PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 31 December 2018 ("FY2018")

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

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Note	4Q2018 $'000	4Q2017 $'000	Change %	FY2018 $'000	FY2017 $'000	Change %
Revenue		52,073	48,668	7.0	220,236	181,822	21.1
Cost of sales		(31,837)	(32,132)	(0.9)	(139,733)	(122,854)	13.7
Gross profit		**20,236**	**16,536**	22.4	**80,503**	**58,968**	36.5
Other items of income							
Other income		586	1,494	(60.8)	1,704	3,130	(45.6)
Other credits		-	-	NM	339	-	NM
Other items of expense							
Selling expenses		(4,048)	(3,166)	27.9	(16,239)	(10,200)	59.2
Administrative expenses		(12,326)	(13,051)	(5.6)	(50,599)	(47,871)	5.7
Finance costs		(138)	(209)	(34.0)	(678)	(737)	(8.0)
Other charges		(2,106)	(2,871)	(26.6)	(4,953)	(5,566)	(11.0)
Profit/(loss) before tax		**2,204**	**(1,267)**	NM	**10,077**	**(2,276)**	NM
Income tax expense		(534)	12	NM	(4,740)	(473)	902.1
Profit/(loss), net of tax		**1,670**	**(1,255)**	NM	**5,337**	**(2,749)**	NM
Profit/(loss) attributable to:							
Owners of the Company		1,670	(1,255)	NM	5,337	(2,749)	NM
Profit/(loss) for the period		**1,670**	**(1,255)**	NM	**5,337**	**(2,749)**	NM
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	1	(470)	(317)	48.3	(452)	(270)	67.4
Other comprehensive income for the period		**(470)**	**(317)**	48.3	**(452)**	**(270)**	67.4
Total comprehensive income for the period		**1,200**	**(1,572)**	NM	**4,885**	**(3,019)**	NM
Profit/(loss) for the period attributable to:							
Owners of the Company		1,670	(1,255)	NM	5,337	(2,749)	NM
Comprehensive income attributable to:							
Owners of the Company		**1,200**	**(1,572)**	NM	**4,885**	**(3,019)**	NM

Statement of comprehensive income

	Note	4Q2018 $'000	4Q2017 $'000	Change %	FY2018 $'000	FY2017 $'000	Change %
Other income							
Interest income		61	11	454.5	241	163	47.9
Gain on fair value of derivative financial asset	2	35	1,044	NM	-	1,044	NM
Others		490	439	11.6	1,463	1,923	(23.9)
		586	1,494		1,704	3,130	
Other credits							
Foreign exchange gain	3	-	-	NM	339	-	NM
		-	-		339	-	
Other charges							
Loss on disposal of plant and equipment		11	51	(78.4)	12	178	(93.3)
Allowance for stock obsolescence	4	1,015	912	11.3	2,965	2,748	7.9
Allowance for trade receivables	5	898	999	(10.1)	1,962	1,135	72.9
Loss on fair value of derivative financial asset	2	-	-	NM	14	-	NM
Foreign exchange loss		182	187	(2.7)	-	783	(100.0)
Others	6	-	722	(100.0)	-	722	(100.0)
		2,106	2,871		4,953	5,566	
Other items							
Depreciation of plant and equipment	7	2,174	2,210	(1.6)	8,384	7,696	8.9
Amortisation of intangible assets		130	189	(31.2)	599	756	(20.8)
Interest expense		138	209	(34.0)	678	737	(8.0)

N.M. - Not meaningful

1. The increase in foreign currency translation loss for foreign operations in FY2018 was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("S$"). The GBP weakened 4.0% in FY2018 from S$1.80/GBP in December 2017 to S$1.73/GBP in December 2018. This was partially offset by the strengthening of US Dollar ("USD") against S$. The USD strengthened 2.1% in FY2018, from S$1.34/USD in December 2017 to S$1.36/USD in December 2018.

2. As previously disclosed in the Company's announcement dated 23 January 2017 on the Rockland Congruity LLC ("Rockland") joint venture, the Company has an option (the "Rockland Call Option") to purchase the remaining 49% membership interest of Rockland. The gain on fair value of derivative financial asset arose from the fair value assessment of this option as at 31 December 2018.

3. The foreign exchange gains mainly arose from the revaluation of USD denominated receivables. The USD strengthened from S$1.34/USD in December 2017 to S$1.36/USD in December 2018.

4. The allowance for stock obsolescence increased mainly due to increase in aged inventories and the Group's policy to mark down multi-generational inventories to net realisable value.

5. The allowance for doubtful trade receivables increased mainly due to an increase in the average age of the receivables.

6. Others comprised impairment of staff advance in FY2017.

7. The increase in depreciation of plant and equipment in FY2018 was mainly due to the depreciation charge on the maintenance parts equipment procured for the maintenance business.

1(b)(i) **A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31-Dec-18 $'000	31-Dec-17 $'000	31-Dec-18 $'000	31-Dec-17 $'000
ASSETS				
Non-current assets				
Plant and equipment	22,054	27,378	20,584	23,007
Investments in subsidiaries	-	-	44,345	44,010
Intangible assets	12,854	13,824	1,039	1,560
Finance lease receivables	1,304	2,038	-	-
Deferred tax assets	1,621	1,190	309	-
Total non-current assets	**37,833**	**44,430**	**66,277**	**68,577**
Current assets				
Inventories	21,055	21,424	-	-
Trade and other receivables	53,365	48,347	11,641	13,073
Prepayments	8,333	5,434	16	18
Finance lease receivables	854	1,433	-	-
Derivative financial asset*	1,043	1,044	-	-
Cash and bank balances	18,082	18,459	9,655	5,911
Total current assets	**102,732**	**96,141**	**21,312**	**19,002**
Total assets	**140,565**	**140,571**	**87,589**	**87,579**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	31,485	29,154	6,747	2,900
Deferred income	18,831	20,527	-	-
Loans and borrowings	9,993	13,252	3,802	4,898
Income tax payable	4,884	3,377	2,074	-
	65,193	**66,310**	**12,623**	**7,798**
Non-current liabilities				
Deferred tax liabilities	144	629	-	80
Loans and borrowings	4,094	8,162	4,094	7,718
Provisions	561	807	65	-
Deferred income	1,532	821	-	-
Total non-current liabilities	**6,331**	**10,419**	**4,159**	**7,798**
Total liabilities	**71,524**	**76,729**	**16,782**	**15,596**
Equity attributable to owners of the Company				
Share capital	71,703	70,938	71,703	70,938
Retained earnings	18,167	12,910	(972)	598
Other reserves	(20,829)	(20,006)	76	447
Equity attributable to owners of the Company	**69,041**	**63,842**	**70,807**	**71,983**
Non-controlling interests *	0	0	-	-
Total equity	**69,041**	**63,842**	**70,807**	**71,983**
Total equity and liabilities	**140,565**	**140,571**	**87,589**	**87,579**

*: The derivative financial asset relates to the Rockland Call Option
*: Less than S$1,000

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Group	As at 31-Dec-18			As at 31-Dec-17		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Amount repayable in one year or on demand	4,892	5,101	**9,993**	7,873	5,379	**13,252**
Amount repayable after one year	-	4,094	**4,094**	271	7,891	**8,162**
	4,892	**9,195**	**14,087**	**8,144**	**13,270**	**21,414**
Borrowings comprise:						
Bank term loans	-	8,396	**8,396**	-	12,625	**12,625**
Short term trade facilities	4,621	-	**4,621**	7,244	-	**7,244**
Finance lease obligations	271	269	**540**	900	395	**1,295**
Bank overdrafts	-	469	**469**	-	-	**-**
Others	-	61	**61**	-	250	**250**
	4,892	**9,195**	**14,087**	**8,144**	**13,270**	**21,414**

Details of collaterals

The secured short-term trade facilities of S$4.6 million as at 31 December 2018 (31 December 2017: S$7.2 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$0.3 million as at 31 December 2018 are secured by charges over the fixed assets with a carrying amount of S$0.7million as at 31 December 2018 (31 December 2017: S$1.2 million).

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		Group	
	4Q2018	4Q2017	FY2018	FY2017
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit/(loss) before tax	**2,204**	**(1,267)**	**10,077**	**(2,276)**
Adjustments for:				
Depreciation of plant and equipment	2,174	2,210	8,384	7,696
Amortisation of intangible assets	130	189	599	756
Share based payment	93	307	394	1,109
Loss on disposal of plant and equipment	11	51	12	178
(Gain)/loss on fair value of derivative financial asset	(35)	(1,044)	14	(1,044)
Interest income	(61)	(11)	(241)	(163)
Interest expense	138	209	678	737
Inventories written down	1,015	912	2,965	2,748
Allowance for trade receivables	898	999	1,962	1,135
Exchange differences	(22)	(605)	(10)	(842)
Operating cash flows before changes in working capital	**6,545**	**1,950**	**24,834**	**10,034**
(Increase)/decrease in inventories	(406)	1,450	(2,385)	(5,230)
(Increase)/decrease in trade and other receivables	906	4,390	(6,678)	(8,198)
Decrease/(increase) in finance lease receivables	425	(1,228)	1,313	(495)
Decrease/(increase) in prepayment	1,316	1,560	(2,898)	(2,566)
(Decrease)/increase in deferred income	(1,752)	1,482	(985)	17,075
(Decrease)/increase in trade and other payables	(4,337)	7,346	1,789	4,113
Net cash generated from operations	**2,697**	**16,950**	**14,990**	**14,733**
Income taxes paid	(973)	348	(3,853)	(1,352)
Net cash generated from operating activities	**1,724**	**17,298**	**11,137**	**13,381**
Cash flows from investing activities				
Purchase of plant and equipment	(1,439)	(7,939)	(3,494)	(5,675)
Proceeds from disposal of plant and equipment	14	112	347	166
Purchase of intangible assets	-	-	-	-
Placement of fixed deposits pledged for bank facilities	59	118	(4)	(1,141)
Placement of fixed deposits	(22)	-	(4,094)	(1,450)
Proceeds from maturity of fixed deposits	-	-	-	3,000
Net cash outflow from acquisition of subsidiaries	-	-	-	(21,646)
Decrease in amounts due from related companies	-	-	-	327
Decrease in amounts due from holding company	-	-	-	2
Interest received	61	11	241	163
Net cash used in investing activities	**(1,327)**	**(7,698)**	**(7,004)**	**(26,254)**
Cash flows from financing activities				
Proceeds from loans and borrowings	27,134	27,590	111,684	112,236
Repayments of loans and borrowings	(30,437)	(31,425)	(119,893)	(108,213)
Increase in amounts due to related companies	(2)	-	-	-
Increase/(decrease) in amounts due to holding company	73	17	(274)	318
Dividends paid	-	-	-	(1,330)
Interest paid	(138)	(209)	(678)	(737)
Net cash (used in)/generated from financing activities	**(3,370)**	**(4,027)**	**(9,161)**	**2,274**
Net (decrease)/increase in cash and cash equivalents	**(2,973)**	**5,573**	**(5,028)**	**(10,599)**
Effect of exchange rate changes on cash and cash equivalents	58	49	28	9
Cash and cash equivalents at beginning of the financial period	13,588	10,051	15,673	26,263
Cash and cash equivalents at end of the financial period	**10,673**	**15,673**	**10,673**	**15,673**
Cash and cash equivalents comprise the following:				
Cash and bank balances	18,082	18,459	18,082	18,459
Less: Bank overdraft	(469)	-	(469)	-
Less: Pledged deposits	(1,481)	(1,450)	(1,481)	(1,450)
Less: Fixed deposits	(5,459)	(1,336)	(5,459)	(1,336)
Cash and cash equivalents	**10,673**	**15,673**	**10,673**	**15,673**

1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share Capital	Retained Earnings	Other Reserves	Equity attributable to owners of the	Non-Controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2018 (as previously stated)	**70,938**	**15,973**	**(23,069)**	**63,842**	**-**	**63,842**
Effect of adoption of SFRS(I)	-	(3,063)	3,063	-	-	**-**
Effect of adoption of SFRS(I) 9	-	(80)	-	(80)	-	**(80)**
Balance as at 1 January 2018 (as restated)	**70,938**	**12,830**	**(20,006)**	**63,762**	**-**	**63,762**
Total comprehensive income for the period	-	5,337	(452)	4,885	-	**4,885**
Issuance of new shares pursuant to performance shares plan	765	-	(765)	-		**-**
Share-based payment	-	-	394	394	-	**394**
Balance as at 31 December 2018	**71,703**	**18,167**	**(20,829)**	**69,041**	**-**	**69,041**
Balance as at 1 January 2017 (as previously stated)	**70,068**	**20,052**	**(23,038)**	**67,082**	**-**	**67,082**
Effect of adoption of SFRS(I)	-	(3,063)	3,063	-	-	**-**
Balance as at 1 January 2017 (as restated)	**70,068**	**16,989**	**(19,975)**	**67,082**	**-**	**67,082**
Total comprehensive income for the period	-	(2,749)	(270)	(3,019)	-	**(3,019)**
Issuance of new shares pursuant to performance shares plan	870	-	(870)	-	-	**-**
Share-based payment	-	-	1,109	1,109	-	**1,109**
Dividends	-	(1,330)	-	(1,330)	-	**(1,330)**
Balance as at 31 December 2017	**70,938**	**12,910**	**(20,006)**	**63,842**	**-**	**63,842**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2018	70,938	598	447	**71,983**
Total comprehensive income for the period	-	(1,570)	-	**(1,570)**
Issuance of new shares pursuant to performance shares plan	765	-	(765)	**-**
Share-based payment	-	-	394	**394**
Balance as at 31 December 2018	**71,703**	**(972)**	**76**	**70,807**
Balance as at 1 January 2017	70,068	(1,442)	208	**68,834**
Total comprehensive income for the period	-	3,370	-	**3,370**
Issuance of new shares pursuant to performance shares plan	870	-	(870)	-
Share-based payment	-	-	1,109	**1,109**
Dividends	-	(1,330)	-	**(1,330)**
Balance as at 31 December 2017	**70,938**	**598**	**447**	**71,983**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

A) Changes in share capital during the financial period

	Number of Ordinary Shares '000	Issued and Paid-up Share Capital $'000
As at 1 January 2018	282,057	70,938
As at 31 December 2018	284,689	71,703

B) Share options – employee share option scheme

Between 1 January 2018 and 31 December 2018, the Company did not issue any shares under the employee share option scheme.

As at 31 December 2018, there are no outstanding options under the employee share option scheme (31 December 2017: NIL).

C) Performance share plan

As at 31 December 2018, the number of outstanding awards granted under the performance share plan was 412,800 (31 December 2017: 4,760,900).

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.

D) Treasury shares and subsidiary holdings

No treasury shares and subsidiary holdings were held by the Company as at 31 December 2018 and 31 December 2017.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares as at 31 December 2018 was 284,689,000 (31 December 2017: 282,056,600). The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company does not have treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have subsidiary holdings.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the financial year ended 31 December 2018 compared with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption of Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted SFRS(I) on 1 January 2018, including improvements to SFRS(I) and Interpretations of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2018, and in the period ended 31 December 2018, where applicable.

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group reclassified the foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I)15 and SFRS(I)9, the adoption of the SFRS(I) will have no material impact on the financial statements in the year of initial application.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Group	4Q2018	4Q2017	FY2018	FY2017
Basic earnings per share (cents)	0.59	(0.45)	1.89	(0.98)
Fully diluted earnings per share (cents)	0.59	(0.45)	1.89	(0.98)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

a) current financial period reported on; and
b) immediately preceding financial year.

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Net asset v alue per share (cents)	24.25	22.63	24.87	25.52
Number of shares in issue ('000)	284,689	282,057	284,689	282,057

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of performance – 4Q2018 vs 4Q2017

	4Q2018	4Q2017	Change %
Revenue ($'000)			
IT Distribution	34,991	35,132	(0.4)
Lifecycle Services	17,082	13,536	26.2
Total	**52,073**	**48,668**	7.0
Gross Profit ($'000)			
IT Distribution	10,815	8,817	22.7
Lifecycle Services	9,421	7,719	22.0
Total	**20,236**	**16,536**	22.4
Gross Profit Margin (%)			
IT Distribution	30.9	25.1	5.8
Lifecycle Services	55.2	57.0	(1.9)
Total	**38.9**	**34.0**	4.9

The Group's revenue increased by 7.0% from S48.7 million in 4Q2017 to S$52.1 million in 4Q2018. The IT Distribution business segment's revenue record a slight decrease of S$0.1 million to S$35.0 million in 4Q2018. The revenue from the Lifecycle Services business segment increased by 26.2% from S$13.5 million in 4Q2017 to S$17.1 million in 4Q2018, mainly attributable to the better performance from the Americas and the Europe (including the UK), Middle East and Africa ("EMEA").

The Group's overall gross profit increased 22.4% from S$16.5 million in 4Q2017 to S$20.2 million in 4Q2018, in line with higher revenue and higher margin. The Group's overall gross profit margin increased by 4.9 percentage points from 34.0% in 4Q2017 to 38.9% in 4Q2018. The gross profit margin in the IT Distribution business segment increased from 25.1% in 4Q2017 to 30.9% in 4Q2018 as a result of a few higher margin deals that were booked during the period. The gross profit margin in the Lifecycle Services business segment decreased from 57.0% in 4Q2017 to 55.2% in 4Q2018, mainly attributable to the higher maintenance services cost. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses increased by $0.9 million, from S$3.2 million in 4Q2017 to S$4.0 million in 4Q2018. 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 decreased by S$0.7 million, from S$13.1 million in 4Q2017 to S$12.3 million in 4Q2018, mainly due to decrease in staff cost. Staff costs decreased 6.3% or $0.6 million year-on-year as a result of lower staff cost in the Asia Pacific and the Americas.

Other charges decreased by S$0.8 million, from S$2.9 million in 4Q2017 to S$2.1 million in 4Q2018. The other charges recorded in 4Q2018 mainly arose from the provision for stock obsolescence of S$1.0 million, the allowance for bad debts of S$0.9 million and the exchange loss of S$0.2 million. Inventory are carried by IT Distribution business segment and the procurement is sometimes opportunistic and trading in nature, the provision for stock obsolescence as a percentage of IT Distribution revenue is within the Group's acceptable range.

As a result of the above, the Group recorded a pre-tax profit of S$2.2 million in 4Q2018 compared to a loss of S$1.3 million in 4Q2017.

The Group recorded an income tax expense of S0.5 million in 4Q2018. The high effective tax rate was mainly due to tax provision that arose from the Global Parts Center's charges to the America's maintenance business. Profit after tax rose to S$1.7 million in 4Q2018 from a loss of S$1.3 million in 4Q2017.

Review of performance – FY2018 vs FY2017

	FY2018	FY2017	Change %
Revenue ($'000)			
IT Distribution	154,802	140,328	10.3
Lifecycle Services	65,434	41,494	57.7
Total	**220,236**	**181,822**	21.1
Gross Profit			
IT Distribution	42,772	38,606	10.8
Lifecycle Services	37,731	20,362	85.3
Total	**80,503**	**58,968**	36.5
Gross Profit Margin (%)			
IT Distribution	27.6	27.5	0.1
Lifecycle Services	57.7	49.1	8.6
Total	**36.6**	**32.4**	4.1

Revenue from the IT Distribution and Lifecycle Services business segments increased by 10.3% and 57.7%, respectively. The IT Distribution business segment's revenue grew from S$140.3 million in FY2017 to S$154.8 million in FY2018, mainly attributable to better performance from the Asia Pacific and the Americas. The revenue from the Lifecycle Services business segment increased from S$41.5 million in FY2017 to S$65.4 million in FY2018, mainly due to the better performance from the Americas and the EMEA.

The Group's overall gross profit increased 36.5% from S$59.0 million in FY2017 to S$80.5 million in FY2018, in line with higher revenue and higher margin. The Group's overall gross profit margin increased by 4.1 percentage points from 32.4% in FY2017 to 36.6% in FY2018. The gross profit margin in the IT Distribution business segment record a slight increase from 27.5% in FY2017 to 27.6% in FY2018 as a result of a few higher margin deals that were booked during the year. The gross profit margin in the Lifecycle Services business segment increased from 49.1% in FY2017 to 57.7% in FY2018, mainly attributable to the shift in the delivery of maintenance services from being primarily based on outsourcing to one which is integrated with in-house capabilities.

Selling expenses increased by S$6.0 million, from S$10.2 million in FY2017 to S$16.2 million in FY2018. The higher pay-out of sales commission, in line with the growth in gross profit and the increase in commission rate from tiered commission plan, resulted in the increased selling expenses.

Administrative expenses increased by S$2.7 million, from S$47.9 million in FY2017 to S$50.6 million in FY2018, mainly due to the maiden expenses of S$2.3 million from Rockland (being 10 months in FY2017 as compared to 12 months in FY2018). Staff costs, excluding Rockland, stays relatively flat at S$ 23.8 million.

Other charges decreased by S$0.6 million, from S$5.6 million in FY2017 to S$5.0 million in FY2018. The other charges recorded in FY2018 mainly arose from the provision for stock obsolescence of S$3.0 million and the allowance for bad debts of S$2.0 million. Inventory are carried by IT Distribution business segment and the procurement are sometimes opportunistic and trading in nature, the provision for stock obsolescence as a percentage of IT Distribution revenue is within the Group's acceptable range.

As a result of the above, the Group recorded a pre-tax profit of S$10.1 million in FY2018 compared to a loss of S$2.3 million in FY2017.

The Group recorded an income tax expense of S$4.7 million in FY2018 and a profit after tax of S$5.3 million in FY2018 as compared to a loss of S$2.7 million in FY2017. The high effective tax rate was mainly due to a tax provision that arose from the Global Parts Center's charges to the America's maintenance business.

Review of financial position

Non-current assets

a) Plant and equipment decreased by S$5.3 million from S$27.4 million as at 31 December 2017 to S$22.1 million as at 31 December 2018. The decrease was mainly due to the depreciation charges of S$8.4 million, partially offset by the addition of maintenance parts equipment acquired to support the Group's third-party maintenance business.

   At the Company level, the plant and equipment decreased by S$2.4 million from S$23.0 million as at 31 December 2017 to S$20.6 million as at 31 December 2018. The decrease was mainly due to the depreciation charges of S$6.4 million, partially offset by the purchase of maintenance parts to support the Group's third-party maintenance business.

b) Intangible assets decreased by S$1.0 million, mainly due to the amortisation charge of S$0.6 million and translation loss of S$0.4 million on the balance of intangible assets as at 31 December 2018. The intangible assets were primarily denominated in foreign currencies.

c) Finance lease receivables (both current and non-current) decreased by S$1.3 million to S$2.2 million as at 31 December 2018. The repayments were partially offset by the new leases secured during the period.

Current assets

d) Inventories remains relatively flat at S$21.1 million.

e) Trade and other receivables increased by S$5.0 million to S$53.4 million as at 31 December 2018. The increase was mainly due to the increase in revenue.

f) Prepayments increased by S$2.9 million mainly due to higher advance payments made to suppliers.

g) The movement in cash and bank balances is illustrated in the statement of cash flows and review of cash flows.

Liabilities

h) The decrease in loans and borrowings (both current and non-current) of S$7.3 million was mainly due to the repayment of term loans, short-term trade facilities and finance leases.

i) Deferred income (both current and non-current) principally comprised of deferred maintenance revenue from signed maintenance contracts. Deferred income records a slight decrease of S$1.0 million at S$20.4 million as at 31 December 2018.

j) Trade and other payables increased by S$2.3 million to S$31.5 million as at 31 December 2018.

Net working capital position

The Group recorded a higher positive working capital of S$37.5 million as at 31 December 2018 compared to S$29.8 million as at 31 December 2017

Review of cash flows

Net cash generated from operating activities in FY2018 amounted to S$11.1 million as compared to S$13.4 million in FY2017. The decrease was mainly due the increase in inventories, trade and other receivables and prepayments of S$2.4 million, S$6.7 million and S$2.9 million respectively and the decrease in deferred income of S$1.0 million. This was partially offset by the higher operating profits, the increase in trade and other payable of S$1.8 million and the decrease in finance lease receivables of S$1.3 million.

Net cash used in investing activities decreased to S$7.0 million in FY2018 as compared to S$26.3 million in FY2017. This was mainly attributable to the lower purchase of plant and equipment amounting to S$3.5 million and the placement of fixed deposit of S$4.1 million. The cash used in investing activities in FY2017 was mainly due to the acquisition of subsidiaries and the purchase of plant and equipment amounting to S$21.6 million and S$5.7 million respectively and the placement of fixed deposits of S2.6 million, partially offset by the proceeds from maturity of fixed deposit of S$3.0 million.

Net cash used in financing activities in FY2018 amounted to S$9.2 million as compared to cash generated from financing activities of S$2.3 million in FY2017. The cash used in financing activities was primarily due to the repayment of borrowings of S$119.9 million, partially offset by net proceeds from loans and borrowings of S$111.7 million.

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

The unaudited financial results for the financial year ended 31 December 2018 set out in this announcement are in line with the corporate and business update announcement released by the Company on 30 January 2018.

10 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.

The Group's financial turnaround in FY2018 reaffirms its value proposition as a global aggregator of IT lifecycle services and data centre equipment. Notwithstanding the current uncertainties in the global economy, such services and hardware business remains healthy, especially as companies worldwide increasingly turn to cloud-based infrastructure to better meet fast-changing business needs.

According to Gartner, the worldwide public cloud services market is expected to grow 17.3% in 2019 to US$206.2 billion from US$175.8 billion last year, with demand for cloud system infrastructure services being a key driver.

To further strengthen the Lifecycle Services business, Procurri announced on 18 November 2018 a US$22 million offer for the remaining 49% of its US-based joint venture company Rockland Congruity LLC ("Rockland") which it did not already own. Having full control of Rockland will enable the Group to compete more effectively in the third-party IT maintenance industry, where many of its peers have merged in a bid to capture more market share. The proposed acquisition is subject to approval of shareholders at an extraordinary general meeting scheduled for 28 February 2019.

Against this backdrop, companies that have yet to embrace cloud computing or have only just started doing so are finding brand-agnostic service providers increasingly relevant in meeting their IT needs during their transition to the cloud. The Group expects to benefit significantly from this structural shift, with its ability to provide a variety of IT lifecycle services such as maintenance for new, out-of-warranty and end-of-life equipment, as well as disposal of obsolete hardware. Its IT Distribution business should also continue to do well, with used enterprise hardware no longer being shunned as more businesses seek to optimize their IT budgets without compromising on quality and security.

The Group remains fully committed to growing both its Lifecycle Services and IT Distribution businesses and sees cloud adoption as a key catalyst for its continued growth.

11 If a decision regarding dividend has been made:

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

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

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

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for FY2018 in view of the funding needs of the Group for future business development and expansion.

13 If the Group 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.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 1 January 2018 to 31 December 2018 $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 1 January 2018 to 31 December 2018 $'000
Provision of shared services by the DeClout Group		
DeClout Limited	NA	367

14 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 (as disclosed in the Prospectus) 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	17.0	16.1	0.9
Enhancement of infrastructure	5.0	1.9	3.1*
Repayment of the DeClout loans	6.1	6.1	-
Working capital purposes	6.7	6.7	-
	34.8	30.8	4.0

*Subject to the shareholders' approval in the Extraordinary General Meeting to be held on 28 February 2019 on the resolution to proceed with the proposed acquisition of 49% of the issued and outstanding equity interests of Rockland Congruity LLC (as per the Circular dated 13 February 2019), the IPO Proceeds amounting to approximately S$3,1 million unutilised for the enhancement of infrastructure will be allocated to fund mergers and acquisitions, joint ventures and partnerships strategy to pay for part of the purchase price for the proposed acquisition.

15 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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) Business segments

Management monitors the operating results of its segments separately for the purpose of making decisions 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 and are not monitored by segments. Please refer to paragraph 8 of this announcement for the review of the results of the IT Distribution and Lifecycle Services segments.

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	FY2018	FY2017	Increase / (decrease)
	$'000	$'000	%
Geographical information by revenue			
Singapore	31,574	27,852	13.4
EMEA	63,129	66,327	(4.8)
Americas	120,992	81,948	47.6
Others	4,541	5,695	(20.3)
	220,236	181,822	21.1
Geographical information by non current assets			
Singapore	20,995	26,685	(21.3)
EMEA	10,239	10,540	(2.9)
Americas	934	1,248	(25.2)
Others	2,740	2,729	0.4
	34,908	41,202	(15.3)

Non-current assets information presented above consist of plant and equipment and intangible assets as presented in the consolidated balance sheet.

Revenue in the Americas increased 47.6% from the contribution from both IT Distribution and Lifecycle Services business segments.

Non-current assets in Singapore declined 21.3% mainly due to the depreciation charges of the maintenance parts. Non-current assets in the Americas decreased 25.2% as a result of reclassification of lease equipment from non-current assets to inventory as the remaining lease with the customers is less than 12 months.

17 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating or geographical segments.

Please refer to paragraph 8 and 16 of this announcement.

18 A breakdown of sales.

	FY2018	FY2017	Increase / (decrease)
	$'000	$'000	%
(a) Sales reported for the first half year	112,780	81,899	38%
(b) Profit after tax for the first half year	2,245	(1,506)	NM
(c) Sales reported for the second half year	107,456	99,923	8%
(d) Profit after tax for the second half year	3,092	(1,243)	NM

19 A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2018	FY2017
	$'000	$'000
Dividend		
- Final	-	-
Total	-	-

20 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
25 February 2019