax effect. However, the accretion of the finance costs on the liability gives rise to an additional deductible temporary difference arising after initial recognition of the liability, requiring recognition of a deferred tax asset. This gives rise to an immaterial deferred tax asset for the years ended 31 July 2020 and 31 July 2021.

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. Softcat applies judgement in identifying uncertainties over income tax treatments and considered whether it has any uncertain tax positions and determined that it is highly probable that its tax treatments will be accepted by the taxation authorities. Where it is not probable that an uncertain tax treatment will be accepted the most likely amount or expected amount is recognised depending on which method better predicts the resolution of the uncertainty.

1 Accounting policies continued

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.

1.18 Share-based payments

During the year the Company operated the following equity-settled share option schemes:

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 the 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 are included in the Directors' Remuneration Report on page 80.

LTIP 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. 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 other comprehensive income.

Deferred shares

One-third of the Executive Directors' annual target 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 other comprehensive income.

SIP Trust

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

1.19 Company accounts

Softcat plc is a single entity with no subsidiary undertakings. The SIP Trust, 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.

1.20 Adjusted Performance Measures

The Company uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company. Gross invoiced income is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise of gross invoiced income and cash conversion.

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to Gross invoiced income is provided within Note 2, Segmental information.

Cash conversion ratio comprises of cash flows from operations net of capital expenditure as a percentage of operating profit.

1 Accounting policies continued

1.20 Adjusted Performance Measures continued

A reconciliation to the adjusted measure for cash conversion is provided below:

	2021 £'000	2020 £'000
Cash generated from operations	**113,797**	91,287
Purchase of property, plant and equipment	**(2,265)**	(7,664)
Purchase of intangible assets	**(4,199)**	(1,293)
Cash generated from operations, net of capital expenditure	**107,333**	82,330
Operating profit	**119,416**	93,733
Cash conversion ratio	**89.9%**	87.8%

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:	2021 £'000	2020 £'000
Software	**501,058**	519,520
Hardware	**556,472**	442,349
Services	**99,137**	115,258
	1,156,667	1,077,127

Gross invoiced income by type:	2021 £'000	2020 £'000
Software	**1,109,198**	964,280
Hardware	**566,305**	458,297
Services	**262,937**	223,614
	1,938,440	1,646,191

Revenue and gross invoiced income can also be disaggregated by type of business[1]:

Revenue by type of business:	2021 £'000	2020 £'000
Small and medium	**635,511**	530,573
Enterprise	**237,649**	257,478
Public sector	**283,507**	289,076
	1,156,667	1,077,127

Gross invoiced income by type of business:	2021 £'000	2020 £'000
Small and medium	**839,398**	669,607
Enterprise	**336,013**	338,312
Public sector	**763,029**	638,272
	1,938,440	1,646,191

Note:

1. Types of business are split by entity staff size. Small and medium business represents work forces of up to 2,000 seats. Enterprise is above 2,000 seats and public sector represents government and other public bodies.

2 Segmental information continued

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. Softcat continue to report gross invoiced income as an alternative financial KPI as this measure allows a consistent, year on year, understanding of gross income billed, business performance and position and correlates closely to working capital movements. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

	2021 £'000	2020 £'000
Gross invoiced income	1,938,440	1,646,191
Income to be recognised as agent under IFRS 15	(781,773)	(569,064)
Revenue	1,156,667	1,077,127

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:	2021 £'000	2020 £'000
Depreciation of tangible assets	2,332	1,382
Depreciation of right-of-use assets	2,263	1,969
Amortisation of intangible assets	297	232
Low value asset and short-term lease expense	102	73
Foreign exchange (gain)/loss	(68)	1,583
Inventories expensed in the year	489,743	377,552
Movement in trade receivables provision as potentially uncollectable, recovered or written off during the year	552	664
Auditor's remuneration		
Fees payable for the audit of the Company's annual accounts	435	350
Fees payable for audit-related services	7	14
Total for statutory audit services	442	364
Fees payable for the half year review of the condensed financial statements	35	30
Total for non-audit-related services	35	30

For details on employee numbers and employee costs, please see note 24.

4 Finance income and finance cost

	2021 £'000	2020 £'000
Bank interest income	28	200
Interest on tax	(186)	—
Lease liability interest cost	(291)	(316)

5 Income tax

The major components of the income tax expense for the years ended 31 July 2021 and 31 July 2020 are:

	2021 £'000	2020 £'000
Statement of Profit or Loss		
Current income tax charge in the year	22,909	18,154
Adjustment in respect of current income tax of previous years	80	(36)
Foreign tax relief/ other relief	(1)	(58)
Foreign tax suffered	1	64
Total current income tax charge	22,989	18,124
Deferred tax		
Current year	(303)	(11)
Adjustments in respect of prior periods	168	—
Effect of changes in tax rates	(72)	(160)
Deferred tax credit	(207)	(171)
Total tax charge	22,782	17,953
Reconciliation of total tax charge		
Reconciliation of tax expense and accounting profit multiplied by the Company's domestic tax rate for 2021 and 2020:		
Profit on ordinary activities before taxation	118,967	93,617
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19% (2020: 19%)	22,604	17,787
Effects of:		
Non-deductible expenses	118	219
Adjustment to previous periods	248	(36)
Effect of changes in tax rates	(72)	(160)
Effects of overseas tax rates	—	7
Share options	(92)	143
Other differences	(24)	(7)
	178	166
Income tax charge reported in profit or loss	22,782	17,953

In the year ended 31 July 2021, £582,785 (2020: £741,019) of current tax was credited to equity and £534,278 (2020: £232,728 debit) of deferred tax was credited to equity.

Changes affecting the future tax charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 July 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary and timing differences (2020: 19%).

6 Dividends

	2021 £'000	2020 £'000
Declared and paid during the year		
Special dividend on ordinary shares (7.6p per share (2020: 16.0p))	15,100	31,720
Final dividend on ordinary shares (16.6p per share (2020: 10.4p))	32,981	20,618
Interim dividend on ordinary shares (6.4p per share (2020: 0.0p))	12,734	—
	60,815	52,338

A final dividend of 14.4p per share has been recommended by the Directors and if approved by shareholders will be paid on 20 December 2021. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 12 November 2021. Shares in the Company will be quoted ex-dividend on 11 November 2021. The dividend reinvestment plan ('DRIP') election date is 29 November 2021.

6 Dividends continued

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 20.5p has been proposed. If approved this will also be paid on 20 December 2021 alongside the final ordinary dividend.

The Board recommends the final and 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.

Softcat intends to continue to fund its dividends through the cash generated by the business. Details of the Company's continuing viability and going concern can be found on page 33 and pages 104 and 105 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
Cost						
At 1 August 2019	2,649	3,277	7,611	1,906	365	15,808
Additions	—	4,935	532	2,165	32	7,664
Disposals	—	(683)	—	—	(34)	(717)
At 31 July 2020	2,649	7,529	8,143	4,071	363	22,755
Additions	—	1,236	442	586	—	2,264
Disposals	—	(802)	(7,293)	(936)	(211)	(9,242)
At 31 July 2021	**2,649**	**7,963**	**1,292**	**3,721**	**152**	**15,777**
Depreciation						
At 1 August 2019	175	1,639	6,836	1,154	243	10,047
On disposals	—	(537)	—	—	(34)	(571)
Charge for the year	25	411	521	371	54	1,382
At 31 July 2020	200	1,513	7,357	1,525	263	10,858
On disposals	—	(784)	(7,240)	(931)	(211)	(9,166)
Charge for the year	31	1,197	506	547	51	2,332
At 31 July 2021	**231**	**1,926**	**623**	**1,141**	**102**	**4,024**
Net book value						
At 31 July 2021	**2,418**	**6,037**	**669**	**2,580**	**49**	**11,753**
At 31 July 2020	2,449	6,016	786	2,546	100	11,897

Freehold land amounting to £1.4m (2020: £1.4m) has not been depreciated.

No assets are subject to restrictions on title or are pledged as security for liabilities (2020: £Nil).

There is no material difference between the carrying and fair value of the underlying assets as at both 31 July 2021 and 31 July 2020.

8 Right-of-use assets and lease liabilities

Leases – as a lessee

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

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

Property Leases	2021 £'000	2020 £'000
Opening right-of-use asset as at 1 August	8,698	7,024
Lease modifications	587	3,644
Depreciation	(2,263)	(1,970)
Closing right-of-use asset as at 31 July	**7,022**	8,968

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

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

Property Leases	2021 £'000	2020 £'000
Opening lease liability as at 1 August	9,839	8,077
Lease modifications	588	3,644
Accretion of interest	291	316
Payments	(2,416)	(2,198)
Closing lease liability as at 31 July	**8,302**	9,839
Split as:		
Short-term	2,598	1,867
Long-term	5,704	7,972

Lease modifications in the year were in respect of extension of specific lease terms of existing property leases.

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

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

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

As at 31 July 2021	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	**3,613**	**2,428**	**6,041**

As at 31 July 2020	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	2,210	3,867	6,077

The total value of lease charges for low value and short-term leases to Statement of profit or loss and other comprehensive income for the year was £101,617 (2020: £73,310).

9 Intangible assets

	Software under development £'000	Computer software £'000	Total Intangibles £'000
Cost			
At 1 August 2019	—	2,153	2,153
Additions	906	387	1,293
At 31 July 2020	906	2,540	3,446
Additions	3,927	272	4,199
Disposals	—	(1,924)	(1,924)
At 31 July 2021	**4,833**	**888**	**5,721**
Amortisation			
At 1 August 2019	—	1,913	1,913
Charge for the year	—	232	232
At 31 July 2020	—	2,145	2,145
Charge for the year	—	297	297
Disposals	—	(1,923)	(1,923)
At 31 July 2021	—	**519**	**519**
Net book value			
At 31 July 2021	**4,833**	**369**	**5,202**
At 31 July 2020	906	395	1,301

Software under development as capitalised in both FY20 and FY21 relates to the new enterprise resource planning (ERP) system being designed and built internally.

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

10 Inventories

	2021 £'000	2020 £'000
Finished goods and goods for resale	**38,411**	11,744

The increase in stock is predominantly driven by stock in transit for a specific customer yet to be delivered.

The amount of any write down of inventory recognised as an expense in the year was £Nil (2020: £Nil).

11 Trade and other receivables

	2021 £'000	2020 £'000
Trade and other receivables	**300,058**	296,286
Provision against receivables	**(3,415)**	(2,863)
Net trade receivables	**296,643**	293,423
Unbilled receivables	**10,500**	5,104
Prepayments	**3,584**	2,700
Accrued income	**8,171**	5,951
Deferred costs	**10,768**	6,945
	329,666	314,123

The provision against receivables follows the expected credit loss model under IFRS 9. 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:

	2021 £'000	Related provision £'000	Net £'000	2020 £'000	Related provision £'000	Net £'000
Current	**232,372**	**(2,369)**	**230,003**	234,054	(993)	233,061
0–30 days	**46,370**	**(463)**	**45,907**	30,017	(459)	29,558
31–60 days	**12,775**	**(80)**	**12,695**	10,624	(217)	10,407
61–90 days	**4,780**	**(48)**	**4,732**	8,065	(212)	7,853
Over 90 days	**3,761**	**(455)**	**3,306**	13,526	(982)	12,544
Total due	**300,058**	**(3,415)**	**296,643**	296,286	(2,863)	293,423

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, including an assessment of COVID-19 related factors. Further details on how the Company manages its credit risk can be found in note 21. Movement in the provision for trade receivables was as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	**2,863**	2,199
Increase for trade receivables regarded as potentially uncollectable	**2,880**	2,149
Decrease in provision for trade receivables recovered, or written off, during the year	**(2,328)**	(1,485)
Balance at end of year	**3,415**	2,863

Set out below is the information about the credit risk exposure on Softcat's trade receivables:

31 July 2021	Current £'000	<30 days £'000	31–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	**1.02%**	**1.00%**	**0.63%**	**1.00%**	**12.10%**	**1.14%**
Estimated total gross carrying amount at default	**232,372**	**46,370**	**12,775**	**4,780**	**3,761**	**300,058**
Expected credit loss	**(2,369)**	**(463)**	**(80)**	**(48)**	**(455)**	**(3,415)**

31 July 2020	Current £'000	<30 days £'000	31–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	0.42%	1.53%	2.04%	2.62%	7.26%	0.97%
Estimated total gross carrying amount at default	234,054	30,017	10,624	8,065	13,526	296,286
Expected credit loss	(993)	(459)	(217)	(212)	(982)	(2,863)

While assessing expected credit losses as part of the provision, we have taken a marginally more conservative position in our estimates given the unwinding of Government support during the COVID-19 pandemic. The overall provision reflects 1.14% of the total ledger (2020: 0.97%).

Unbilled receivables and accrued income have been reviewed by management and have been determined to have an immaterial impact on our expected credit losses. The Company does not hold collateral as security.

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

12 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	220,305	198,171
Other taxes and social security	12,378	16,799
Accruals	60,845	48,896
	293,528	263,866

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

13 Contract liabilities

	2021 £'000	2020 £'000
Deferred income	16,385	16,494

Deferred income is split as follows:

	2021 £'000	2020 £'000
Short term deferred income	12,759	13,929
Long term deferred income	3,626	2,565
	16,385	16,494

Contract balances

Deferred income includes short-term and long-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 moved in line with the activity of the business and customer base. During the current year, £13.929m (2020: £15.165m) has been recognised in revenue resulting from these contract liabilities existing as at 31 July 2020. As at 31 July 2021, £13.820m remains on the Statement of Financial Position as a contract liability resulting from transactions arising from the year to 31 July 2021. Softcat expects that £12.759m of the balance as at 31 July 2021 will be released in FY22 with the balance released within 2–5 years of the end of FY21.

14 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	101,724	80,139

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.

15 Deferred tax

The deferred tax asset is made up as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	120	24
Share-based payments	2,154	1,606
Other temporary differences	875	778
Deferred tax assets	3,149	2,408

	2021 £'000	2020 £'000
Reconciliation of deferred tax asset		
Balance at 31 July 2020 (PY: 31 July 2019)	2,408	2,485
Adjustment in respect of prior years	(236)	35
Profit and loss account	375	171
Charge to equity	602	(283)
Balance at 31 July 2021 (PY: 31 July 2020)	3,149	2,408

15 Deferred tax continued

The Company recognises all deferred tax movements in the year within the income statement, except for £534,278 (2020: £232,749 debit) 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.

	2021			2020		
	Income statement £'000	SOCIE £'000	Total £'000	Income statement £'000	SOCIE £'000	Total £'000
Current tax						
Movement in respect of prior years	80	—	80	(36)	—	(36)
Movement in respect of current year	22,909	(583)	22,326	18,160	(741)	17,419
Total current tax	22,989	(583)	22,406	18,124	(741)	17,383
Deferred tax						
Movement in respect of prior years	168	68	236	—	(50)	(50)
Movement in respect of current year:						
Share options	(151)	(602)	(753)	(90)	283	193
Fixed assets	(66)	—	(66)	119	—	119
Other temporary differences	(158)	—	(158)	(200)	—	(200)
Total deferred tax	(207)	(534)	(741)	(171)	233	62
Total tax	22,782	(1,117)	21,665	17,953	(508)	17,445

16 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 £482,087 (2020: £428,255) were outstanding.

	2021 £'000	2020 £'000
Contributions payable by the Company for the year	2,484	2,221

17 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.

	2021 £'000	2020 £'000
Allotted and called up		
199,041,810 (2020: 198,679,171) ordinary shares of 0.05p each	100	100
18,933 (2020: 18,933) deferred shares[1] of 1p each	—	—
	100	100

Note:
At 31 July 2021 deferred shares had an aggregate nominal value of £189.33 (2020: £189.33).

In the year ended 31 July 2021, 362,639 (2020: 422,567) new ordinary shares were issued to satisfy the exercise of share options and no ordinary shares (2020: nil) were issued to satisfy exercises under the deferred share bonus plan.

No issued ordinary shares of 0.05p each were unpaid at 31 July 2021 (2020: 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 2021 the SIP Trust returned £Nil (2020: £Nil) to the Company through share recycling.

18 Earnings per share

	2021 p	2020 p
Earnings per share		
Basic	**48.4**	38.2
Diluted	**48.2**	38.0

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

	2021 £'000	2020 £'000
Earnings		
Earnings for the purposes of earnings per share, being profit for the year	**96,185**	75,664

The weighted average number of shares is given below:

	2021 '000	2020 '000
Number of shares used for basic earnings per share	**198,559**	198,127
Number of shares deemed to be issued at nil consideration following exercise of share options	**884**	1,007
Number of shares used for diluted earnings per share	**199,443**	199,134

19 Notes to the Statement of Cash Flows

Reconciliation of operating profit to net cash inflow from operating activities

	2021 £'000	2020 £'000
Operating profit	**119,416**	93,733
Depreciation of property, plant and equipment	**2,332**	1,382
Depreciation of right-of-use assets	**2,263**	1,970
Amortisation of intangibles	**297**	232
Loss on disposal of fixed assets	**76**	146
Dividend equivalents paid	**(196)**	(259)
Cost of equity-settled employee share schemes	**2,267**	1,958
Operating cash flow before movements in working capital	**126,455**	99,162
Increase in inventory	**(26,667)**	(660)
Increase in trade and other receivables	**(15,544)**	(28,816)
Increase in trade and other payables and contract liabilities	**29,553**	21,601
Cash generated from operations	**113,797**	91,287
Income taxes paid	**(22,545)**	(27,117)
Net cash from operating activities	**91,252**	64,170

20 Financial commitments

Guarantees

As at the reporting date, Softcat plc has a class guarantee facility of £2,000,000 (2020: £2,000,000) with HSBC UK Bank plc.

21 Financial instruments and financial risk management

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

	2021 £'000	2020 £'000
Cash at bank and in hand	**101,724**	80,139
Trade and other receivables	**315,313**	304,478
	417,037	384,617

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

In respect of assets and liabilities that should be derecognised as at 31 July 2021, there remained a payable of £369,200 (2020: £1,700,000 receivable) on the Statement of Financial Position. The payable recognised at the 31 July 2021 was due to timing difference between the transfer of cash that spanned the year end date.

Financial liabilities

The financial liabilities of the Company were as follows:

	2021 £'000	2020 £'000
Trade payables	**(220,305)**	(198,171)
Accruals	**(60,845)**	(48,896)
Lease liabilities	**(8,302)**	(9,839)
	(289,452)	(256,906)

The Directors consider that the carrying amount of financial liabilities (excluding lease liabilities) approximates to their fair value.

Financial risk management

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and 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. During the prior year as part of the risk management process the Company entered into a revolving credit facility with HSBC UK Bank plc initially entitling Softcat to funds of up to £50,000,000 and the option to extend by a further £20,000,000. As at 31 July 2020, no drawdowns were made on this balance. Given the strong cash balance and resilient trading throughout the Covid-19 pandemic, a decision was made not to renew the RCF facility when it expired on 29 April 2021.

Softcat also qualified for the Covid Corporate Financing Facility (CCFF) which entitled Softcat to receive a loan of up to £300,000,000. Softcat withdrew from the scheme on 23 March 2021 upon its cessation having made no drawdowns. No loan existed as at 31 July 2021 (2020: £Nil).

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.

21 Financial instruments and financial risk management continued

Financial risk management continued

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 2021, the Company had 1,623 customer accounts (2020: 1,436) that owed the Company more than £25,000 each. These accounts accounted for approximately 17% (2020: 16%) of total customers and 98% (2020: 94%) of the total value of amounts receivable. There were 562 customers (2020: 483 customers) with balances greater than £100,000 accounting for just over 6% (2020: 5%) of the total number of receivable accounts and 81% (2020: 77%) of the total value of amounts receivable.

The Company continues to monitor the impact of Covid-19 on its customer base and how that is managed through the provision of credit, payment terms and the expected credit loss provision against trade receivables. It is estimated that around 10% to 15% of the customer base are in industries that have been negatively affected by the pandemic, However, as noted above, the receivables balance continues to be well diversified and individual customers typically represent a very small proportion of the outstanding balance. To date, there has been no material impact of Covid 19 on customer receipts or receivables ageing, however many customers have benefited from government support programs, such as the furlough scheme, potentially removing or deferring credit losses. The Company continues to include a Covid risk overlay in its forward looking expected credit loss provision, to account for the credit risk that remains following the withdrawal of government support programs.

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 has evaluated the concentration of risk with respect to trade receivables, as there is limited reliance on single, or few customers; instead, sales are typically small in size but large in volume as are the number of customers, the Company considers concentration risk to be low. This is reflected by the fact that as at 31 July 2021, no more than 7% (2020: 6%) of receivables are due from any one customer.

The Company provides against its trade receivables using the forward-looking expected credit loss model under IFRS 9.

Financial instruments and cash deposits

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

Liquidity risk

The Company 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
2021					
Trade payables	**(220,305)**	**—**	**—**	**—**	**(220,305)**
Accruals	**(60,845)**	**—**	**—**	**—**	**(60,845)**
Lease liabilities	**(2,598)**	**(2,502)**	**(2,681)**	**(1,497)**	**(9,278)**
	(283,748)	**(2,502)**	**(2,681)**	**(1,497)**	**(290,428)**
2020					
Trade payables	(198,171)	—	—	—	(198,171)
Accruals	(48,896)	—	—	—	(48,896)
Lease liabilities	(2,143)	(2,434)	(4,307)	(1,897)	(10,781)
	(249,210)	(2,434)	(4,307)	(1,897)	(257,848)

In both the current year and the prior year, materially all of the financial liabilities, other than lease liabilities, above have a contractual settlement date of between zero and three months.

21 Financial instruments and financial risk management continued

Capital risk management

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

22 Capital commitments

At 31 July 2021 the Company had £Nil capital commitments (2020: £Nil).

23 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	2,358	2,027
Company pension contributions to defined contribution schemes	3	1
	2,361	2,028

During the year ended 31 July 2021 the Directors of the Company were awarded a total of 67,466 LTIP shares (2020: 70,035) at an average exercise price of £Nil (2020: £Nil) and 22,830 shares (2020: 23,583) under the FY17 Deferred Share Bonus Plan.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to one (2020: one). The number of Directors who are entitled to receive shares under long-term incentive schemes during the year was two (2020: three).

Gains on share options exercised in the year were £2,300,922 (2020: £2,303,501).

Share-based payment charges include £1,019,135 (2020: £795,011) in respect of Directors.

For further information on Directors remuneration, please also see pages 80 to 98.

24 Employees

Number of employees

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

	2021 Number	2020 Number
Sales	1,068	979
Services	286	255
Administration	282	241
	1,636	1,475

Employment costs

	2021 £'000	2020 £'000
Salaries, commissions and bonus	110,470	96,746
Social security costs	14,862	12,230
Other pension costs	2,484	2,221
Employment costs – subtotal	127,816	111,197
Share option charge	2,267	1,958
Total employment costs including share option charge	130,083	113,155

25 Share option schemes

The Company operates 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:

	2021 £'000	2020 £'000
LTIP	2,267	1,958
Share option charge	2,267	1,958
Employer's national insurance contributions payable on all plans	1,468	1,018
Share option charge including employer's national insurance	3,735	2,976

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.

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 80.

During the year 67,466 (2020: 70,035) 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 £497,224 (2020: £470,635). 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 to reach the below fair value:

	31 July 2021		31 July 2020	
	EPS	TSR	EPS	TSR
Proportion of LTIP award	50%	50%	50%	50%
Share price at grant date (£)	11.46	11.46	11.10	11.10
Weighted average exercise price at grant date	—	—	—	—
Risk-free interest rate	0.10%	0.10%	0.75%	0.75%
Expected volatility	55%	55%	29%	29%
Dividend yield	3%	3%	3%	3%
Performance period (years)	3	3	3	3
Fair value (£)	7.94	6.80	7.75	5.67

Expected volatility has been determined using historical data reflecting share price movements covering the audited financial year.

During the year 140,938 (2020: 196,735) LTIP options were exercised with an average weighted share price at the date of exercise of £14.86 (2020: £11.81).

Deferred Share Bonus Plan

One-third of the Executive Directors' annual bonus is paid in deferred shares. In the year 22,830 (2020: 26,215) deferred shares relating to the 2019 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 £262,548 (2020: £249,975).

During the year 18,177 (2020: Nil) options arising from deferred share bonus plans were exercised with an average weighted share price at the date of exercise of £11.37 (2020: £Nil).

25 Share option schemes continued

LTIP continued

Executive Directors continued

Senior management

An award of 164,245 (2020: 148,532) 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 fair value of these awards was £1,692,545 (2020: £1,550,674). 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, which was £11.45 (2020: £11.60) at grant date. The resultant fair value is then recognised over the performance period.

During the year 17,467 shares (2020: 21,864) 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 8.08 years (2020: 8.12 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.

As at 31 July 2021 the SIP Trust held 618,044 (2020: 715,636) ordinary shares in the Company. The market value of the shares held by the SIP Trust as at 31 July 2021 was £11.9m (2020: £9.0m).

The weighted average remaining contractual life of share-based payment arrangements at the year end was 4.36 years (2020: 5.36 years).

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 2021	Weighted average exercise price £	No. of shares as at 31 July 2020
Outstanding at 1 August	—	**1,330,096**	—	1,568,268
Granted during the year	—	**254,541**	—	244,782
Forfeited during the year	—	**(17,467)**	—	(21,864)
Exercised during the year	—	**(468,796)**	—	(461,090)
Outstanding at 31 July		**1,098,374**		1,330,096
Exercisable at 31 July		**264,291**		383,171

The fair value of share-based payment arrangements granted in the year was £2,452,317 (2020: £2,271,284), relating entirely to Long Term Incentive Plan awards.

The weighted average remaining contractual life of share-based payment arrangements at the year end was 7.25 years (2020: 7.45 years).

26 Post balance sheet events

Dividend

A final dividend of 14.4p per share has been recommended by the Directors and if approved by shareholders will be paid on 20 December 2021. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 12 November 2021. Shares in the Company will be quoted ex-dividend on 11 November 2021. The dividend reinvestment plan ('DRIP') election date is 29 November 2021.

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 20.5p has been proposed. If approved this will also be paid on 20 December 2021 alongside the final ordinary dividend.

27 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.

	2021 £'000	2020 £'000
Short-term employee benefits	2,758	2,489
Post-employment benefits	19	12
	2,777	2,501

Key management personnel received a total of 99,902 share awards (2020: 108,750) at a weighted average exercise price of £Nil (2020: £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 £1,049,849 (2020: £960,117) in respect of key management personnel.

Dividends to Directors

	2021 £'000	2020 £'000
M Hellawell	1,555	1,382
G Watt	—	—
G Charlton	17	16
R Perriss	5	—
V Murria	51	78
K Slatford	—	—
P Ventress[1]	—	8
	1,628	1,484

Note:
1. Peter Ventress resigned from the Board on 31 December 2019. Amounts shown above relate to the time until resignation.

Company number 02174990

Registered office

Softcat plc
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