



PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2021 ("2H2021")

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

A Condensed interim consolidated statement of profit or loss and other comprehensive income

Group		2H2021 \$'000	2H2020 \$'000	Change %	FY2021 \$'000	FY2020 \$'000	Change %
	Note						
Revenue	4	124,032	122,963	0.9	249,938	233,467	7.1
Cost of sales		(92,693)	(91,165)	1.7	(189,030)	(168,722)	12.0
Gross profit		31,339	31,798	(1.4)	60,908	64,745	(5.9)
Other items of income							
Other income		390	583	(33.1)	2,846	6,103	(53.4)
Other credits		389	-	N.M.	1,060	188	463.8
Other items of expense							
Selling expenses		(13,868)	(11,207)	23.7	(27,050)	(20,970)	29.0
Administrative expenses		(14,844)	(18,476)	(19.7)	(32,452)	(43,032)	(24.6)
Finance costs		(295)	(456)	(35.3)	(639)	(1,108)	(42.3)
Other charges		(211)	(2,243)	(90.6)	(407)	(1,895)	(78.5)
Profit before tax	6	2,900	(1)	N.M.	4,266	4,031	5.8
Income tax expense	7	(714)	43	N.M.	171	(1,335)	N.M.
Profit, net of tax		2,186	42	5,104.8	4,437	2,696	64.6
Profit attributable to:							
Owners of the Company		2,186	42	5,104.8	4,437	2,696	64.6
Profit for the period		2,186	42	5,104.8	4,437	2,696	64.6
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation		(602)	831	N.M.	352	271	29.9
Other comprehensive income for the period		(602)	831	N.M.	352	271	29.9
Total comprehensive income for the period		1,584	873	81.4	4,789	2,967	61.4
Profit for the period attributable to:							
Owners of the Company		2,186	42	5,104.8	4,437	2,696	64.6
Comprehensive income attributable to:							
Owners of the Company		1,584	873	81.4	4,789	2,967	61.4
Earnings per share for the profit for the period attributable to the owners of the Company during the period							
Basic (SGD in cent)		0.74	0.01		1.51	0.92	
Diluted (SGD in cent)		0.74	0.01		1.50	0.92	

B Condensed interim statements of financial position

	Group		Company	
	31-Dec-21 \$'000	31-Dec-20 \$'000	31-Dec-21 \$'000	31-Dec-20 \$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	2,260	2,957	-	8
Right-of-use assets	4,409	7,004	90	306
Investment in subsidiaries	-	-	44,367	44,323
Intangible assets	12,528	12,528	-	-
Finance lease receivables	50	210	-	-
Deferred tax assets	2,921	4,233	-	325
Total non-current assets	22,168	26,932	44,457	44,962
<u>Current assets</u>				
Inventories	20,928	26,035	-	-
Trade and other receivables	54,235	34,564	27,238	27,815
Prepayments	8,971	9,186	17	17
Finance lease receivables	528	299	-	-
Cash and bank balances	29,597	32,700	4,162	4,753
Total current assets	114,259	102,784	31,417	32,585
Total assets	136,427	129,716	75,874	77,547
EQUITY AND LIABILITIES				
<u>Current liabilities</u>				
Trade and other payables	35,624	27,206	2,120	2,360
Deferred income	20,561	16,197	-	-
Loans and borrowings	12,082	16,232	-	1,322
Lease liabilities	1,531	2,876	93	220
Income tax payable	1,854	1,154	1,313	1,195
	71,652	63,665	3,526	5,097
<u>Non-current liabilities</u>				
Deferred tax liabilities	38	67	38	-
Loans and borrowings	-	4,796	-	-
Lease liabilities	3,896	5,191	-	93
Provisions	978	815	65	65
Deferred income	2,487	2,679	-	-
Total non-current liabilities	7,399	13,548	103	158
Total liabilities	79,051	77,213	3,629	5,255
<u>Equity attributable to owners of the Company</u>				
Share capital	74,695	74,541	74,695	74,541
Retained earnings	29,075	24,638	(2,576)	(2,445)
Other reserves	(46,394)	(46,676)	126	196
Equity attributable to owners of the Company	57,376	52,503	72,245	72,292
Total equity	57,376	52,503	72,245	72,292
Total equity and liabilities	136,427	129,716	75,874	77,547

C Condensed interim statements of changes in equity

Group	Share Capital	Retained Earnings	Other Reserves	Equity attributable to owners of the Company	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2021	74,541	24,638	(46,676)	52,503	52,503
Total comprehensive income for the period	-	4,437	352	4,789	4,789
Issuance of new shares pursuant to performance share plan	154	-	(154)	-	-
Share-based payment	-	-	84	84	84
Balance as at 31 December 2021	74,695	29,075	(46,394)	57,376	57,376
Balance as at 1 January 2020	71,703	21,942	(46,945)	46,700	46,700
Total comprehensive income for the period	-	2,696	271	2,967	2,967
Issuance of new shares pursuant to performance shares plan	324	-	(324)	-	-
Shares issued for acquisition of non-controlling interest	2,544	-	-	2,544	2,544
Share issuance expense	(30)	-	-	(30)	(30)
Share-based payment	-	-	322	322	322
Balance as at 31 December 2020	74,541	24,638	(46,676)	52,503	52,503

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2021	74,541	(2,445)	196	72,292
Total comprehensive income for the period	-	(131)	-	(131)
Issuance of new shares pursuant to performance share plan	154	-	(154)	-
Share-based payment	-	-	84	84
Balance as at 31 December 2021	74,695	(2,576)	126	72,245
Balance as at 1 January 2020	71,703	(1,184)	196	70,715
Total comprehensive income for the period	-	(1,261)	2	(1,259)
Issuance of new shares pursuant to performance share plan	324	-	(324)	-
Shares issued for acquisition of non-controlling interest	2,544	-	-	2,544
Share issuance expense	(30)	-	-	(30)
Share-based payment	-	-	322	322
Balance as at 31 December 2020	74,541	(2,445)	196	72,292

D Condensed interim consolidated statement of cash flows

	Group		Group	
	2H2021	2H2020	FY2021	FY2020
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit/(loss) before tax	2,900	(1)	4,266	4,031
Adjustments for:				
Depreciation of plant and equipment	576	688	1,180	3,862
Depreciation of right-of-use assets	1,543	1,474	2,928	2,837
Amortisation of intangible assets	137	398	272	799
Share based payment	37	128	84	322
Loss on disposal of plant and equipment	-	-	52	-
Gain on fair value of derivative financial liability	-	-	-	(188)
Impairment loss on goodwill	-	350	-	350
Interest income	(8)	(21)	(12)	(67)
Interest expense	295	456	639	1,108
Inventories written down	5,315	4,682	9,951	7,355
Allowance for trade receivables	211	362	355	662
Provisions	103	123	163	123
Exchange differences	(558)	740	(550)	350
Operating cash flows before changes in working capital	10,551	9,379	19,328	21,544
(Increase)/decrease in inventories	(1,329)	2,647	(4,911)	543
(Increase)/decrease in trade and other receivables	(7,709)	49	(17,205)	16,211
(Increase)/decrease in finance lease receivables	(101)	540	(70)	856
Decrease in prepayment	1,371	829	216	4,189
(Decrease)/increase in deferred income	(846)	(5,472)	4,172	(8,331)
Increase/(decrease) in trade and other payables	5,038	1,914	8,417	(5,603)
Net cash generated from operations	6,975	9,886	9,947	29,409
Income taxes paid	28	(1,335)	(637)	(1,930)
Net cash generated from operating activities	7,003	8,551	9,310	27,479
Cash flows from investing activities				
Purchase of plant and equipment	(285)	(392)	(434)	(1,381)
Proceeds from maturity of fixed deposits	-	-	1,321	4,042
Interest received	8	21	12	67
Net cash (used in)/generated from investing activities	(277)	(371)	899	2,728
Cash flows from financing activities				
Share issuance expenses	-	-	-	(30)
Proceeds from loans and borrowings	81,360	79,658	148,083	154,520
Repayments of loans and borrowings	(79,729)	(72,301)	(157,327)	(150,092)
Repayments of lease liabilities	(1,431)	(1,341)	(2,640)	(2,611)
Acquisition of non-controlling interest	-	-	-	(11,182)
Interest paid	(295)	(456)	(639)	(1,108)
Net cash (used in)/generated from financing activities	(95)	5,560	(12,523)	(10,503)
Net increase/(decrease) in cash and cash equivalents	6,631	13,740	(2,314)	19,704
Effect of exchange rate changes on cash and cash equivalents	(31)	(231)	532	(73)
Cash and cash equivalents at beginning of the financial period	22,872	17,745	31,254	11,623
Cash and cash equivalents at end of the financial period	29,472	31,254	29,472	31,254
Cash and cash equivalents comprise the following:				
Cash and bank balances	29,597	32,700	29,597	32,700
Less: Pledged deposits	(125)	(1,446)	(125)	(1,446)
Cash and cash equivalents	29,472	31,254	29,472	31,254

E Notes to the condensed interim consolidated financial statements

1. Corporate information

Procurri Corporation Limited ("Procurri" or the "Company", and together with its subsidiaries, the "Group") is a public listed company incorporated and domiciled in Singapore.

Procurri's principal business is providing sustainable IT solutions to enterprises globally. Procurri's solutions cover the full IT equipment lifecycle, from purchasing to operations to end-of-life/equipment disposition. These solutions are delivered through activities including the sales and rental of enterprise IT equipment, the provision of independent maintenance services, and the provision of additional services including IT asset disposal, repair, reverse logistics, and data center services.

Procurri is listed on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 July 2016. Novo Tellus Capital Partners Private Ltd., with its co-investor, A.C.T. Holdings Pte Ltd, is the largest shareholder of the Company with a 29.62% stake.

The registered office and principal place of business of the Company is located at 29 Tai Seng Avenue, #02-01 Natural Cool Lifestyle Hub, Singapore 534119.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars (SGD or \$) which is the Company's functional currency, and all values are rounded to the nearest thousand (\$'000), unless otherwise indicated.

2.1 Changes in accounting policies

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follow:

- Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

- Inventories write-down

Inventory is stated at the lower of cost and net realisable value ("NRV"). The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risk of obsolescence due to technological advancements or changes in consumers' preferences. The determination of inventories write-down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write-down required.

- Impairment assessment of goodwill and cost of investment in subsidiaries

The Group's goodwill and the Company's cost of investment in subsidiaries are subjected to impairment assessment. Management assesses goodwill impairment annually. For cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessment, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognized as impairment losses. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- Segment 1: Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD") business includes revenue derived from (i) Hardware Resale, which comprises income derived from the distribution of IT hardware, including but not limited to pre-owned servers, storage and networking equipment; (ii) Supply Chain Management, where income is derived from assisting OEMs in the distribution of their goods as part of their supply chain activities; (iii) the provision of service to extend the life of IT equipment while extracting the highest possible value for retired technology, by means of equipment refurbishment, data destruction services, and other lifecycle services to help our customers yield greater corporate and environment sustainability; and (iv) flexible, non-speculative trading in volume, at high velocity and higher conversion rates to execute a transaction ("ITAD Arbitrage").

- Segment 2: Third Party Maintenance ("TPM") business includes revenue derived from renewable maintenance contracts (i) where we provide the rendering of IT maintenance services for a variety of IT systems and networks; (ii) sales of maintenance parts tied to systems on the renewable contract and (iii) professional services tied to systems on the renewable contracts.

Management monitors the operating results of its segments separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is monitored based on revenue and gross profit. Selling expenses, administrative expenses, finance costs, assets and liabilities are managed on a legal entity basis.

The following table presents revenue and timing of transfer of goods or services for the Group's operating segments for 2H2021 and 2H2020 together with the twelve months ended 31 December 2021 and 2020, respectively:

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	2H2021	2H2020	2H2021	2H2020	2H2021	2H2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Major revenue stream						
Sale of goods	86,540	84,100	2,145	807	88,685	84,907
Rendering of services	8,081	6,835	24,736	31,221	32,817	38,056
Equipment rental and leasing	2,530	-	-	-	2,530	-
	<u>97,151</u>	<u>90,935</u>	<u>26,881</u>	<u>32,028</u>	<u>124,032</u>	<u>122,963</u>

Timing of transfer of goods or services

At a point in time	94,621	90,935	26,881	32,028	121,502	122,963
Over time	2,530	-	-	-	2,530	-
	<u>97,151</u>	<u>90,935</u>	<u>26,881</u>	<u>32,028</u>	<u>124,032</u>	<u>122,963</u>

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Major revenue stream						
Sale of goods	174,694	156,211	4,413	3,582	179,107	159,793
Rendering of services	14,558	13,210	51,834	60,464	66,392	73,674
Equipment rental and leasing	4,439	-	-	-	4,439	-
	<u>193,691</u>	<u>169,421</u>	<u>56,247</u>	<u>64,046</u>	<u>249,938</u>	<u>233,467</u>

Timing of transfer of goods or services

At a point in time	189,252	169,421	56,247	64,046	245,499	233,467
Over time	4,439	-	-	-	4,439	-
	<u>193,691</u>	<u>169,421</u>	<u>56,247</u>	<u>64,046</u>	<u>249,938</u>	<u>233,467</u>

Geographical information

The following table presents revenue and non-current assets information based on the geographical location of customers and assets as at 31 December 2021 and 31 December 2020:

	FY2021	FY2020	Increase / (decrease)
	\$'000	\$'000	%
Geographical information by revenue			
Singapore	9,826	13,789	(28.7)
EMEA	99,437	84,676	17.4
Americas	134,862	131,201	2.8
Others	5,813	3,801	52.9
	<u>249,938</u>	<u>233,467</u>	7.1

	31-Dec-21	31-Dec-20	Increase / (decrease)
	\$'000	\$'000	%
<u>Geographical information by non current assets</u>			
Singapore	417	1,049	(60.2)
EMEA	13,136	13,805	(4.8)
Americas	3,420	5,353	(36.1)
Others	2,224	2,282	(2.5)
	<u>19,197</u>	<u>22,489</u>	(14.6)

Non-current assets information presented above consist of plant and equipment, right-of-use assets and intangible assets as presented in the condensed interim consolidated balance sheets.

A breakdown of sales

	FY2021	FY2020	Increase / (decrease)
	\$'000	\$'000	%
(a) Sales reported for the first half year	125,906	110,504	14%
(b) Profit after tax for the first half year	2,251	2,654	-15%
(c) Sales reported for the second half year	124,032	122,963	1%
(d) Profit after tax for the second half year	2,186	42	5105%

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

	The Group		The Company	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets</u>				
Finance lease receivables	578	509	-	-
Cash and bank balances and trade and other receivables (Amortised cost)	83,832	67,264	31,400	32,568
	<u>84,410</u>	<u>67,773</u>	<u>31,400</u>	<u>32,568</u>
<u>Financial liabilities</u>				
Trade and other payables and borrowings (Amortised cost)	47,706	48,234	2,120	3,682

6. Profit before taxation

6.1. Significant items

	The Group			
	2H2021 \$'000	2H2020 \$'000	FY2021 \$'000	FY2020 \$'000
Income				
Interest income	8	21	12	67
Others	382	562	2,834	6,036
Expenses				
Fair value adjustment on financial liability	-	-	-	188
Impairment of goodwill	-	(350)	-	(350)
Allowance for trade receivables	(211)	(362)	(355)	(662)
Allowance for stock obsolescence	(5,315)	(4,682)	(9,951)	(7,355)
Interest expense	(295)	(456)	(639)	(1,108)
Depreciation of plant and equipment	(576)	(688)	(1,180)	(3,862)
Depreciation of right-of-use assets	(1,543)	(1,474)	(2,928)	(2,837)
Amortisation of intangible assets	(137)	(398)	(272)	(799)
Foreign exchange gain/(loss), net	389	(1,531)	1,060	(883)
Loss on disposal of plant and equipment	-	-	(52)	-

6.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group			
	2H2021 \$'000	2H2020 \$'000	FY2021 \$'000	FY2020 \$'000
Current income tax (credit)/expense	401	58	(350)	1,289
Deferred income tax (credit)/expense relating to origination and reversal of temporary differences	313	(101)	179	46
	<u>714</u>	<u>(43)</u>	<u>(171)</u>	<u>1,335</u>

8. Dividends

No dividends have been declared or recommended for the current reporting period.

9. Net Asset Value

	The Group		The Company	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Net asset value per share (cents)	19.50	17.88	24.55	24.62
Number of shares in issue ('000)	294,238	293,687	294,238	293,687

10. Intangible assets

The Group	Goodwill \$'000	Customer relationship \$'000	Technical know-how \$'000	Software \$'000	Total \$'000
<u>Cost:</u>					
At 1 January 2020	12,006	946	2,598	1,367	16,917
Exchange differences	-	-	-	(35)	(35)
At 31 December 2020 and 1 January 2021	12,006	946	2,598	1,332	16,882
Exchange differences	255	-	-	5	260
At 31 December 2021	12,261	946	2,598	1,337	17,142
<u>Accumulated amortisation and impairment:</u>					
At 1 January 2020	-	946	2,078	206	3,230
Amortisation charge for the year	-	-	520	279	799
Impairment loss	350	-	-	-	350
Exchange differences	-	-	-	(25)	(25)
At 31 December 2020 and 1 January 2021	350	946	2,598	460	4,354
Amortisation charge for the period	-	-	-	272	272
Exchange differences	-	-	-	(12)	(12)
At 31 December 2021	350	946	2,598	720	4,614
<u>Net book value:</u>					
At 31 December 2020	11,656	-	-	872	12,528
At 31 December 2021	11,911	-	-	617	12,528

The Company

	Technical know-how \$'000
<u>Cost:</u>	
At 31 December 2020, 1 January 2021 and 31 December 2021	2,598
<u>Accumulated amortisation and impairment:</u>	
At 1 January 2020	2,078
Amortisation charge for the year	520
At 31 December 2020, 1 January 2021 and 31 December 2021	2,598
<u>Net book value:</u>	
At 31 December 2020	-
At 31 December 2021	-

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

11. Property, plant and equipment

During financial year ended 31 December 2021, the Group acquired assets amounting to \$434,000 (31 December 2020: \$1,381,000) and disposed of assets amounting to \$1,000 net book value (31 December 2020: NIL).

12. Inventories

During financial year ended 31 December 2021, the Group wrote down \$9,951,000 (31 December 2020: \$7,355,000) of inventories. This expense is included in cost of sales in the statement of profit or loss. The carrying amount of inventories stated at the lower of cost and NRV as at 31 December 2021 was \$20,928,000 (31 December 2020: \$26,035,000).

13. Trade and other receivables

The Group's trade receivables and allowance for expected credit loss of trade receivables as at 31 December 2021 was \$49,787,000 (31 December 2020: \$33,499,000) and \$1,689,000 (31 December 2020: \$1,716,000) respectively.

14. Borrowings

	The Group	
	31-Dec-21	31-Dec-20
	\$'000	\$'000
<u>Amount repayable within one year or on demand</u>		
Secured	10,057	12,880
Unsecured	2,025	3,352
<u>Amount repayable after one year</u>		
Secured	-	2,796
Unsecured	-	2,000

15. Share capital

	The Group and the Company			
	31-Dec-21		31-Dec-20	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Beginning of the period	293,687	74,541	284,689	71,703
Issue of ordinary shares by virtue of exercise of share options	551	154	8,998	2,838
End of the period	294,238	74,695	293,687	74,541

The Company has no treasury shares.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

Share options – employee share option scheme

Between 1 January 2021 and 31 December 2021, the Company did not issue any shares under the employee share option scheme.

As at 31 December 2021, there were no outstanding options under the employee share option scheme (31 December 2020: NIL).

Performance share plan

Between 1 January 2021 and 31 December 2021, the Company granted 89,600 shares under the performance share plan.

As at 31 December 2021, the number of shares comprised in outstanding awards granted under the performance share plan was 616,900 (31 December 2020: 1,078,700).

The shares to be issued pursuant to the awards are subject to certain performance conditions to be satisfied by the respective participants. Once the performance conditions are satisfied, the shares to be issued pursuant to the awards shall be released to the respective participants after the respective performance periods.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

PART II - OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1 Review

The condensed consolidated statement of financial position of Procurri Corporation Limited and its subsidiaries as at 31 December 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group

Review of performance – 2H2021 vs 2H2020

	2H2021	2H2020	Change %
Revenue* (\$'000)			
Hardware, Lifecycle Services and IT Asset Disposition	97,151	90,935	6.8
Third Party Maintenance	26,881	32,028	(16.1)
Total	124,032	122,963	0.9
Gross Profit (\$'000)			
Hardware, Lifecycle Services and IT Asset Disposition	22,177	18,929	17.2
Third Party Maintenance	9,162	12,869	(28.8)
Total	31,339	31,798	(1.4)
Gross Profit Margin (%)			
Hardware, Lifecycle Services and IT Asset Disposition	22.8	20.8	2.0
Third Party Maintenance	34.1	40.2	(6.1)
Total	25.3	25.9	(0.6)

* Procurri re-organised its business segments at start of FY2021 to increase focus on high-potential growth segments of its core markets. The Group re-organised from two business segments of 1) IT Distribution and 2) Lifecycle Services, into two business segments of 1) Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD") and 2) Third Party Maintenance ("TPM"). The HW and ITAD business segment comprises offerings that used to be reported under Lifecycle Services and are now combined to enable Procurri to deliver a broader and more connected set of solutions to customers.

Procurri's revenue increased by 0.9% from S\$123.0 million in 2H2020 to S\$124.0 million in 2H2021. The HW and ITAD business segment's revenue increased by 6.8% from S\$90.9 million in 2H2020 to S\$97.2 million in 2H2021, with all major regions contributing to growth. Revenue from the TPM business segment decreased by 16.1% from S\$32.0 million in 2H2020 to S\$26.9 million in 2H2021, mainly due to the lower contribution from the Americas where sales activity remained muted while Procurri focused on upgrading its TPM operational infrastructure throughout the year.

The Group's overall gross profit decreased 1.4% from S\$31.8 million in 2H2020 to S\$31.3 million in 2H2021 as a result of lower gross profit margin and the increase in allowance for stock obsolescence. The Group's overall gross profit margin decreased by 0.6 percentage points from 25.9% in 2H2020 to 25.3% in 2H2021. The increase in allowance for stock obsolescence was mainly due to increase in aged inventories and the Group's policy to mark down multi-generational inventories to net realisable value. The procurement of inventories is subject to IT equipment market volatility by nature.

Other income decreased from S\$0.6 million in 2H2020 to S\$0.4 million in 2H2021 as there are no further government support programs relating to COVID-19 pandemic. Other credits increased by S\$0.4 million in 2H2021, mainly due to the foreign exchange gain from the revaluation of USD, GBP and EUR denominated receivables.

Selling expenses increased by S\$2.7 million, from S\$11.2 million in 2H2020 to S\$13.9 million in 2H2021 mainly due to the reclassification of some employees' salaries from admin expenses to selling expenses.

Administrative expenses decreased by S\$3.6 million, from S\$18.5 million in 2H2020 to S\$14.8 million in 2H2021, mainly due to the decrease in staff cost. Staff cost decreased 23.1% year-on-year mainly from the lower headcount and the reclassification of some employees' salaries to selling expenses. Total staff cost excluding sales commission decreased by 8.1% from S\$15.8 million in 2H2020 to S\$14.5 million in 2H2021.

Finance cost decreased by \$0.2 million as a result of the lower borrowings.

Other charges decreased by \$2.0 million, from \$2.2 million in 2H2020 to \$0.2 million in 2H2021. The other credits recorded in 2H2020 was mainly due to the foreign exchange loss of \$1.5 million and goodwill impairment of \$0.4 million.

As a result of the above, the Group recorded a pre-tax profit of \$2.9 million in 2H2021 as compared to a loss of \$1,000 in 2H2020. The Group recorded an income tax expense of \$0.7 million in 2H2021 as compared to income credit of \$43,000 in 2H2020. Income tax credit recorded in 2H2020 was mainly due to the reversal of over provision of income tax. Profit after tax stood at \$2.2 million in 2H2021.

	FY2021	FY2020	Change %
Revenue* (\$'000)			
Hardware, Lifecycle Services and IT Asset Disposition	193,691	169,421	14.3
Third Party Maintenance	56,247	64,046	(12.2)
Total	249,938	233,467	7.1
Gross Profit (\$'000)			
Hardware, Lifecycle Services and IT Asset Disposition	41,284	34,456	19.8
Third Party Maintenance	19,624	30,289	(35.2)
Total	60,908	64,745	(5.9)
Gross Profit Margin (%)			
Hardware, Lifecycle Services and IT Asset Disposition	21.3	20.3	1.0
Third Party Maintenance	34.9	47.3	(12.4)
Total	24.4	27.7	(3.4)

The Group's revenue increased by 7.1 from \$233.5 million in FY2020 to \$249.9 million in FY2021. The HW and ITAD business segment's revenue increased by 14.3% from \$169.4 million in FY2020 to \$193.7 million in FY2021, attributable to the better performance from the EMEA and the Americas. The revenue from the TPM business segment decreased by 12.2% from \$64.0 million in FY2020 to \$56.2 million in FY2021, mainly due to the lower contribution from the Americas where sales activity remained muted while Procurri focused on upgrading its TPM operational infrastructure throughout the year.

The Group's overall gross profit decreased 5.9% from \$64.7 million in FY2020 to \$60.9 million in FY2021 as a result of lower gross profit margin and the increase in allowance for stock obsolescence. The Group's overall gross profit margin decreased by 3.4 percentage points from 27.7% in FY2020 to 24.4% in FY2021. The increase in allowance for stock obsolescence was mainly due to increase in aged inventories and the Group's policy to mark down multi-generational inventories to net realisable value. The procurement of inventories is subject to IT equipment market volatility by nature.

The Group recorded \$2.4 million in government support programs relating to COVID-19 pandemic and included the recognition of the loans forgiven under the Paycheck Protection Program (the "PPP") in FY2021 as compared to \$5.5 million in FY2020. The PPP, was established by the United States Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide financial assistance to businesses to keep their workforce employed during the Coronavirus Disease 2019 ("COVID-19") crisis. The loans can be forgiven when certain criteria being met. As a result, other income decreased from \$6.1 million in FY2020 to \$2.8 million in FY2021. Other credits increased by \$0.9 million, from \$0.2 million in FY2020 to \$1.1 million in FY2021, mainly due to the foreign exchange gain from the revaluation of USD, GBP and EUR denominated receivables.

Selling expenses increased by \$6.1 million, from \$21.0 million in FY2020 to \$27.1 million in FY2021, mainly due to the reclassification of some employees' salaries from admin expenses to selling expenses.

Administrative expenses decreased by \$10.6 million, from \$43.0 million in FY2020 to \$32.5 million in FY2021, mainly due to the decrease in staff cost. Staff cost decreased 31.0% year-on-year mainly from the lower headcount and the reclassification of some employees' salaries to selling expenses. Total staff cost excluding sales commission decreased by 12.4% from \$35.0 million in FY2020 to \$30.7 million in FY2021.

Finance cost decreased by \$0.5 million as a result of the lower borrowings.

Other charges decreased by \$1.5 million, from \$1.9 million in FY2020 to \$0.4 million in FY2021, mainly due to the decreased in allowance for trade receivables and the exchange loss and goodwill impairment recorded in FY2020.

As a result of the above, the Group recorded a pre-tax profit of S\$4.3 million in FY2021. The Group recorded an income tax credit of S\$0.2 million in FY2021 as compared to income tax expense of S\$1.3 million in FY2020 as a result of reversal of over provision of income tax relating to COVID-19 pandemic loans forgiven under the PPP. Profit after tax stood at S\$4.4 million in FY2021 as compared to S\$2.7 million in FY2020.

Review of financial position

Non-current assets

- (a) Plant and equipment decreased by S\$0.7 million from S\$3.0 million as at 31 December 2020 to S\$2.3 million as at 31 December 2021. The decrease was mainly due to the depreciation charges of S\$1.2 million, partially offset by the addition.
- (b) The right-of-use assets decreased by S\$2.6 million from S\$7.0 million as at 31 December 2020 to S\$4.4 million as at 31 December 2021. The decrease was mainly due to the depreciation charges.
- (c) Intangible assets stood at S\$12.5 million as at 31 December 2020 and 31 December 2021.
- (d) Finance lease receivables (both current and non-current) stood at S\$0.6 million as at 31 December 2021. The repayments were partially offset by the new leases secured during the period.

Current assets

- (e) Inventories decreased by S\$5.1 million from S\$26.0 million as at 31 December 2020 to S\$20.9 million as at 31 December 2021 as a result of the improvement in inventory management.
- (f) Trade and other receivables increased by S\$19.7 million to S\$54.2 million as at 31 December 2021, mainly due to the increase in revenue and average age of the receivables.
- (g) Prepayments increased by S\$0.2 million mainly due to higher advance payments made to suppliers.
- (h) The movement in cash and bank balances is shown in the statement of cash flows and review of cash flows.

Liabilities

- (i) Trade and other payables increased by S\$8.4 million to S\$35.6 million as at 31 December 2021.
- (j) Deferred income (both current and non-current) principally comprised deferred maintenance revenue from signed maintenance contracts. Deferred income records increased by S\$4.2 million from S\$18.9 million as at 31 December 2020 to S\$23.0 million as at 31 December 2021 as a result of higher value of signed maintenance contracts in FY2021.
- (k) The loans and borrowings (both current and non-current) decreased by S\$8.9 million, from S\$21.0 million as at 31 December 2020 to S\$12.1 million as at 31 December 2021. The decrease was mainly due to the repayment of existing term loans, short-term trade facilities and finance leases.
- (l) The decrease in lease liabilities (both current and non-current) of S\$2.6 million was mainly due to repayment.

Net working capital position

The Group recorded a higher positive working capital of S\$42.6 million as at 31 December 2021 compared to S\$39.1 million as at 31 December 2020.

Review of cash flows

Net cash generated from operating activities in FY2021 amounted to S\$9.3 million as compared to S\$27.5 million in FY2020. The decrease was mainly due to the lower operation cash flow before changes in working capital, increase in trade and other receivables and inventories amounting to S\$17.2 million and S\$4.9 million. This was partially offset by the increase in trade and other payables, deferred income and the decrease in prepayment of S\$8.4 million, S\$4.2 million and S\$0.2 million respectively.

Net cash generated from investing activities amounted to S\$0.9 million in FY2021 as compared to S\$2.7 million in FY2020. The cash generated in FY2021 was mainly due to the maturity of fixed deposit of S\$1.3 million, partially offset by the purchase of plant and equipment of S\$0.4 million.

Net cash used in financing activities in FY2021 amounted to S\$12.5 million as compared to S\$10.5 million in FY2020. The cash used in financing activities in FY2021 was mainly due to the repayment of borrowings of S\$157.3 million, lease liabilities of S\$2.6 million and the interest paid of S\$0.6 million, partially offset by the proceeds from borrowings of S\$148.1 million.

3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders for the current reporting period.

4 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Procurri is seeing a large-scale, multi-year shift in the enterprise IT hardware industry towards more sustainable IT practices. Based on its extensive participation in the market, Procurri has identified the following drivers for the global shift towards sustainable IT:

- The convergence of consumer, enterprise and government preferences and policies for increasing environmental sustainability;
- The need to manage quickly-escalating costs of energy and waste as IT hardware increasingly powers the work and lifestyles for billions of people worldwide; and
- The increase in investor focus on environmental, social and governance factors in the interest of shareholders and business stakeholders.

Procurri is in a distinct position to provide solutions to help enterprises around the world to improve the sustainability of their IT purchases and practices, given the Group's long experience with renewing, recycling, and maintaining enterprise IT equipment.

Accordingly, the Group began a strategic transformation in late 2020 to focus its strategy on the large-scale shift towards sustainable IT. Over the course of 2021, Procurri has re-organised its global business, upgraded its IT infrastructure, increased its focus on key global accounts, entered new market areas in sustainable IT, and improved its operations to capitalise on global economies of scale.

These transformation initiatives have yielded early benefits to Procurri in the form of increased customer interest in its solutions, better service delivery, and new strategic partnerships with leading global companies in the IT manufacturing, IT distribution, and IT systems integration sectors. These developments have helped to drive record revenue for Procurri in 2021, along with the significant growth in net profits.

Throughout the year, Procurri has seen increasing interest from its customers and partners in helping to shape and deliver a more sustainable future for their IT practices. Accordingly, the Company continues to grow its service capabilities to deliver more sustainable equipment purchasing, IT maintenance, and responsible IT asset recycling and disposition.

As a testament to Procurri's rapidly growing capabilities in sustainable IT, Procurri was awarded the "Sustainable IT Project of the Year" at the inaugural CRN Tech Impact Awards 2021.

The Group believes these key positive market shifts, alongside the growing results of its strategic transformation, will help drive its performance in the next 12 months.

5 If a decision regarding dividend has been made:

a Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend has been declared or recommended for current financial period reported on, in view of the Group's positive progress on its strategic transformation and its growing opportunities for business development and expansion.

b Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

c The date the dividend is payable.

Not applicable.

d Book closure date

Not applicable.

6 If the Company has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained in the Annual General Meeting on 29 April 2021.

7 Use of IPO proceeds

The Company received net proceeds (after deducting IPO expenses of approximately S\$3.8 million) from the IPO of approximately S\$34.8 million (the "Net Proceeds"). As at the date of this announcement, the Net Proceeds have been utilised as follows:

Use of Proceeds	Estimated amount	Net Proceeds utilised as at the date of this announcement	Balance of Net Proceeds as at the date of this announcement
	S\$ million	S\$ million	S\$ million
Merger and acquisitions, joint ventures and partnerships	20.1	17.8	2.3
Enhancement of infrastructure	1.9	1.9	-
Repayment of the DeClout loans	6.1	6.1	-
Working capital purposes	6.7	6.7	-
	<u>34.8</u>	<u>32.5</u>	<u>2.3</u>

8 Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

9 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Thomas Sean Murphy
Chairman and Global Chief Executive Officer
24 February 2022