PROCURRI

PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2022 ("1H2022")

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	Note	1H2022 $'000	1H2021 $'000	Change %
Revenue	4	121,091	125,906	(3.8)
Cost of sales		(87,206)	(96,336)	(9.5)
Gross profit		**33,885**	**29,570**	14.6
Other items of income				
Other income		111	2,456	(95.5)
Other credits		1,015	670	51.5
Other items of expense				
Selling expenses		(15,210)	(13,181)	15.4
Administrative expenses		(17,834)	(17,608)	1.3
Finance costs		(368)	(344)	7.0
Other charges		(66)	(196)	(66.3)
Profit before tax	6	**1,533**	**1,367**	12.1
Income tax expense	7	(258)	885	N.M.
Profit, net of tax		**1,275**	**2,252**	(43.4)
Profit attributable to:				
Owners of the Company		1,275	2,252	(43.4)
Profit for the period		**1,275**	**2,252**	(43.4)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		(2,326)	954	N.M.
Other comprehensive income for the period		**(2,326)**	**954**	N.M.
Total comprehensive income for the period		**(1,051)**	**3,206**	N.M.
Profit for the period attributable to:				
Owners of the Company		1,275	2,252	(43.4)
Comprehensive income attributable to:				
Owners of the Company		**(1,051)**	**3,206**	N.M.
Earnings per share for the profit for the period attributable to the owners of the Company during the period				
Basic (SGD in cent)		0.43	0.77	
Diluted (SGD in cent)		0.43	0.76	

B Condensed interim statements of financial position

	Group		Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Plant and equipment	2,617	2,260	4	-
Right-of-use assets	5,605	4,409	-	90
Investment in subsidiaries	-	-	44,791	44,367
Intangible assets	11,616	12,528	-	-
Finance lease receivables	55	50	-	-
Deferred tax assets	5,334	5,261	-	-
Total non-current assets	**25,227**	**24,508**	**44,795**	**44,457**
Current assets				
Inventories	20,952	20,928	-	-
Trade and other receivables	45,655	51,412	24,305	27,238
Prepayments	7,698	8,971	3	17
Finance lease receivables	271	528	-	-
Cash and bank balances	35,219	29,597	6,810	4,162
Total current assets	**109,795**	**111,436**	**31,118**	**31,417**
Total assets	**135,022**	**135,944**	**75,913**	**75,874**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	35,612	36,318	1,660	2,120
Deferred income	16,195	20,561	-	-
Loans and borrowings	14,886	12,082	-	-
Lease liabilities	2,497	1,531	-	93
Income tax payable	1,892	1,854	1,338	1,313
	71,082	**72,346**	**2,998**	**3,526**
Non-current liabilities				
Deferred tax liabilities	38	38	38	38
Loans and borrowings	-	-	-	-
Lease liabilities	4,047	3,896	-	-
Provisions	937	978	-	65
Deferred income	2,131	1,301	-	-
Total non-current liabilities	**7,153**	**6,213**	**38**	**103**
Total liabilities	**78,235**	**78,559**	**3,036**	**3,629**
Equity attributable to owners of the Company				
Share capital	75,106	74,695	75,106	74,695
Retained earnings	30,359	29,084	(2,397)	(2,576)
Other reserves	(48,678)	(46,394)	168	126
Equity attributable to owners of the Company	**56,787**	**57,385**	**72,877**	**72,245**
Total equity	**56,787**	**57,385**	**72,877**	**72,245**
Total equity and liabilities	**135,022**	**135,944**	**75,913**	**75,874**

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 2022	**74,695**	**29,084**	**(46,394)**	**57,385**	**57,385**
Total comprehensive income for the period	-	1,275	(2,326)	(1,051)	**(1,051)**
Issuance of new shares pursuant to performance share plan	411	-	(411)	-	**-**
					-
Share-based payment	-	-	453	453	**453**
Balance as at 30 June 2022	**75,106**	**30,359**	**(48,678)**	**56,787**	**56,787**
Balance as at 1 January 2021	**74,541**	**24,638**	**(46,676)**	**52,503**	**52,503**
Total comprehensive income for the period	-	2,252	954	3,206	**3,206**
Issuance of new shares pursuant to performance shares plan	154	-	(154)	-	**-**
Share-based payment	-	-	46	46	**46**
Balance as at 30 June 2022	**74,695**	**26,890**	**(45,830)**	**55,755**	**55,755**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2022	**74,695**	**(2,576)**	**126**	**72,245**
Total comprehensive income for the period	-	179	-	**179**
Issuance of new shares pursuant to performance share plan	411	-	(411)	**-**
				-
Share-based payment	-	-	453	**453**
Balance as at 30 June 2022	**75,106**	**(2,397)**	**168**	**72,877**
Balance as at 1 January 2021	**74,541**	**(2,445)**	**196**	**72,292**
Total comprehensive income for the period	-	268	-	**268**
Issuance of new shares pursuant to performance share plan	154	-	(154)	**-**
				-
Share-based payment	-	-	46	**46**
Balance as at 30 June 2022	**74,695**	**(2,177)**	**88**	**72,606**

D Condensed interim consolidated statement of cash flows

	Group	
	1H2022	1H2021
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**1,533**	**1,367**
Adjustments for:		
Depreciation of plant and equipment	591	604
Depreciation of right-of-use assets	1,398	1,385
Amortisation of intangible assets	138	135
Share based payment	453	46
Loss on disposal of plant and equipment	-	52
Interest income	(22)	(4)
Interest expense	368	344
Inventories written down	4,603	4,636
Allowance for trade receivables	66	144
Provisions	(42)	60
Exchange differences	(1,414)	6
Operating cash flows before changes in working capital	**7,672**	**8,775**
Increase in inventories	(4,565)	(3,582)
Decrease/(increase) in trade and other receivables	4,628	(9,495)
Decrease in finance lease receivables	252	31
Decrease/(increase) in prepayment	1,273	(1,156)
(Decrease)/increase in deferred income	(3,536)	5,018
(Decrease)/increase in trade and other payables	(709)	3,379
Net cash generated from operations	**5,015**	**2,970**
Income taxes refund/(paid)	988	(665)
Net cash generated from operating activities	**6,003**	**2,305**
Cash flows from investing activities		
Purchase of plant and equipment	(1,029)	(148)
Proceeds from maturity of fixed deposits	1	1,321
Interest received	22	4
Net cash (used in)/generated from investing activities	**(1,006)**	**1,177**
Cash flows from financing activities		
Proceeds from loans and borrowings	47,867	66,724
Repayments of loans and borrowings	(45,428)	(77,598)
Repayments of lease liabilities	(1,477)	(1,209)
Interest paid	(368)	(344)
Net cash generated from/(used in) financing activities	**594**	**(12,427)**
Net increase/(decrease) in cash and cash equivalents	**5,591**	**(8,945)**
Effect of exchange rate changes on cash and cash equivalents	32	563
Cash and cash equivalents at beginning of the financial period	29,472	31,254
Cash and cash equivalents at end of the financial period	**35,095**	**22,872**
Cash and cash equivalents comprise the following:		
Cash and bank balances	35,219	22,997
Less: Pledged deposits	(124)	(125)
Cash and cash equivalents	**35,095**	**22,872**

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.

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 30 June 2022 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 annual financial statements for the year ended 31 December 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 2021.

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.

• The United States of America Paycheck Protection Program (the "PPP")

In 1H2021, the Group received the government support of S$2.3 million pursuant to the PPP in support of the Covid-19 pandemic. Such government support was given in the form of a loan and was expected to be forgiven at that point in time and therefore recognized as income in 1H2021. The Group is in the process of seeking the approval for such loan forgiveness pursuant to the PPP. As of the date hereof, additional information has been sought by the processing bank to justify the forgiveness which has given rise to some doubt in respect of the application. Pending further clarification from the processing bank, the Group has not made any provision for the possibility that the loan forgiveness may not occur.

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 1H2022 and 1H2021, respectively:

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021
	$'000	$'000	$'000	$'000	$'000	$'000
Major revenue stream						
Sale of goods	83,425	88,154	2,242	2,268	85,667	90,422
Rendering of services	8,754	6,477	22,965	27,098	31,719	33,575
Equipment rental and leasing	3,705	1,909	-	-	3,705	1,909
	95,884	96,540	25,207	29,366	121,091	125,906
Timing of transfer of goods or services						
At a point in time	92,179	94,631	2,242	2,268	94,421	96,899
Over time	3,705	1,909	22,965	27,098	26,670	29,007
	95,884	96,540	25,207	29,366	121,091	125,906

Geographical information

The following table presents revenue and non-current assets information based on the geographical location of customers and assets as at 30 June 2021 and 30 June 2021:

	1H2022	1H2021	Increase / (decrease)
	$'000	$'000	%
Geographical information by revenue			
Singapore	5,414	4,725	14.6
EMEA	45,373	51,449	(11.8)
Americas	67,329	67,357	(0.0)
Others	2,975	2,375	25.3
	121,091	125,906	(3.8)

	30-Jun-22	31-Dec-21	Increase / (decrease)
	$'000	$'000	%
Geographical information by non current assets			
Singapore	733	417	75.8
EMEA	11,710	13,136	(10.9)
Americas	5,150	3,420	50.6
Others	2,245	2,224	0.9
	19,838	19,197	3.3

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.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 30 June 2021:

	The Group		The Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	$'000	$'000	$'000	$'000
Financial assets				
Finance lease receivables	326	578	-	-
Cash and bank balances and trade and other receivables (Amortised cost)	80,874	81,009	31,160	31,400
	81,200	81,587	31,160	31,400
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	50,498	48,400	1,659	2,120

6. Profit before taxation

6.1. Significant items

	The Group	
	1H2022	1H2021
	$'000	$'000
Income		
Interest income	22	4
Others	89	2,452
Expenses		
Allowance for trade receivables	(66)	(144)
Allowance for stock obsolescence		
- Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD") trading inventories	(2,158)	(1,879)
- Third-Party Maintenance ("TPM") spares	(2,445)	(2,757)
Interest expense	(368)	(344)
Depreciation of plant and equipment	(591)	(604)
Depreciation of right-of-use assets	(1,398)	(1,385)
Amortisation of intangible assets	(138)	(135)
Foreign exchange gain/(loss), net	1,015	670
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	
	1H2022	1H2021
	$'000	$'000
Current income tax expense/(credit)	258	(752)
Deferred income tax expense/(credit) relating to origination and reversal of temporary differences	-	(133)
	258	(885)

8. Dividends

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

9. Net Asset Value

	The Group		The Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
Net asset value per share (cents)	19.25	19.50	24.72	24.55
Number of shares in issue ('000)	294,938	294,238	294,938	294,238

10. Intangible assets

The Group	Goodwill	Customer relationship	Technical know-how	Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2021	12,006	946	2,598	1,332	16,882
Exchange differences	255	-	-	5	260
At 31 December 2021 and 1 January 2022	12,261	946	2,598	1,337	17,142
Exchange differences	(790)	-	-	36	(754)
At 30 June 2022	11,471	946	2,598	1,373	16,388
Accumulated amortisation and impairment:					
At 1 January 2021	350	946	2,598	460	4,354
Amortisation charge for the year	-	-	-	272	272
Exchange differences	-	-	-	(12)	(12)
At 31 December 2021 and 1 January 2022	350	946	2,598	720	4,614
Amortisation charge for the period	-	-	-	138	138
Exchange differences	-	-	-	20	20
At 30 June 2022	350	946	2,598	878	4,772
Net book value:					
At 31 December 2021	11,911	-	-	617	12,528
At 30 June 2022	11,121	-	-	495	11,616

The Company	Technical know-how
	$'000
Cost:	
At 31 December 2021, 1 January 2022 and 30 June 2022	2,598
Accumulated amortisation and impairment:	
At 1 January 2021	2,598
At 31 December 2021, 1 January 2022 and 30 June 2022	2,598
Net book value:	
At 31 December 2020	-
At 30 June 2022	-

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 2021.

11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to $1,029,000 (30 June 2021: $148,000) and disposed of assets amounting to $2,000 net book value (30 June 2021: NIL).

12. Inventories

As at 30 June 2022, the Group's inventories comprise of:

a) HW and ITAD trading inventories
b) TPM spares

The carrying amount of inventories stated at the lower of cost and NRV as at 30 June 2022 was S$20,952,000 (31 December 2021: S$20,928,000).

	The Group	
	30-Jun-22	**31-Dec-21**
	$'000	$'000
HW and ITAD trading inventories	16,148	15,054
TPM spares	4,804	5,874
Total inventories	20,952	20,928

During the six months ended 30 June 2022, the Group wrote down S$4,603,000 (30 June 2021: S$4,636,000) of inventories. This expense is included in cost of sales in the statement of profit or loss.

		The Group	
		1H2022	**1H2021**
	Note	$'000	$'000
Allowance for stock obsolescence			
- HW and ITAD trading inventories	1	(2,158)	(1,879)
- TPM spares	2	(2,445)	(2,757)
		(4,603)	(4,636)

Note 1:
HW and ITAD inventories are written down to reflects market demand and net realisable value. During the six months ended 30 June 2022, the Group wrote down S$2,158,000 (30 June 2021: S$1,879,000) of HW and ITAD inventories.

Note 2:
TPM spares are written down systematically over the period of the maintenance contracts. During the six months ended 30 June 2022, the Group wrote down S$2,445,000 (30 June 2021: S$2,757,000) of TPM spares.

13. Trade and other receivables

The Group's trade receivables and allowance for expected credit loss of trade receivables as at 30 June 2022 was S$44,445,000 (31 December 2021: S$48,601,000) and S$1,633,000 (31 December 2021: S$1,689,000) respectively.

14. Borrowings

	The Group	
	30-Jun-22	**31-Dec-21**
	$'000	$'000
<u>Amount repayable within one year or on demand</u>		
Secured	13,834	10,057
Unsecured	1,052	2,025

15. Share capital

	The Group and the Company			
	30-Jun-22		31-Dec-21	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Beginning of the period	294,238	74,695	293,687	74,541
Issue of ordinary shares by virtue of exercise of share options	700	411	551	154
End of the period	294,938	75,106	294,238	74,695

The Company has no treasury shares.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 30 June 2021.

Share options – employee share option scheme

Between 1 January 2022 and 30 June 2022, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2022, there were no outstanding options under the employee share option scheme (30 June 2021: NIL).

Performance share plan

Between 1 January 2022 and 30 June 2022, the Company granted 2,515,200 shares under the performance share plan.

As at 30 June 2022, the number of shares comprised in outstanding awards granted under the performance share plan was 1,614,200 (30 June 2021: 616,900).

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 30 June 2022 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 – 1H2022 vs 1H2021

Normalised Earning Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and profit before tax

	1H2022	1H2021	Change	Change
	$'000	$'000	$'000	%
EBITDA*	4,028	3,835	193	5.0
Profit before tax	1,533	1,367	166	12.1
Non-recurrring items				
COVID-19 government support	-	2,359	(2,359)	N.M.
Exchange gain/(loss)	1,015	670	345	51.5
Total non-recurring items	**1,015**	**3,029**	(2,014)	(66.5)
Normalised EBITDA	**3,013**	**806**	2,207	273.8
Normalised Profit before tax	**518**	**(1,662)**	2,180	N.M.

On a normalised basis, Procurri's performance for 1H2022 has improved by S$2.2 million as compared to 1H2021.

The Group recorded an exchange gain of S$1.0 million arising from the strengthening of US Dollar against Singapore Dollar in 1H2022.

In 1H2021, the Group recorded S$0.7 million in exchange gain and S$2.4 million in government support programs relating to COVID-19 pandemic including the PPP. The government support of S$2.3 million pursuant to the PPP, was given in the form of a loan and was expected to be forgiven at that point in time and therefore recognized as income in 1H2021.

Excluding exchange gains and favorable credits received from the various government support programs relating to Covid-19 pandemic, the EBITDA would have been S$0.8 million and a loss before tax of S$1.7 million instead of a profit before tax of S$1.4 million in 1H2021.

As a result of the above, the Normalised EBITDA and Normalised Profit before tax improved by S$2.2 million each in 1H2022 as compared to 1H2021.

The overall improvement in performance were due mainly to the improvements in gross profit margin from the HW and ITAD business segment.

The table below sets out the segmental performance of the Group.

	1H2022	1H2021	Change %
Revenue ($'000)			
Hardware, Lifecycle Services and IT Asset Disposition	95,884	96,540	(0.7)
Third Party Maintenance	25,207	29,366	(14.2)
Total	**121,091**	**125,906**	(3.8)
Gross Profit ($'000)			
Hardware, Lifecycle Services and IT Asset Disposition	24,572	19,108	28.6
Third Party Maintenance	9,313	10,462	(11.0)
Total	**33,885**	**29,570**	14.6
Gross Profit Margin (%)			
Hardware, Lifecycle Services and IT Asset Disposition	25.6	19.8	5.8
Third Party Maintenance	36.9	35.6	1.3
Total	**28.0**	**23.5**	4.5

Revenue and Gross Profit

Procurri's revenue decreased by 3.8% from S$125.9 million in 1H2021 to S$121.1 million in 1H2022. The HW and ITAD business segment's revenue decreased by 0.7% from S$96.5 million in 1H2021 to S$95.9 million in 1H2022, mainly due to lower contribution from the Europe (including the United Kingdom), the Middle East and Africa ("EMEA"). Revenue from the Third-Party Maintenance ("TPM") business segment decreased by 14.2% from S$29.4 million in 1H2021 to S$25.2 million in 1H2022, mainly due to the lower contribution from the Americas.

The Group's overall gross profit increased 14.6% from S$29.6 million in 1H2021 to S$33.9 million in 1H2022 as a result of higher gross profit margin from the HW and ITAD business segment. The Group's overall gross profit margin increased by 4.5 percentage points from 23.5% in 1H2021 to 28.0% in 1H2022.

Other income

Other income decreased from S$2.5 million in 1H2021 to S$0.1 million in 1H2022 as there are no further government support programs relating to COVID-19 pandemic. The Group recorded S$2.4 million in government support programs relating to COVID-19 pandemic and included the recognition of the loans forgiven under the PPP in 1H2021. Other credits increased by S$0.3 million in 1H2022, mainly due to the foreign exchange gain from the revaluation of USD, GBP and EUR denominated receivables.

Selling expenses

Selling expenses increased by S$2.0 million, from S$13.2 million in 1H2021 to S$15.2 million in 1H2022. The growth in gross profit resulted in a higher pay-out of sales commission. The increase in commission rate from tiered commission plan also contributed to the increased selling expenses.

Administrative expenses

Administrative expenses increased by S$0.2 million, from S$17.6 million in 1H2021 to S$17.8 million in 1H2022, mainly due to the increase in travelling expenses as a result of the lifting of travelling restrictions.

Finance costs

Finance costs stood at S$0.4 million in 1H2022 and 1H2021.

Other charges

Other charges decreased by S$0.1 million, from S$0.2 million in 1H2021 to S$0.1 million in 1H2022, mainly due to decrease in allowance for trade receivables.

Profit before and after tax

As a result of the above, the Group recorded a pre-tax profit of S$1.5 million in 1H2022 as compared to S$1.4 million in 1H2021. The Group recorded an income tax expense of S$0.3 million in 1H2022 as compared to income tax credit of S$0.9 million in 1H2021. Income tax credit recorded in 1H2021 was mainly due to the reversal of over provision of income tax.

The Group recorded profit after tax of S$1.3 million in 1H2022 as compared to S$2.3 million in 1H2021.

Review of financial position

Non-current assets

(a) Plant and equipment increased by S$0.4 million from S$2.3 million as at 31 December 2021 to S$2.6 million as at 30 June 2022. The increase was mainly due to additions during the period offset by depreciation charges of S$0.6 million.

(b) The right-of-use assets increased by S$1.2 million from S$4.4 million as at 31 December 2021 to S$5.6 million as at 30 June 2022. The increase was mainly due to new operating lease, partially offset by depreciation charges of S$1.4 million.

(c) Intangible assets decreased by S$0.9 million from S$12.5 million as at 31 December 2021 to S$11.6 million as at 30 June 2022. The decrease was mainly due to the foreign exchange fluctuation from GBP revaluation.

(d) Finance lease receivables (both current and non-current) decreased by S$0.3 million from S$0.6 million as at 31 December 2021 to S$0.3 million as at 30 June 2022. The decrease was mainly due to repayments during the period

Current assets

(e) Inventories record a slight increase of S$0.1 million from S$20.9 million as at 31 December 2020 to S$21.0 million as at 30 June 2022 as a result of increases in inventory level to cater for the anticipated increase in sales demand in the following quarter.

(f) Trade and other receivables decreased by S$5.8 million to S$45.7 million as at 30 June 2022, mainly due to the improvement in collection.

(g) Prepayments decreased by S$1.3 million mainly due to lower 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 decreased by S$0.7 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 a decrease of S$3.5 million from S$21.9 million as at 31 December 2021 to S$18.3 million as at 30 June 2022 as a result of lower value of signed maintenance contracts in 1H2022.

(k) The loans and borrowings (both current and non-current) increased by S$2.8 million, from S$12.1 million as at 31 December 2021 to S$14.9 million as at 30 June 2022 as a result of the utilisation of short-term trade facilities.

(l) The increase in lease liabilities (both current and non-current) of S$1.1 million was mainly due to new operating lease entered during the period.

Net working capital position

The Group recorded a positive working capital of S$38.7 million as at 30 June 2022 compared to S$39.1 million as at 31 December 2021.

Review of cash flows

Net cash generated from operating activities in 1H2022 amounted to S$6.0 million as compared to S$2.3 million in 1H2021. The increase was mainly due decrease in trade and other receivables, prepayments and finance lease receivables amounting to S$4.6 million, S$1.3 million and S$0.3 million respectively. This was partially offset by the increase in inventories of S$4.6 million and the decrease in deferred income and trade and other payables of S$3.5 million and S$0.7 million respectively.

Net cash used in investing activities amounted to S$1.0 million in 1H2022 as compared to net cash generated from investing activities of S$1.2 million in 1H2021. The cash used in 1H2022 was mainly due to the purchase of plant and equipment.

Net cash generated from financing activities in 1H2022 amounted to S$0.6 million as compared to net cash used in financing activities of S$12.4 million in 1H2021. The cash generated from financing activities in 1H2022 was mainly due to proceeds from borrowings of S$47.9 million, partially offset by the repayment of borrowings and lease liabilities of S$45.4 million and S$1.5 million and the interest paid of S$0.4 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's mission to help organisations sustain and extend the life of their IT assets is relevant both during stable economic times and uncertain conditions, such as those exacerbated by the current global supply chain disruptions. In this regard, Procurri's business model is cycle resilient and its growth is expected to be primarily driven by three factors - (i) its continued ability to grow organically, (ii) synergistic bolt-on M&A opportunities, and (iii) cost savings achieved by economies of scale and efficiency.

- First, Procurri will continue to invest in strengthening its client service delivery platform through its three pillars of integrated lifecycle solutions. This will allow Procurri to grow vertically and horizontally, achieving synergies that fragmented industry players are unable to achieve.

- Second, Procurri is positioned to be able to "plug-and-play" M&A targets seamlessly into the three pillars and scale up, as size matters in this industry. We intend to actively seek out such opportunities.

- Third, in line with Procurri's succession planning, the management team will work with the Board to continue to commit to a culture of excellence and innovation. This mindset underpins our ability to run clients' IT infrastructure greener, cheaper and more flexibly.

The urgency to address climate change has been underscored by the proposed mandatory adoption of the Task Force on Climate-related Financial Disclosures (TCFD) framework in major capital markets, such as Singapore and the UK. These developments represent an opportunity for Procurri to help clients in reducing GHG emissions and ultimately achieve net zero carbon emissions.

The Group remains optimistic in our strategy and market engagement. We are confident that these factors will continue to help drive growth in the second half of 2022.

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 26 April 2022.

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 S$ million	Net Proceeds utilised as at the date of this announcement S$ million	Balance of Net Proceeds as at the date of this announcement 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	-
	34.8	32.5	2.3

8 Negative confirmation by the Board pursuant to Rule 705(5).

The directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

9 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.

BY ORDER OF THE BOARD
Thomas Sean Murphy
Executive Director and Global Chief Executive Officer
13 August 2022