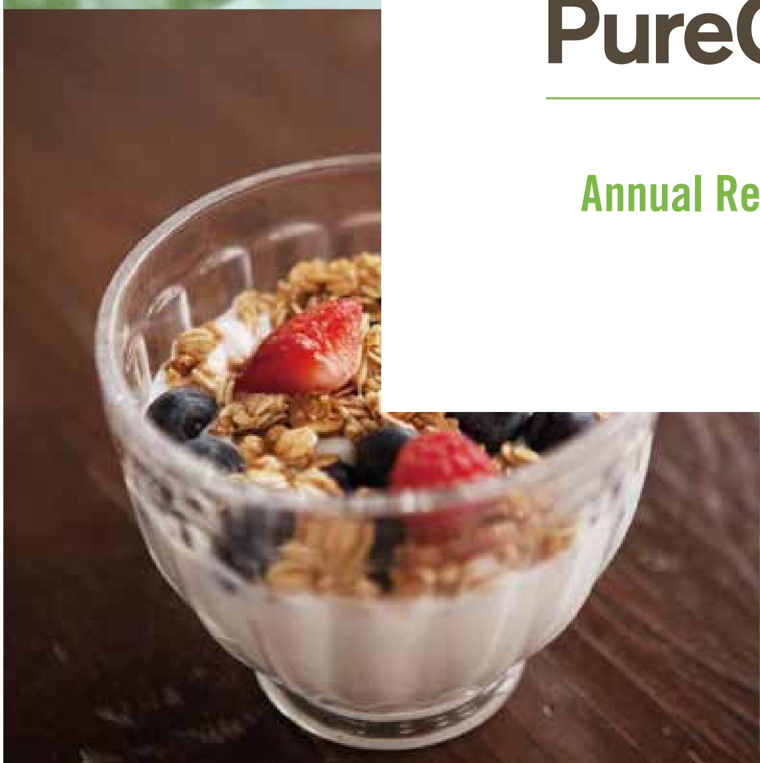






PureCircle®

Annual Report 2019




PURECIRCLE IS THE WORLD'S LEADING PRODUCER AND INNOVATOR OF GREAT-TASTING STEVIA LEAF INGREDIENTS FOR THE GLOBAL FOOD AND BEVERAGE INDUSTRY.

PureCircle Limited (the "Company") is a company incorporated and registered in Bermuda under the Companies Act 1981. The Company's ordinary shares are listed on the London Stock Exchange (LSE).

PureCircle is the only stevia company with the formulation expertise, and a vertically integrated supply chain to deliver the great-tasting, high-quality, non-GMO stevia ingredients. Our vertical integration allows us to scale responsibly to meet the demands of the global food and beverage industry, with whom we work alongside to deliver custom stevia solutions specific to their needs.

Highlights

$124.0m
in sales

($79.7m)
net loss

191
granted patents
as at 30 June 2019

($29.6m)
adjusted EBITDA*

63 countries
sales in

1,092
employees

5 billion+
consumers with access to PureCircle stevia products

>21,000
food and beverage products containing stevia accessible around the world

OUR PORTFOLIO

PureCircle's portfolio of stevia leaf ingredients focuses on highlighting the best tasting stevia ingredients which work well with a wide range of products for food and beverage companies. The Company's success in cultivating proprietary stevia leaf varieties, which contain significantly higher amounts of the most-sugar like sweeteners; and in scaling the Company's supply of Reb M and D through these special stevia leaf varieties, and its patented process to produce Reb M from other stevia sweeteners in the plant, provides further access to the best tasting stevia ingredients for the food and beverage companies.

PureCircle SWEETENERS

High-purity stevia sweeteners to naturally reduce calories.

SG95 **Reb A**
Alpha® **Reb D and M**
Reb AM

PureCircle FLAVORS

Flavor modifiers that offer synergies with stevia sweeteners and clean labelling options.

NSF Family

PureCircle SIGMA SOLUTIONS

Category Solutions that maximise calorie reduction in specific applications.

Sigma-Tea™ **Sigma-Beverage™**
Sigma-Dairy™

* Adjusted EBITDA is an alternative performance measure which the Directors believe is helpful in understanding the performance of the business. Refer to Note 30 – Segmental Reporting (pages 129 to 130) for definitions of alternative performance measures.

INTRODUCTION

At a Glance

OUR MARKET IS GROWING AND DYNAMIC, FUELLED BY CONSUMER DEMAND

OUR MISSION

is to encourage healthy diets around the world by being the preferred grower, supplier and innovator of high-purity, great-tasting stevia ingredients for the global food and beverage industry.

OUR COMMITMENT IS TO...

Growth
in our business in all regions of the world.

Penetration
of stevia into all major food and beverage categories.

Expansion
of our production capacity to support demand.

Diversification
of leaf supply outside of China.

Investment
in our people, our systems and our organisation.

OUR KEY PRIORITIES AND CHALLENGES

Customer centric
We want to become and be the preferred supplier and partner for producers in the food and beverage industry.

Coping with volatility
We need to ensure that our business has the flexibility, capacity and robustness to cope with global market volatility, in whatever form that takes.

Competition
Our bio-technology heritage gave us first mover advantage in developing the new stevia industry. Our role now is to stay ahead of the competition so as to preserve our leadership position for as long as possible.

INVESTMENT CASE

Our product – high purity stevia – is a force for good in the world.

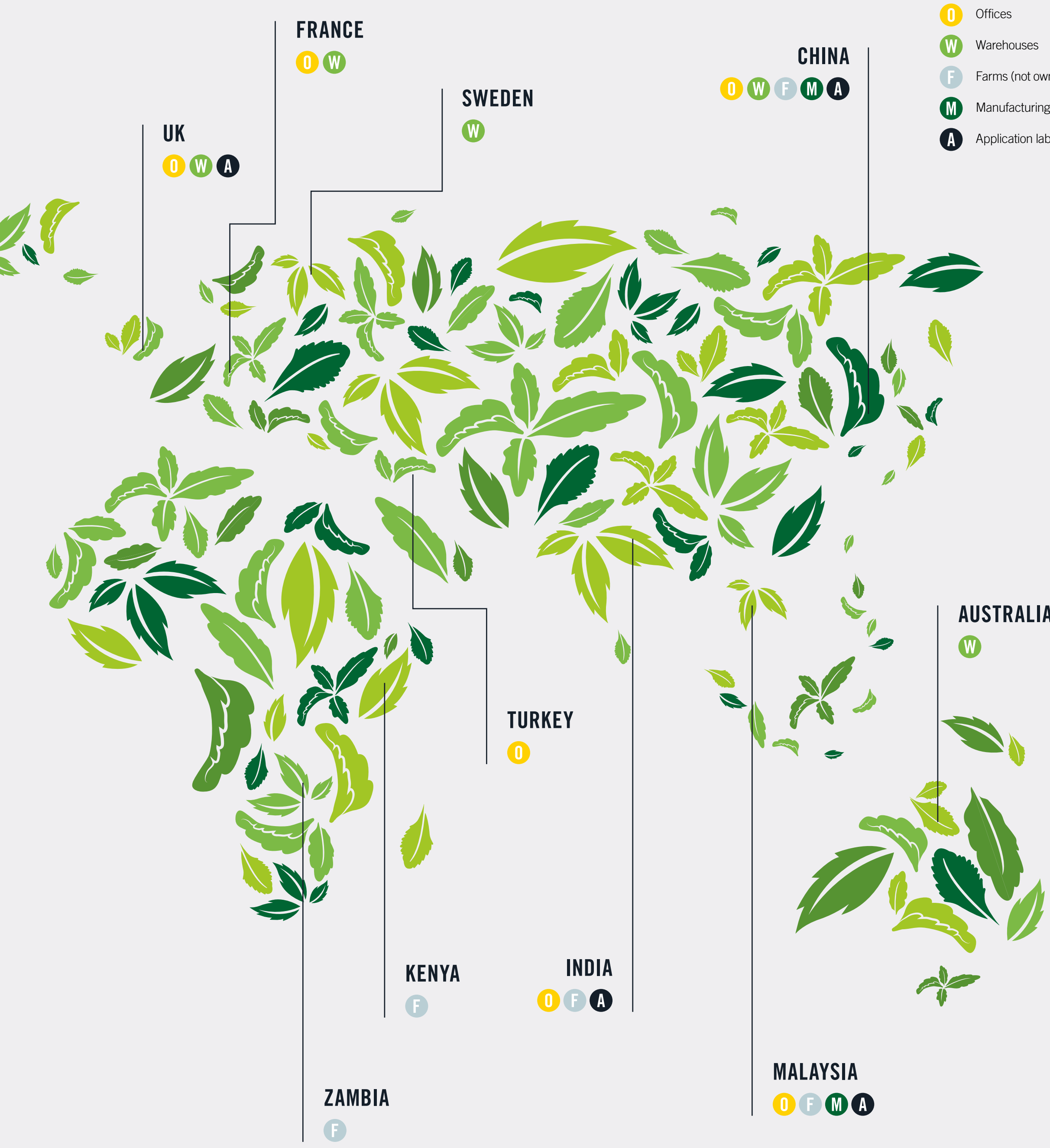
We help some of the largest global brands in the food and beverage industry to achieve their goals of reducing sugar and calories without compromising the taste of their products.

What sets us apart is not just what we do, it's how we do it – we are the only stevia producer that has an integrated supply chain.

Our intellectual property is protected through over 300 patents granted and patents pending.

OUR GEOGRAPHIC FOOTPRINT

- O Offices
- W Warehouses
- F Farms (not owned)
- M Manufacturing plant
- A Application laboratory



We are continually innovating to ensure we always create and deliver the greatest-tasting, most consistent stevia in the world.

Our market is growing and dynamic, fuelled by consumer demands, increasing regulation and legislation such as sugar taxes.

We reduce risks to our business through geographic, products and sector diversification.

We have restructured and strengthened our Board and management teams towards better performance and controls, with proper governance.

INTRODUCTION

PURECIRCLE'S INDUSTRY LEADING FORMULATION EXPERTISE

PureCircle is continuously investing in its ability to better serve customers and attract new ones. PureCircle next generation stevia offers distinct advantages over other stevia ingredients, and the Company's ability to formulate with it across an increasingly wider range of applications has allowed PureCircle to unlock and overcome barriers related to taste.

PureCircle's industry-leading knowledge of how to get the best ingredients directly from the stevia leaf has been one of its key points of differentiation. The PureCircle Agronomy Programme has yielded consistently advantageous stevia plant varieties which yield the most sought after stevia leaf ingredients for food and beverage companies.

Everything PureCircle does begins and ends with the stevia leaf. Its production technologies have enabled the Company to ramp up its ability to produce significant quantities of next generation non-GMO stevia cost-effectively for food and beverage companies of all sizes.

Additionally, because of PureCircle's ability to map the full genome of the stevia leaf, new functional ingredients have been identified. PureCircle is looking to commercialise new antioxidants, fibres and proteins from the stevia leaf which will provide both functional ingredients paired with its existing robust portfolio of stevia leaf sweeteners (like Reb M and Reb D) and flavours. This all makes PureCircle's products more cost-effective and sustainable for its customers.

Getting to great taste has always been highly prioritised. In 2018, PureCircle brought in its own executive chef to help expand its application and formulation work, and move into additional culinary applications.

PureCircle is working with customers to achieve great taste with its naturally sourced ingredients in confectionery, baked goods, dairy, supplements and several other categories where sugar reduction has become a priority. With a sole focus on stevia, PureCircle has unparalleled expertise and proficiencies working with these non-GMO ingredients.

Chairman's Report

"PURECIRCLE FACED MANY DIFFICULT CHALLENGES IN FINALISING OUR FY2019 RESULTS IN ORDER TO DELIVER THIS ANNUAL REPORT TO OUR SHAREHOLDERS. SOME OF THESE CHALLENGES HAVE BEEN REFERRED TO IN OUR PUBLIC DISCLOSURES BUT ON BEHALF OF THE BOARD, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO PROVIDE OUR SHAREHOLDERS WITH A CLEAR ACCOUNT OF WHAT HAPPENED AND WHAT WE HAVE DONE TO ADDRESS THE ISSUES WE FACED."

I joined the Board as a Non-Executive Director on 18 November 2019 and was appointed as Chairman on 10 February 2020, after the AGM.

ACCOUNTING AND GOVERNANCE ISSUES

As we approached the scheduled date for publication of the accounts in September 2019, our auditors made us aware that there was an unexplained reconciliation difference in the value of our inventory between two internal systems which are used to account for and manage the business. The impact of this issue covered multiple years and resulted in not derecognising the full cost of inventory to cost-of-goods-sold (COGS) upon sale. We brought in external consultants, specifically forensic accountants and legal specialists to identify the corrections needed and a clear set of actions to prevent recurrence.

These discoveries led us to disclose that we believed there to have been inappropriate accounting treatment for allocation for full cost of inventory and COGS as disclosed in Notes 12 and Note 34 to the Comprehensive Financial Statements.

In addition, during the course of work being undertaken by PricewaterhouseCoopers, matters of concern were identified in relation to how certain other transactions had been constructed and/or reflected in the Group's accounting records. These matters relate to revenue cut-off, and non-commercial transactions. The investigations identified the apparent override of controls by members of senior management that may have contributed to the historical misstatements of the Company's results going undetected. As a result, adjustments with the effect of reducing sales of approximately US$4.5 million and US$5.1 million have been made to the 2018 and 2017 financial results respectively.

As a Board, we had to understand the root causes of the problems. We identified a culture within the organisation of "make the numbers" as a priority over doing things properly. Operating management have always been very committed to the business and clearly wished the business to be successful. At the same time, meeting our loan covenants to satisfy our lenders was an issue in management's minds as well. As a result, proper accounting controls were overridden and inappropriate transactions were recorded.

During this period of finalising our FY2019 results, both the CEO and CFO left the business. Their departures were traumatic, especially as the CEO, the founder of the business, can be credited with creating the stevia industry.

We also undertook an investigation to understand whether these issues were the result of systems, processes, and controls that were not fit for purpose, or whether there were any other issues which required addressing. We are implementing those recommended actions which are briefly discussed below:

1. We are strengthening financial oversight and setting policies and procedures in the Group to ensure no reoccurrence of previous accounting and governance issues.
2. We have brought in Jimmy Lim, CFO to be based in Kuala Lumpur, Malaysia, where the centre of the Group's financial operations is located.
3. We are implementing and enhancing our policies and standard operating procedures (SOPs) relating to critical financial functions such as consolidation, inventory management and sales recognition policy etc.

John Slosar, the former Chairman, assumed the role of Interim CEO in November 2019. He personally undertook to speak to those in the organisation who might have been involved or known about the issues described above and whose leadership in changing Company culture we deemed important going forwards to ensure that they understood that we were going to operate to high ethical standards. John provided stability, leadership and stewardship to the Company during a period of uncertainly and on behalf of the Board, I would like to express our sincere appreciation.

The Board has closely monitored these investigations and is satisfied that management has reviewed a sufficiently large number of transactions to support these financial statements. Our auditors undertook significant additional testing of transactions to verify the credibility of the results in FY2019 and for previous years. Their additional testing confirmed the control environment problems in the Company.

Your Board is committed to producing correct financial statements and is satisfied that we have identified and corrected these issues and that we have taken positive steps to ensure that there will be no recurrence of them going forwards.

Following the various audit adjustments reflected in our FY19 financial statements, it became clear that the Company had breached the banking covenants related to the bank facility. The Company therefore approached the banks in its lending syndicate and began discussions to secure appropriate waivers of past breaches and in order to put the Company in a stable position to refinance its debts, given that the current term of our debt agreement expires in November 2020.

INTRODUCTION

Chairman's Report continued

The Group secured an approval from its lenders for Waivers and Amendments to its Senior Facility Agreement ("Waivers and Amendments"). This fully waives all previous defaults, in addition to securing $8.6 million of additional liquidity into the business by way of an unsecured subordinated loan from certain substantial shareholders.

The Waivers and Amendments contain certain conditions and covenants that the Group may not be able to meet, and there is also the risk, in particular in relation to COVID-19 pandemic, that the Group may not have sufficient liquidity up until the facility is required to be repaid in November. However, the Directors are exploring alternative financing options including securing a definitive new equity infusion, full debt refinancing or sale and leaseback of the refinery plant facilities as alternatives to raise cash to fund the business and operations before the facility needs to be repaid.

This is an important step in ensuring the Company remains viable and has the liquidity it needs to deliver on its strategy for the foreseeable future. Nonetheless, these matters indicate the existence of a material uncertainty that casts doubt on the Group's going concern assumptions. Our auditors have drawn attention to the material uncertainty with respect to going concern in an emphasis of matter in their audit opinion.

Further details are provided in Note 4 on pages 89 to 95, and Note 22 on pages 122 and 123, to the Consolidated Financial Statements, respectively.

I am pleased to say that the Company has had good support from our banks, and I would like to thank them for that.

MANAGEMENT AND BOARD

There has been wholesale change to the PureCircle Board over the past few months as we deal with the aftermath of the issues discussed above and focus on strengthening our Board for the future. The full details of these changes are provided in the Governance Overview report on page 40.

Peter Lai was appointed as Group Chief Executive Officer and Jimmy Lim as Chief Financial Officer and, both joined the Board in February 2020.

Peter already had significant knowledge of PureCircle, having been a Non-Executive Director from June 2008 until March 2017. When he stepped down from the Board, he continued to serve as Advisor to the Board on China matters and was Chairman of the Group's two subsidiaries there.

Peter brings to the role experience in financial management and corporate governance good practice. He has held various senior positions in banking institutions including Morgan Grenfell Asia & Partners Securities and Citi Private Bank. Peter is also a Chartered Financial Analyst (CFA) charterholder of the CFA Institute, USA since 1992.

Jimmy Lim took over the position of Group CFO in February 2020, following the completion of a handover from James Ritchie, the Interim CFO. Jimmy was elected to join the Board following the shareholders meeting held on 10 February 2020 and is based at the Company's office in Kuala Lumpur, Malaysia. He has over 27 years' financial and operational management experience. He has previously overseen key financial management operations and has driven business profitability. He brings a commercial perspective to his professional activities, having previously been a CEO. His ability to form clear judgements, and achieve results has been well-tested throughout his career. Jimmy is a Fellow Chartered Accountant of Singapore and a Fellow CPA of Australia.

I welcome them both to the Group and I am confident that they will provide the leadership which PureCircle needs to restore its reputation for financial soundness.

In November 2019, we welcomed Datuk Ali Kadir, Tan Boon Seng and Tan Sri Wan Azmi Wan Hamzah who joined in November 2019. Boon Seng subsequently resigned in December 2019 for personal reasons.

Following their resignation in December 2019, I thank John Gibney, Mitch Adamek and Tan Boon Seng for their service as Non-Executive Directors. Also, on behalf of the Board, I would also like to express our appreciation to John Slosar, Rosemarie S. Andolino and Ann Marie Scichili, who stood for re-election at the recent AGM in February 2020, however, withdrew their candidacy for re-election to the Board of the Company at its recent AGM in February 2020.

Finally, I would also like to thank Paul Selway-Swift, who retired after 11 years as Chairman following the Annual General Meeting in November 2018, for his great contribution to, and stewardship of, PureCircle.

STRATEGIC FOCUS

Despite the issues that have justifiably consumed so much attention recently, I believe that our strategy to transform the business to scale, produce and sell breakthrough super-tasting natural stevia ingredients and commercialise new technologies remains sound.

We are continuing to develop and innovate stevia products, as demonstrated by some remarkable achievements for the Company realised in FY2019 and continuing to date.

First, the Company has proven that it is able to produce Reb M and bio Reb M in scale. These new sweeteners can now be found in an increasing number of food and beverage products and our sales pipeline is showing increasing market acceptance of Reb M and bio Reb M. Being such a step-change improvement over other stevia sweeteners, it is not surprising that we have had to defend the IP we created in Reb M. As a result of a lawsuit filed by us, a challenge was raised to our bio Reb M patents at the Patent Review Board in the Patent Office in Washington, D.C. After review, the Patent Review Board affirmed our patents, which for PureCircle was an important result.

The supply of stevia is vital for the success of our business. We have been working hard on developing better, more productive cultivars for many years. This work is now clearly paying off. In FY2020, about 25% of our leaf grown in China will be of a variety developed by us that has some 40% more steviol glycosides than previous stevia varieties. This hardy variety grows well and promises significant unit cost reductions for our products going forwards. In FY2021, we are planning so that nearly all of the leaf grown for PureCircle by its contracted farmers will be of this new, highly productive variety.

COVID-19 UPDATE

The World Health Organization (WHO) on 30 January 2020 declared the coronavirus outbreak a public health emergency. During that time, the Group's extraction plant in China was already closed for the week long lunar new year celebration but operations were further suspended from 31 January 2020 to 18 February 2020 to adhere to the authority's measure to contain the outbreak. Operations at the Group's refinery facility in Malaysia have been suspended since 18 March 2020 following the government's movement control order to stop COVID-19 infection, however we are pleased to report that we have secured approval from the authorities to reopen and restart production immediately.

Our priority is the health and safety of our employees. As of today, none of our employees are known to be infected or suspected to have contracted the virus. Given the economic uncertainty arising from COVID-19, the Group is taking measures to support the business to withstand this period of uncertainty.

Refer to CEO's report in the section following for further details.

CONCLUSION

Despite the financial and governance issues during FY2019, PureCircle has continued to refine its expertise in bringing the highest quality, cost effective stevia products to the food and beverage companies of the world. The PureCircle team excels at this. I would like the thank all our PureCircle colleagues for their hard work and our suppliers and customers for their support, particularly over the last six months.

The delay in publishing our accounts and the suspension of our shares is greatly regretted by the Board. We thank you, our shareholders, for your patience. We have learnt from this and will ensure that your business is run with the highest standards of governance and control in the future.

PureCircle has repeatedly demonstrated its ability to innovate. We have been investing in stevia, in our products and our people. Our markets are opening up as both governments and consumers look to move to lower calorie alternatives to sugar. With our new management team, we will work toward delivering PureCircle's strategic priorities.

Dato' Robert Cheim Dau Meng
Non-Executive Chairman

31 March 2020

PURECIRCLE EMBODIES GLOBAL MEGA TRENDS

PureCircle's business is intrinsically aligned with the most prominent global mega trends. Three of the most commonly identified macro trends include sugar reduction, plant based foods and sustainability. These are among the themes which drive our innovation.

PureCircle is directly aligned with the most dynamic and fast growing areas within the evolving food and beverage landscape. While sugar reduction is a fundamental element of our business, we are well equipped to deliver several value added services which our customers covet. This is providing substantial growth opportunities for the Company.

Consumers are increasingly making health and wellness a priority. Growing global concerns about obesity and diabetes, as well as government involvement and levies on sugar, are convincing global food and beverage companies to reduce sugar content in their products.

In a 2019 Food Dive analysis, 91%[1] of U.S. consumers thought product options with recognisable ingredients were healthier. This is in part why demand for natural-origin, zero-calorie stevia leaf sweeteners and flavours has grown every year since it was introduced as an ingredient for commercial use.

PureCircle is dedicated to helping food and beverage companies quickly develop products which taste great, whilst reducing sugar content and overall calories. We have also begun partnering with JDRF[2] to raise awareness of the benefits of stevia ingredients for the diabetic community.

According to Technomic's 2018 Global Megatrends, around 75% of consumers strongly agree that restaurants should be more forthcoming about where they get ingredients, and 75% of consumers are drawn to foods that are natural, authentic and premium. PureCircle's Agronomy Programme paired with its vertically integrated supply chain provides customers with the assurances needed to satisfy these consumer trends.

CONSUMERS ARE INCREASINGLY MAKING HEALTH AND WELLNESS A PRIORITY

1 According to a report by Innova Market Insights, a knowledge leader in the food and beverage industry

2 JDRF is a non-profit global organisation that funds type 1 diabetes research

STRATEGIC REPORT

STRATEGIC REPORT

Our Market

RAPID GROWTH IN THE USE OF STEVIA ACROSS MARKET CATEGORIES AND GEOGRAPHIES PRESENTS INCREASED OPPORTUNITY FOR PURECIRCLE NEXT GENERATION STEVIA LEAF INNOVATIONS AND FORMULATION EXPERTISE.

We are in the midst of significant growth in the stevia ingredient market. Products with stevia ingredients are launching across more food and beverage categories than ever before. PureCircle's next generation stevia leaf ingredients are well positioned to help companies seize the opportunity presented by these consumer trends.

Food and beverage companies are responding to increasing consumer demand for products with reduced sugar and caloric content using natural ingredients. There continues to be a strong push for more global sugar-reduction, and to address consumers' growing health and wellness agenda. This strengthens the appeal of stevia leaf sweeteners. PureCircle is leading the industry in terms of its ability to supply stevia leaf ingredients cost effectively and at scale. This enables food and beverage companies to offer their products with zero added sugar and stevia as the primary sweetening ingredient.

Global launches of food and beverage products containing stevia continued to rise in 2019. According to Innova Market Insights 2020 data, in 2019 there were well over 6,000 launches of food and beverage products containing stevia sweeteners, up +10% versus prior year. To-date, there have been over 35,000 products launched with stevia. In a number of categories, where high intensity sweeteners are used, stevia is now the leader; these categories include plant-based drinks (dairy alternatives); dairy-based ice cream and frozen yoghurt; ready-to-drink iced tea; and dressings and vinegars. Stevia also has a high use incidence in: carbonated soft drinks; and meal replacements and other drinks.

Consistent with the growth of stevia use in product launches, the increase relative to other zero-calorie sweeteners has also been dramatic. According to the Mintel Global New Products Database in 2011, stevia was used in 10% of all food and beverage products launched with high intensity sweeteners, whereas aspartame was found in 36%. In 2018, stevia usage nearly tripled to 29% compared to aspartame which fell to just 20%. With stevia, food and beverage companies have access to a non-GMO, zero-calorie sweetener from a plant which delivers on taste.

The increased use of stevia sweeteners is a trend which is being observed globally. The top two regions where stevia use is accelerating year-over-year were Asia/Pacific (42%) and Europe (21%), followed by Latin America, North America and Middle East/Africa. This further exemplifies how far stevia adoption has progressed since it was first introduced as a commercial ingredient.

According to the Data Bridge Market Research - Industry Trends and Forecast to 2027: Global Sugar Substitute Report, usage of stevia ingredients is expected to increase by 64% for the next three years. The report also projects stevia will grow at a CAGR of 9.3% in the forecast period of 2020 to 2027.

The story of stevia is indeed evolving. Not long ago, it was viewed as a plant-based, zero-calorie, single-ingredient sweetener which worked well in some beverage and food applications. PureCircle has overcome the past challenges facing stevia leaf sweeteners: taste, supply and cost.

With exceptional taste, proprietary products, custom blending capability and deep formulations expertise, PureCircle's next generation, non-GMO stevia leaf ingredients work well across multiple consumer product categories. In addition, PureCircle has ramped up its ability to supply the best-tasting ingredients, like Reb M, cost effectively and large quantities that food and beverage companies require.

Recently PureCircle announced a new proprietary varietal of stevia plants, which naturally yields greater quantities of our great-tasting next generation stevia ingredients. This breakthrough enhances the Company's production efficiency, and further improves its ability to deliver a sustainable, cost effective supply of these next generation stevia leaf ingredients to food and beverage companies.

PureCircle is continuing to offer consumer educational support for its customers by targeting key opinion leaders at the regional level. The Company has partnered with the Illinois chapter of JDRF, which funds research, advocates for government action and provides support to fight type 1 diabetes. PureCircle has pledged to help support JDRF's work, and help support the diabetic community through stevia education.

There are several activities and trends which are creating positive conditions for PureCircle's business.

Worldwide obesity has nearly

TRIPLED

since 1975.

In 2016, more than

1.9 BILLION ADULTS

18 years and older, were overweight. Of these,

OVER 650 MILLION WERE OBESE

Source
www.who.int/news-room/fact-sheets/detail/obesity-and-overweight

Number of adults[1] with diabetes worldwide

2045 — **700 MILLION**

2030 — **578 MILLION**

2019 — **463 MILLION**

51% increase

An estimated 463 million adults[1] are currently living with diabetes, this represents 9.3% of the world's population in this age group.

Source
International Diabetes Federation. IDF Diabetes Atlas, 9th edn. Brussels, Belgium: 2019. Available at: https://www.diabetesatlas.org

Today many major regulatory agencies have approved the use of stevia leaf sweeteners. The regulatory landscape continues to move in a favourable direction for stevia leaf ingredients with over 200 countries having approved the use of at least some stevia ingredients.

PureCircle remains focused on gaining global approvals for new ingredients found in the stevia leaf, including new sweeteners, flavours, antioxidants, proteins and fibres. PureCircle is working with regulatory bodies and key opinion leaders all over the world to bring access to the full leaf.

Moving into the next fiscal year, the stage is set for stevia leaf ingredients to become even more prevalent and impactful across food and beverage categories as well as regions. PureCircle's efforts to maximise taste performance, affordably scale sweeteners and flavours through patented innovation processes and an evolving regulatory landscape have converged to provide huge opportunity for food and beverage companies to unlock stevia's true potential.

STRATEGIC REPORT

Our Business Model

WE CREATE VALUE FOR OUR STAKEHOLDERS BY PRODUCING THE BEST, NATURAL ORIGIN, ZERO-CALORIE SWEETENER MADE FROM STEVIA PLANTS.

INPUTS

UNIQUE RESOURCES

- Global footprint of farms (not owned), warehouses, manufacturing facilities and sales offices
- Financial resources
- Intellectual property and know-how 191 granted patents as at 30 June 2019 and 329 pending applications worldwide as at 30 June 2019
- Entrepreneurial culture engendered by our experienced management team and shared with our >1,000 employees

RESEARCH & DEVELOPMENT (R&D)

Multidisciplinary approach spanning plant breeding, agronomy, biotechnology, biochemistry, food technology and sensory analysis

STRATEGIC RELATIONSHIPS

- Third party farmers
- Other suppliers and partners
- Customers: global F&B, Flavour companies
- Investors

WHAT WE DO

We have successfully commercialised a portfolio of natural sweeteners, flavours and specialty ingredients based on high purity stevia.

Supply Chain

Purification

Purifying steviol glycosides with an unmatched scale and consistency

4

Application

Providing formulation expertise to deliver great-tasting products

5

Finished products

Providing our customers with a level of transparency that is superior to any other stevia manufacturer

6

UNDERPINNED BY

Sustainability

Read more from pages 36 and 37

Risk management

Read more from pages 26 to 35

1

Plant Breeding

Breeding proprietary stevia varieties with higher sweet glycoside content

2

Harvesting

Cultivating best sustainability practices and providing training and materials to ensure success with local third party farmers across four continents

3

Extraction

Producing our own extract to ensure quality standards are met

7

Commercialisation

- Scientific and Regulatory Affairs
- Sales & Marketing

OUTPUTS

CONSUMERS

Great tasting products with reduced calories, to support a healthy, sustainable lifestyle

CUSTOMERS

Innovative, natural stevia ingredients with compelling benefits and consumer acceptance, supported with proprietary insights, customer training and technical support

FARMERS AND OTHER SUPPLY CHAIN PARTNERS

Sustainable income, training and materials

EMPLOYEES

Challenging development opportunities and appealing career prospects

SOCIETY

Material water, land and carbon footprint savings

Financial value reinvested back into inputs

Governance

Read more from pages 39 to 69

STRATEGIC REPORT

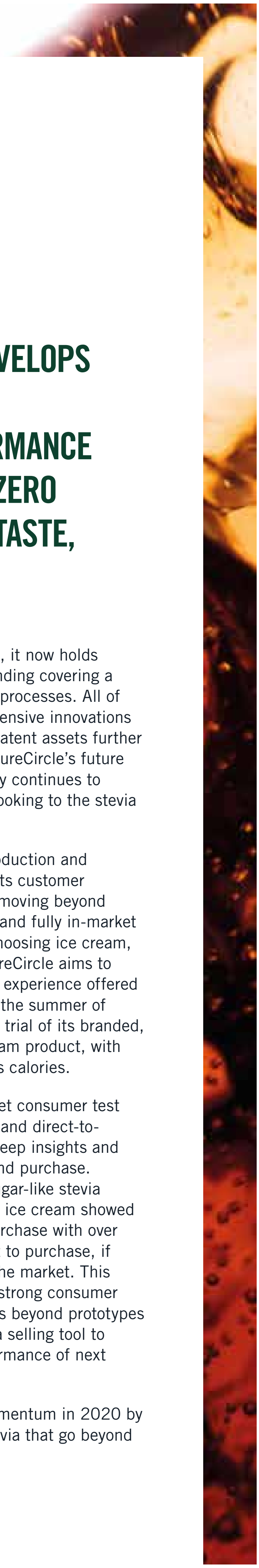
Our Strategy

OUR OBJECTIVE IS TO BUILD A LARGE, LONG-TERM, NATURAL INGREDIENTS BUSINESS BASED ON STEVIA PROVIDING BEST-TASTING, SUSTAINABLE, AFFORDABLE, LOW-CALORIE SOLUTIONS TO THE WORLD'S FOOD, BEVERAGE AND SUPPLEMENT COMPANIES AND CONSUMERS.

OUR STRATEGY TO ACHIEVE THIS IS SET OUT BELOW:

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS IN 2019
INNOVATION	Innovation is at the core of PureCircle. From crop to concept to consumer, delivering best tasting products that drive stevia adoption and market expansion, bringing better functioning, more cost-effective solutions across more consumer categories.	• Field-tested new Starleaf stevia varietal, which yields greater quantities of next generation stevia ingredients; we will increase this variety from 20% to 90% of our total crop in 2020. • Initiated a consumer trial product ice cream to gather consumer perception data, and demonstrate consumer adoption of a great-tasting, stevia-forward product. • Debuted a new proprietary stevia product, Sigma Syrup, which provides superior taste and overcomes solubility challenges encountered when using other stevia sweeteners. • Developed PCS-3028, a new proprietary stevia leaf sweetener which increases stevia solubility by 10x. • Continued development of our stevia antioxidant ingredient and exploratory work on stevia protein and fibre.
PARTNERING	We collaborate with our food and beverage customers to deliver the best-tasting stevia solutions formulated specifically for their products, help tell their ingredient and sustainability stories through PureCircle messaging and multimedia resources and provide valuable insights into their relevant markets.	• Provided stevia ingredients to thousands of in market products. • Opened new office and laboratory in Sao Paulo, Brazil to enhance support to Latin American customers. • Continued to enhance capabilities of innovation lab in Chicago to increase breadth of category expertise. • Leveraged in-house executive chef to expand stevia's use and collaboration with food service customers. • Realigned sales team to strengthen regional leadership and accountability, deepening market intimacy and accelerating penetration of regional key accounts.
VERTICALLY INTEGRATED SUPPLY CHAIN	Our vertically-integrated supply chain is a key differentiator and part of our mission as the industry leader in production of stevia leaf ingredients. We have leveraged our intellectual property portfolio to ensure full transparency, traceability and consistency of our stevia leaf ingredients.	• Strengthened flourishing farming partnerships in Zambia to enhance sourcing and reduce supply risk. • Reduced the amount of supplemental stevia purchased from farmers who are not actively partnering with PureCircle.
SCALABLE CAPACITY	We continue to invest in our capacity to scale stevia ingredients. This allows us to leverage structural growth in the sweetener and flavour markets through geographical diversification.	• Improved facility efficiency to support continual growth in regional revenue. • Maintained flexibility in arrangements with sourcing stevia extraction from third party contractors to meet evolving client needs. • Increased the productivity of each stevia leaf to yield a higher percentage of usable ingredients for food and beverage industry.

WE WILL CONTINUE INVESTING IN OUR PRODUCTS AND PEOPLE TO EXPAND THE ADOPTION OF PURECIRCLE STEVIA ACROSS ADDITIONAL CATEGORIES AND GLOBAL MARKETS.



INNOVATION
IN ACTION

PURECIRCLE DEBUTS HIGHER-YIELD STEVIA LEAF VARIETAL; DEVELOPS PCS 3028 – A NEW PROPRIETARY STEVIA SWEETENER WITH BREAKTHROUGH SOLUBILITY; LAUNCHES PROPRIETARY PERFORMANCE OPTIMISED BLEND SIGMA SYRUP; AND INTRODUCES BRANDED, ZERO SUGAR ICE CREAM WITH STEVIA TO DEMONSTRATE EXCELLENT TASTE, DRIVE CONSUMER DEMAND AND CUSTOMER ADOPTION IN 2019

PureCircle heavily focused efforts on the innovation of next generation stevia in 2019. Consistent with PureCircle's historical approach, the Company looked to the leaf for inspiration, breeding a new, more productive stevia varietal and developing PCS 3028, a new, more soluble sweetener. PureCircle's industry-leading formulation expertise led to a new, functionally optimised blend in the Company's portfolio, Sigma Syrup, which combines taste performance and improved solubility properties, further unleashing the potential of stevia in challenging applications. The Company also innovated in its sales approach, market-validating consumer preference and demand for best-tasting stevia through its consumer trial of its branded PureCircle Ice Cream in the summer of 2019.

Building on its own innovations, PureCircle introduced a new stevia sweetener, PCS 3028 and a new product called Sigma Syrup. PCS 3028 offers breakthrough solubility 10 times greater than existing stevia sweeteners. Sigma Syrup is an optimised proprietary blend of next generation stevia leaf ingredients, including Reb M, which provides superior taste and overcomes solubility challenges encountered when using other stevia sweeteners in products which are high in sweetness intensity like liquid concentrates and tabletop syrups.

Carefully cultivated by PureCircle and successfully field-tested, a new proprietary stevia varietal is now yielding much greater quantities of the best tasting next generation stevia ingredients. This breakthrough dramatically improved the Company's production efficiency, reduced the amount of processing of the leaf and further enhanced the Company's ability to deliver a sustainable, scaled supply of next generation stevia ingredients to food and beverage companies. Furthermore, the increased plant productivity enables PureCircle to improve cost efficiency, achieving the Company's goal of making great-tasting stevia affordable and accessible to a broad range of brands and consumers.

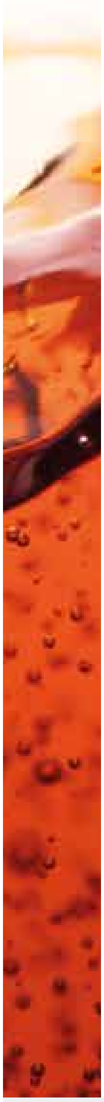
In 2019, 20% of the stevia plants grown by PureCircle's partnering farmers were comprised of this new variety. Moving forward, the plan is to switch 90% of the total contracted stevia crop to this variety.

Riding on PureCircle's innovation strength, it now holds over 500 patents granted and patents pending covering a wide range of stevia related products and processes. All of PureCircle's products benefit from the extensive innovations embodied in these patent assets. These patent assets further establish and expand the foundation for PureCircle's future innovative product offerings. The Company continues to invest in innovation, and is continuously looking to the stevia plant for new ingredient solutions.

In addition to advancing its agronomy, production and portfolio, PureCircle set out to transform its customer and consumer engagement approach. By moving beyond prototypes, PureCircle delivered inspiring and fully in-market tested product proposals to customers. Choosing ice cream, a fast-growth area for sugar reduction, PureCircle aims to demonstrate the transformative consumer experience offered by its unique, best-tasting sweeteners. In the summer of 2019, the Company launched a consumer trial of its branded, consumer-facing zero added sugar ice cream product, with rich, traditional taste and significantly less calories.

PureCircle fielded a multi-month, in-market consumer test which included trial, influencer activation and direct-to-consumer sales. The Company gathered deep insights and data on consumer response, preference and purchase. Demonstrating PureCircle's exceptional sugar-like stevia sweeteners and formulation expertise, the ice cream showed strong performance from perception to purchase with over 80% of consumers reporting strong intent to purchase, if the product is made available for sale in the market. This compelling data, combined with similarly strong consumer feedback in six international markets, goes beyond prototypes to show true consumer adoption. This as a selling tool to showcase consumer perception and performance of next generation stevia leaf ingredients.

PureCircle will continue its innovation momentum in 2020 by exploring breakthrough applications of stevia that go beyond sweetener properties.



STRATEGIC REPORT

Key Performance Indicators

FINANCIAL KEY PERFORMANCE INDICATORS

Sales (US$m)

$124.0m

(2018: $126.6m)

2019	124.0
2018	126.6
2017	113.9
2016	138.6
2015	127.3

Gross profit (US$m)

$1.2m

(2018: $38.3m)

2019	1.2
2018	38.3
2017	40.1
2016	57.0
2015	40.3

Gross margin (%)

1%

(2018: 30%)

2019	1
2018	30
2017	35
2016	41
2015	32

Adjusted EBITDA* (US$m)

($29.6m)

(2018: $14.7m)

2019	(29.6)
2018	14.7
2017	19.8
2016	34.2
2015	22.2

Net (Loss)/Profit (US$m)

($79.7m)

(2018: ($1.7m))

2019	(79.7)
2018	(1.7)
2017	1.2
2016	14.6
2015	4.1

Operating cash flow before working capital changes (US$m)

$7.6m

(2018: $13.5m)

2019	7.6
2018	13.5
2017	16.0
2016	31.9
2015	23.8

Net Debt* (US$m)

$68.6m

(2018: $98.1m)

2019	68.6
2018	98.1
2017	84.7
2016	52.9
2015	45.4

Please note the following comparative FY2018 figures in the chart above have been restated – sales; gross profit; gross margin; adjusted EBITDA; net profit/loss; and operating cash flow before working capital changes.

* Adjusted EBITDA and net debt are alternative performance measures which the Directors believe are helpful in understanding the performance of the business. Refer to Note 30 – Segmental Reporting (pages 129 and 130) for definitions of non-GAAP measures.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Cumulative global population with access to stevia (billion)

>5.0bn

2019	>5.0bn
2018	>5.0bn
2017	>5.0bn
2016	>4.0bn
2015	>3.5bn

Regulatory clearances

FY19[3]: US, Canada, Mexico, Malaysia, Singapore
FY18[2]: Codex adoption of all steviol Glycosides from leaf
FY17[1]: US, EU, Australia, New Zealand, Canada
FY16: India, Brazil
FY15: Gulf Cooperation Council (GCC), Pakistan, Bangladesh

1 Sugar like tasting stevia molecules (e.g. Reb M, Reb D and others)

2 The Codex Alimentarius Commission is part of the FAO / WHO that develops international food standards. Adoption of steviol glycosides by Codex will facilitate the approval of better tasting stevia world wide

3 Sugar-like tasting stevia molecules by bioconversion of stevia leaf extract

Cumulative new launches with stevia Mintel data (number of launches)

>21,000

2019	>21,000
2018	>17,000
2017	>13,000
2016	>9,700
2015	>6,900

Products in market (number of products)

27

2019	27
2018	25
2017	25
2016	20
2015	17

Production capacity in revenue equivalent (US$m)

$400–$500m

2019	$400–$500m
2018	$400–$500m
2017	$400–$500m
2016	$250–$300m
2015	$250–$300m

Global stevia leaf harvest (estimated metric tonnes)

>60,000

2019	>60,000
2018	>60,000
2017	>60,000
2016	>58,000
2015	>24,000

Health & Safety Lost Time Injury Incidence Rate (LTIIR)

<1 Number of injuries that resulted in lost-work days per 200,000 hours

2019	0.66
2018	0.64

The Group's KPIs link directly back to the Group's strategy which is:

- To operate in large global growth markets of sweeteners and flavours
- To secure and maintain a leading position in our markets
- To operate a highly operationally leveraged business model
- To provide strong returns to our stakeholders from long-term growing revenues

Revenues, regulatory clearances, Mintel data about launches all provide evidence of the growth of our markets and of our position within our markets.

Gross profit, gross margin %, adjusted EBITDA, operating cash flow before working capital changes, products in market, our production capacity and information about the global stevia leaf market all provide evidence of our highly operationally leveraged business model and our ability to provide strong returns to our stakeholders.

Net debt is evidence of our management of key risks to our business, namely funding liquidity.

FROM LEAF
TO PRODUCT

Industry-defining innovation starts from the ground up – with the cultivation of the stevia plant. In this, no other Company has invested more. Our PureCircle Stevia™ Agronomy Programme and resultant proprietary stevia leaf varieties are the source of our many taste breakthroughs.

PureCircle is able to naturally crossbreed stevia plant varieties which satisfy a range of needs and outcomes. Whether to produce more of the most sugar-like steviol glycosides such as Reb M and D, or other stevia leaf ingredients, PureCircle's proprietary stevia leaf varieties are able to provide a sustainable scale of stevia ingredients suitable for food and beverage companies.

We have been able to maximise the potential of this amazing little leaf by perfecting natural, cross-pollination methods, and scaling responsibly to meet the food and beverage industry's demand for consistently high-quality stevia ingredients.

In addition to traditional stevia leaf extraction methods, PureCircle has developed a production process to extract Reb M and other ingredients from other stevia sweeteners in the plant. This process starts with purified stevia leaf extract, and by adding an enzyme, the maturation to Reb M or other ingredients is completed, just as the leaf does naturally. Enzymes play a similar role in various products including baby food, cheese, other dairy products and chocolate.

The stevia leaf ingredients produced from all of PureCircle's processes are both from the stevia leaf, identical in great taste and are Non-GMO Project Verified[1].

PURECIRCLE'S PROPRIETARY STEVIA LEAF VARIETIES ARE ABLE TO PROVIDE A SUSTAINABLE SCALE OF STEVIA INGREDIENTS SUITABLE FOR FOOD AND BEVERAGE COMPANIES

1 Non-GMO Project verified is North America's most trusted seal for GMO avoidance. Source https://www.nongmoproject.org

Chief Executive Officer's Review

"IT IS AN HONOUR TO BE HANDED THE HELM OF THIS INNOVATIVE AND ENERGETIC ENTERPRISE."

I joined the Board as the Group CEO and Executive Director on 10 February, 2020. It is an honour to be handed the helm of this innovative and energetic enterprise, with its clear mission of providing a portfolio of healthy, stevia-based natural sweeteners and flavours to its customers and their consumers.

As the Chairman noted in his report, this has been a time of great change and challenge at PureCircle. Today our board is made up of seven new Directors including a new Chairman, a new CEO and a new CFO. Despite being new to this role I have a long association with PureCircle having been involved with the Company since 2008.

PureCircle's financial performance for 2019 is overshadowed by the failures in our governance and controls which has led to an impairment and additional costs for 2019 and a restatement of prior year's financial statements.

Revenues were broadly flat between 2018 and 2019 as the innovation in our product and change in the product mix led to a reduction in volume of some older product lines. In addition, price pressure in these basic ingredients also posed challenges in defending our market shares in these increasingly commoditised products.

It was identified that the Group's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead, certain costs remained capitalised in inventory in 2018 and 2019 respectively. Accordingly, historical inventory was overstated and historical cost of sales was understated. For FY2019, the Group performed a comprehensive review and assessment of its NRV and provision of slow-moving inventory procedures to ensure its existing inventories were valued appropriately.

REBUILDING FINANCIAL HEALTH AND GOVERNANCE

At 30 June 2019, the Group's gross cash position was $25.7m. This cash position benefited from working capital movements, particularly extended supplier payments, which may not be sustainable in the long-term. However, the Group has not been able to access the revolving credit facility and had incurred unexpected costs related to the investigations described above. In view of the tight liquidity situation, much of management's time and effort has gone into exploring alternative debt and equity financing options to refinance its senior debt facility well before then.

Over the past few months, it has been the management team's top priority to rebuild the confidence that all our stakeholders once had in the Company by improving its financial health and governance processes. The most urgent of these priorities is to deleverage the balance sheet of the Group to a more sustainable level. My CFO and I are undertaking initiatives to source both equity and debt to refinance the syndicated facility that is maturing in November 2020. At the same time, we will be actively managing the cashflow of the Group to ensure that it maintains a healthy balance between receivables and payables while unlocking cash for growing the business by reducing the high level of inventories.

The internal control failures that we have had in the recent years must not be repeated. As the CEO and a member of the Board, I will take an active role in working with the Audit Committee to strengthen financial oversight and setting policies and procedures in the Group to ensure no reoccurrence of previous accounting and governance issues. Management will continue to implement and enhance the Group's policies and standard operating procedures relating to critical financial functions such as consolidation, inventory management and sales recognition policy etc.

MARKET OPPORTUNITIES

The global stevia market continues to grow. PureCircle is positioning itself to deliver the best-tasting, zero-calorie, natural sweeteners to food and beverage companies, to meet consumers' demands.

In 2019, PureCircle expanded and strengthened our Commercial team. Under the leadership of Stephane Ducroux, now our Deputy CEO, we enhanced our ability to fully capture our market opportunity. Stephane has focused on setting and implementing a set of key strategies aimed at delivering the next chapter of growth for PureCircle.

These new strategies involve transforming the business to scale, produce and sell breakthrough superior-tasting, natural stevia ingredients and commercialise new technologies. Our commitment to next generation ingredients and improving taste and consumer experience has, as expected, led to slower immediate short-term sales growth. Our focus is on product development, which has a long sell cycle, and we believe this is an important long-term investment, both in consumers' adoption of stevia and longer-term sales. Customers are now switching and reformulating to next generation stevia leaf ingredients due to the superior taste profile, improved sweetness quality and enhanced mouthfeel experience.

The reformulations using our new generations of stevia ingredients have led to some cannibalisation of our base business and the results should be read in this context. We are pleased with the early wins and positive feedback we are getting about the great taste profile of our next generation stevia leaf sweeteners and flavours.

Market conditions continue to be favourable for stevia use to expand. PureCircle will continue to capitalise on that. Regulatory approvals in the Philippines for both versions of our Reb M stevia leaf sweetener in September 2019 were followed by approvals in Australia, New Zealand, Indonesia, Thailand, Vietnam and Taiwan.

STRATEGIC REPORT

Chief Executive Officer's Review continued

Due to our ongoing investment in R&D, our expertise extends to all aspects of stevia. That is why our corporate tagline is "everything stevia." Everything we do is about helping our customers achieve their goals of reducing sugar, calories and the cost of ingredients without compromising on taste.

With this in mind, PureCircle has helped launch an international cola brand featuring next generation stevia leaf sweeteners. According to Innova Market Insights' new product database, over 35 new products have launched with Reb M labelled on the product ingredient line since 2018. An exciting development for the Group was the launch in the summer of 2019 of zero-sugar-added stevia-sweetened ice-cream, which received overwhelmingly positive feedback.

In addition to sweeteners and flavours, we provide our customers with tailored and category specific blends of our robust portfolio of stevia leaf ingredients. Our industry-leading formulation expertise allows us to maximise taste with the most cost-efficient use of stevia ingredients. With our next generation stevia solutions, we work in partnership with our customers to achieve the taste profile they require for their products in different markets around the globe.

POWERFUL MARKET TRENDS

Regulatory action, consumer demand and environmental considerations are all driving a growth in demand for stevia products.

Consumers, health experts and governments have become increasingly concerned about obesity and diabetes, and consumers are now more health and wellness conscious than ever before. More than 600 million people are now estimated to be obese, and 415 million are estimated to have diabetes. This number is expected to more than double by 2040[1].

Regulatory actions to address these public health issues are accelerating. Governments have continued to implement taxation on sugary drinks as part of a major action for comprehensive Programmes aimed at reducing consumption of sugars. Several additional major markets are debating a sugar tax law or using key nutritional labelling as ways to encourage lower sugar products on to the market.

Further, consumers are increasingly seeking products made with natural, sustainable ingredients. Driven by consumer demand, as well as government involvement and levies on sugar, many global food and beverage companies have committed to reduce sugar quantities in their products.

It is also important to note, the increased use of stevia sweeteners helps our customers reduce their carbon-, land-, and water footprint as they reduce the amount of sugar in their products.

Therefore, we anticipate food and beverage companies will continue to increase their use of stevia as their go-to, non-GMO, sweetening solution, as well as using stevia as a functional ingredient.

STRATEGY EVOLUTION AS A RESULT OF INNOVATION

The story of stevia has changed significantly in the past few years. Not long ago, stevia was viewed as a plant-based, zero-calorie, single-ingredient sweetener which worked well in some beverage and food applications. Today, having developed a range of new generation stevia leaf ingredients, including Reb M, with sugar-like taste and zero calories, PureCircle has the industry's most complete portfolio of stevia leaf ingredients, which are all from the stevia plant and non-GMO.

There are no taste trade-offs or compromises and our products taste as good as their full sugar counterparts. Therefore, our next generation stevia sweeteners continue to generate excitement among food and beverage companies.

Recent PureCircle advances have enabled us to significantly boost production of these high-grade stevia sweeteners (e.g. Reb M and Reb D) and flavours, which have the most sugar-like taste and are highly sought after by customers. This means we can supply the volume of stevia sweeteners food and beverage companies need as they expand use of stevia ingredients – and we can do it cost effectively for them.

We are also planning to expand our offerings of stevia leaf ingredients to include, not just sweeteners and flavours, but also protein, fibre and antioxidant ingredients – all from the stevia plant.

This will enable PureCircle to utilise much more of each stevia leaf. As such, the Company will be able to make each leaf "work harder".

Our stevia ingredient blends are enabling superior taste performance, mouth feel and sweetness quality in an increasing number of food and beverage categories. Our proprietary stevia blends facilitate our customers' use of stevia leaf sweeteners and allow for quicker product development and speed to market.

The technologies to produce the products PureCircle sells are covered by patents, applied for patents and other intellectual property rights. PureCircle's broad and strong global array of patents are the result of its advanced innovation, research and development work with stevia and its investment therein. To-date, PureCircle has been granted more than 200 stevia-related patents, with more than 300 patents pending covering a wide range of stevia related products and processes.

PureCircle's patent coverage and other intellectual property reflect its expertise and innovation with stevia. That expertise and innovation enables PureCircle to provide unparalleled support to its customers as they develop zero- and low-calorie food and beverage products and other products using stevia.

We are exploring new areas including using our stevia flavours for sodium reduction and masking undesirable flavour characteristics of other ingredients in various food and beverage categories. This will provide consumers a great-tasting, plant-based ingredient.

OPPORTUNITIES

According to Innova Market Insights 2020 data, in 2019 there were well over 6,000 launches of food and beverage products containing stevia sweeteners, up +10% versus prior year. There have been over 35,000 products launched globally containing stevia since 2008. Over the last five years, stevia has had a compound annual growth rate (CAGR) of 12%. While beverages continue to be a key area of focus, other categories in food, such as dairy, from yoghurts to ice cream, and biscuits/cookies, are gaining strong momentum across all markets. These launches included well-known global and regional brands.

All these elements open up market potential for PureCircle's innovation pipeline. Enabling food and beverage companies to partner with PureCircle to help them achieve uncompromising taste profiles tailored to their individual products and markets.

SUSTAINABILITY: FARMERS, COMMUNITIES & PLANET

Stevia is a force for good in the world. Our involvement throughout the supply chain enables us to be a key leader in corporate social responsibility.

The leaf is 250-400 times sweeter, depending on application, than sugar. As a result one fifth of the land provides the same amount of sweetness achieved from other sweeteners made from sugar cane or corn.

[1] Data from https://www.diabetesatlas.org/en/sections/worldwide-toll-of-diabetes.html and https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight

Less land means less water and less energy. This major impact is not just on the land but also the communities and co-operatives we work with. PureCircle continues to partner with our customers to reduce the impact the food and beverage industry has on the environment and global caloric intake. Since 2011, we have provided the equivalent amount of stevia to eliminate seven trillion calories from global diets.

Our commitment to corporate social responsibility is embedded in our corporate practices.

MANAGEMENT

In the last two years, PureCircle has significantly strengthened its commercial team and capabilities and it is now stronger than it has ever been. This has enabled us to maintain close working relationships with our valued customer base in the face of the departure of the CEO and CFO, which has been described in the Chairman's Report. Together with some additional departures we experienced during the reporting period from various roles within our production, finance, supply chain and commercial teams, due to a strengthening of the job market, particularly in the US, this created an undeniably challenging environment.

I would like to extend my thanks to the remaining management team and their team members, who demonstrated true resilience by stepping up and taking more responsibilities and I am proud to say that they maintained as much focus as possible on the tasks at hand despite the pressures on our business.

In tandem with maintaining the high level of service that our customers have become accustomed to, the commercial team is also undertaking initiatives to diversify its customer base, bringing regional food and beverage companies into commercial partnerships with PureCircle.

Stephane, Deputy CEO, has over 20 years of global specialty ingredient experience and has transformed and grown companies from their early stages to international institutions. He is a customer-centric executive with a strong background in selling natural specialty ingredients to food and beverage companies. Since he joined the Company, he has overseen the expansion and strengthening of PureCircle's global sales force. He was appointed Deputy CEO in February 2020.

In mid-2019, the Company hired a Vice President of Global Marketing, Alina Slotnik. Working with Stephane, Alina brings over 15 years of experience in delivering growth for B2B ingredient companies. She specialises in digital and analytical strategies to drive business and sales enablement and focuses on customer engagement and acts as a peer resource to our customers' marketing departments. Her previous experience in B2B health product development and fast growing CPG brands will help accelerate the success of our customers' use of stevia.

Despite the void in leadership for a few months of the reporting period, I believe that with these important and exciting changes to our Commercial team, we are well positioned to capitalise both on our own innovation and on global trends and to launch PureCircle on a new growth trajectory.

OUTLOOK

PureCircle has a market leading range of products and continues to innovate, working closely with our customers. The market for our products which provides great tasting food without the calorific value of sugar is growing as a result of consumer choice and government action to reduce obesity.

With stevia regulatory clearances achieved in all major markets across the globe, the adoption and application of stevia as an ingredient continues to accelerate, providing PureCircle with a platform for strong medium-term growth.

The Group is mindful of the volatile outlook and economic uncertainties arising from the COVID-19 pandemic and has been monitoring the situation closely. Therefore, the Group will endeavour to conserve its cash flow by pro-actively managing its capital expenditure and working capital as well as identifying opportunities for cost savings that will not impact the long-term viability of the Group.

The Group has also considered the impact of COVID-19 on customers, suppliers and staff. The Group is cautiously optimistic that customers will continue to place sales orders but it is difficult to estimate the impact of COVID-19 on future sales orders and there may be a reduction compared to prior years should customers reduce orders or delay product launches.

The Group has not noted any terminations of supplier relationships over the past three months as we have a long-standing good relationships with our suppliers. We are monitoring closely the relationships in the coming months to ensure smooth production when we restart the manufacturing operation and work towards improving the difficult situation.

Over the past number of weeks, we have been working with our teams in production facilities in China and Malaysia to manage the ongoing developments relating to COVID-19. Our first priority remains the safety of our people and their families. Our teams in China and Malaysia are taking all appropriate protective measures in our facilities and we are working with authorities, our customers and other stakeholders to manage through the situation. Operations at our refinery plant in Malaysia has been suspended since 18 March 2020, to adhere to the government's movement control order. However, we expect to resume operations immediately, following approval by the authorities of our application to reopen and restart production. The Group continues to have sufficient inventories at hand that should mitigate any further disruptions. Production at our extraction plant in China is running as usual.

Whilst our supply chain remains robust, we are taking steps to mitigate our risks. We are actively monitoring and managing our inventory level and liquidity positions in this unprecedented uncertain period.

Therefore, the outlook for the full year is now more cautious.

Peter Lai
Chief Executive Officer

31 March 2020

$20.4m net cash from operations

$312m
(2018: $373m)
Total assets

$20.4m
(2018: $15.9m)
Net cash from operations

$153m
(2018: $163m)
Total liabilities

($29.6m)
(2018: Positive $14.7m)
Adjusted EBITDA

$25m
(2018: $24m)
Cash and cash equivalents

(45.32) cents per share
(2018: net loss 0.95 cents)
Diluted net loss per share

Financial Review

During the preparation of these results the Group's auditors made the Board aware that they were unable to reconcile the value of the Group's inventory between two internal systems which were used to account for and manage inventory cost allocation. The auditors also identified a number of non-commercial transactions, and certain sales that appeared not to have been recorded in the appropriate accounting period.

Publication of the FY19 results was delayed while the Board and its advisers investigated how these matters arose and fully understood the financial implications. As a result of these investigations the Company has restated its results for FY18 and opening retained earnings.

The Group's revenue for FY18 was restated as a result of the investigation. The Group also reviewed its revenue cut-off procedures which also resulted the adjustment in opening retained earnings as at 1 July 2018.

The Group's gross profit has been further impacted by charges of $19.7m to write inventory down to its net realisable value and a further $14.8m to provide for slow-moving inventory, impairment on intangible assets of leaf & product developments of $15.7 million and a further $6.8m one-off cost has been incurred in professional fees during the investigation.

In addition, there are incremental professional costs of $6.8m (2018: NIL) in relation to the provision of audit, legal and advisory services from professionals arising from the review of the Group's inventory cost allocation methodology and revenue investigation.

The Group secured an approval from its lenders for Waivers and Amendments to its Senior Facility Agreement ("Waivers and Amendments"). This fully waives all previous defaults, in addition to securing $8.6 million of additional liquidity into the business by way of an unsecured subordinated loan from certain substantial shareholders.

The Waivers and Amendments contains certain conditions and covenants that the Group may not be able to meet, and there is also the risk, in particular in relation to COVID-19 pandemic, that the Group may not have sufficient liquidity up until the facility is required to be repaid in November 2020. However, the Directors are exploring alternative financing options including securing a definitive new equity infusion, full debt refinancing or sale and leaseback of the refinery plant facilities as alternatives to raise cash to fund the business and operations before the facility needs to be repaid.

This is an important step in ensuring the Company remains viable and has the liquidity it needs to deliver on its strategy for the foreseeable future. Nonetheless, these matters indicate the existence of a material uncertainty that casts doubt on the Group's going concern assumptions. Our auditors have drawn attention to the material uncertainty with respect to going concern in an emphasis of matter in their audit opinion.

SUMMARY FOR THE YEAR ENDED 30 JUNE 2019

- Our 2018 results have been restated based upon prior period adjustments identified during the current year. It was identified that the Group's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead, certain costs remained capitalised in inventory in 2017, 2018 and 2019 respectively. Accordingly, historical inventory was overstated and historical cost of sales was understated.
- The Group's revenue was overstated due to non-commercial transactions and further, revenue was not recorded in the appropriate period, which has resulted in a restatement of FY17 and FY18 revenue. Given the impact to prior years, the Company further adjusted opening retained earnings as at 1 July 2018.

OPERATING RESULTS FOR THE YEAR ENDED 30 JUNE 2019

- Revenue broadly flat at $124.0 million (2018: $126.6m).
- Revenues were broadly flat between 2018 and 2019 as the innovation in our product and change in the product mix led to a reduction in volume of some older product lines. In addition, price pressure in these basic ingredients also posed challenges in defending our market shares in these increasingly commoditised products.
- Inventory write down to its net realisable value of $19.7 million due to South American leaf $5.3 million, by-products $11.0 million and finished goods of $3.4 million. In addition, provision of $14.8 million for slow-moving inventory has been provided for.
- Gross margin of 1.0% (2018: 30.2%) as a result of inventory being written down to its net realisable value (NRV) and provision of slow-moving inventory. The gross margin excluding NRV and provision for slow-moving inventory is 28.8% compared to 30.2% in 2018. Going forward, our inventory costing methodology will continue to allocate costs to by-products in the normal course of business. To the extent we are unable to immediately utilise the by-products, we will assess and provide for the slow-moving inventory. In 2019 we continue to experience price pressure in basic ingredients that posed challenges for the Company to defend its market share in these increasingly commoditised products. Hence, we faced downward pressure on maintaining gross margins during the year.
  - Net loss $79.7 million (2018: net loss $1.7m), mainly impacted by:
    - inventory net realisable value of $19.7 million, provision of slow-moving inventory of $14.8 million;
    - impairment on intangible assets of leaf & product developments of $15.7million;
    - deferred tax expense of $7.0 million;
    - specific provisions on receivables of $1.8 million;
    - expected credit loss on trade receivables and other receivables of $4.7 million and
    - other expenses of $11.7 million comprised of $6.8m one-off professional costs incurred, specific and general provisions on receivables as well as intangible assets written-off of $2.5m.

    More information on the above can be found in Note 12 Inventories and Note 27 Other Income and Other Expenses respectively, of the Notes to the Consolidated Financial Statements.
- Continued innovation to create new proprietary stevia product – Sigma Syrup – which provides superior taste and overcomes solubility challenges encountered when using other stevia sweeteners.
- Developed PCS-3028, a new proprietary stevia leaf sweetener which increases stevia solubility by 10x.
- Field tested new and improved stevia leaf variants Starleaf™ which contains more steviol glycosides.

STRATEGIC REPORT

Financial Review continued

The Group's FY19 financial year covers the year from 1 July 2018 to 30 June 2019. FY18 comparatives are for the year from 1 July 2017 to 30 June 2018 and have been restated.

Set out below is an extract of Segmental Reporting (Note 30) from the audited FY19 financial statements. The complete financial statements and its accompanying notes are on pages 81 to 151.

	FY19 USD'000	FY18 USD'000 (Restated[1])
Revenue	124,003	126,601
Cost of sales	(122,758)	(88,320)
Gross profit	1,245	38,281
Gross margin %	1.0%	30.2%
Other income	5,875	1,138
Administrative expenses	(34,477)	(34,813)
Operating (loss) /profit	(27,357)	4,606
Other expenses	(33,955)	(2,046)
Foreign exchange gain	4	1,363
Finance costs	(11,015)	(7,355)
Share of profit/(loss) of joint venture	80	(14)
Taxation	(7,430)	1,784
(Loss) for the financial year	(79,673)	(1,662)
(Loss)/Earnings Per Share (US$ cents per share)	(45.32)	(0.95)
Fully diluted (Loss)/Earnings Per Share (US$ cents per share)	(45.32)	(0.95)
Operating cash flow before working capital changes	7,635	13,465
Working capital changes	12,777	2,461
Operating cash flow after working capital changes	20,412	15,926
Net debt		
Gross debt	94,271	122,092
Gross cash	(25,675)	(23,987)
Net debt	68,596	98,105
Adjusted EBITDA[2]	(29,603)	14,724

1 Refer to Note 34 – Prior year adjustments on pages 133 to 135.

2 Gross margin, operating profit and Adjusted EBITDA are alternative performance measures which the Directors believe are helpful in understanding the performance of the business. Refer to Note 30 – Segmental reporting on pages 129 and 130 for definitions of non-GAAP measures.

SEGMENTAL REPORTING* COMMENTARY

REVENUE

FY19 revenue was $124.0m (2018 restated: $126.6m). The decrease arises from decline in sales from flavours products with a shift to breakthrough products.

Revenues have been driven by Asia Pacific and North America regions mainly due to improved distribution and a change in the product mix. Partnering with our customers and supported by our continuous innovation, are key enablers to customers' adoption of stevia into their products as shown by increased new product launches. The decline in volume was mainly driven by certain base products being replaced with new and better tasting breakthrough products.

GROSS MARGIN AND GROSS PROFIT

Gross profit decreased by $37.0m mainly due to inventory written down to its net realisable value and provision of slow-moving inventory amounting to $19.7m and $14.8m respectively (leaf, work-in-progress and finished goods).

During the year, it was identified that the Group's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead those costs remained capitalised in inventory. As such, historical inventory was overstated and historical cost of sales was understated. The amounts above have been restated to properly reflect inventory on hand at 30 June 2019 and 2018 respectively.

OPERATING PROFIT

Operating loss was $27.4m (FY18: Operating profit $4.6m) primarily due to inventory net realisable value write down of $19.7m and provision of slow-moving inventory of $14.8m, offsetting against other income of $5.5m received from a R&D supplier on termination of R&D agreement.

During the year, Management has impaired the leaf development in Latin America and America programmes by $13.9m. In addition, there are incremental professional costs of $6.8m (2018: NIL) in relation to the provision of audit, legal and advisory services from professionals arising from the review of the Group's inventory cost allocation methodology and revenue investigation.

OTHER EXPENSES

Other expenses increased by $31.9m mainly due to impairment of leaf development by $13.9m, $2.5m write-off of product development cost, impairment of intangible assets of $1.7m, bad debts provision of $1.8m, expected credit loss on trade receivables of $0.9m, provision for doubtful debts on other receivables of $3.8m and additional professional fees of $6.8m.

The impairment of leaf development costs is caused by the inability to obtain the necessary license to export stevia leaf from Paraguay to China where our extraction facility is located. This also led to a provision of $5.3m against leaf already purchased and awaiting export in South America.

Another termination of a product development agreement has led to a write-off of the product development cost of $2.5m.

Impairment of intangible assets relates to patents and development cost of certain products which is no longer profitable. Additional professional fees are incurred in relation to statutory audit overrun, forensic audit, debt advisory and compliance audit.

FINANCE COSTS

In FY19, finance costs were $11.0m (FY18:$7.4m). The higher finance cost was driven by amortisation of arrangement fees and higher interest rates.

NET LOSS AFTER TAX

The Group recorded a $79.7m net loss in FY19 (FY18: net loss $1.7m).

NET DEBT

The Group ended FY19 with net debt of US$68.6m (FY18:US$98.1m). Since year end, net debt decreased mainly due to a fund raising of $35m from share placement exercise and $20m was utilised to pay down the term loan.

LOSS PER SHARE

On a fully diluted basis, the loss per share was 45.32 cents as a result of the write down of inventories and impairment of intangible assets. Excluding the exceptional items, diluted loss per share was 33.55 cents.

OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES

The Group generated $7.6m of operating cash flow before working capital changes in 2019, $5.8m lower than 2018.

ADJUSTED EBITDA

FY19 Adjusted EBITDA loss of $29.6m (EBITDA profit in FY18: $14.7m). A combination of higher other expenses with inventory written down to its net realisable value contributed to lower earnings and hence lower Adjusted EBITDA.

TAXATION

The tax expense of $7.4m was mainly attributable to the reversal of deferred tax assets in our US operation where there is no longer sufficient evidence these will be recovered through future taxable profits.

FINANCING, LIQUIDITY AND BANK COVENANTS

At 30 June 2019, the Group's gross cash position was $25.7m. This cash position benefited from working capital movements, particularly extended supplier payments, which may not be sustainable in the long-term. However, the Group has not been able to access the Revolving Credit Facility (RCF) and had incurred unexpected costs related to the investigations described in the Chairman's Report.

Under the terms of the Waivers and Amendments, the Group will be able to have access to the RCF following the receipt of the audited Financial Statements. The Group did not satisfy all of the conditions of the agreement but this was subsequently waived on 27 March 2020. The facility also contains certain other conditions.

In view of the tight liquidity situation and the upcoming RCF that falls due on 30 November 2020, much of management's time and effort has gone into exploring alternative debt and equity financing options to refinance the Group's RCF outstanding amount and senior debt facility well before then.

The Group is mindful of the volatile outlook and economic uncertainties arising from COVID-19 pandemic and has been monitoring the situation closely. Therefore, the Group will endeavour to conserve its cash flow by proactively managing its capital expenditure and working capital as well as identifying opportunities for cost savings that will not impact the long-term viability of the Group.

*Note 30 – Segmental reporting (pages 129 and 130)

STRATEGIC REPORT

Principal Risks and Uncertainties

As with any business, we face risks and uncertainties. Operating in a growing industry that PureCircle has pioneered, it is critical that the Group identifies, assesses and prioritises its risks. This, along with the development of appropriate mitigating actions, enables the Group to achieve its strategic objectives and protect its reputation.

During the year, the Company's risk environment was challenged with the identification of errors in the classification and valuation of inventory, cost allocation in cost of sales and revenue recognition practices. These issues are mentioned in the Chairman's Report, with their financial implications explained in the Financial Review.

In view of the scale and magnitude of impact from the above issues, the Board has acknowledged the urgent need for a robust review and revamp of people, culture, systems and processes in order to reduce and manage risks to an acceptable level. These measures, alongside with other initiatives identified throughout the Annual Report, are further defined in the Governance Report and the Audit Committee Report.

RISK MANAGEMENT FRAMEWORK

The Board is ultimately responsible for the oversight of risk and for maintaining a robust risk management and internal control system and has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board recognises the importance of identifying and actively monitoring risks and challenges facing the business. The Audit Committee supports the Board in the management of risks and is responsible for reviewing the effectiveness of risk management and internal control processes. The Internal Audit function provides independent assurance to management and the Audit Committee in evaluating the design and operating effectiveness of the risk management programme and internal control processes to mitigate risks.

Whilst the risk management process is objective and is designed to provide reasonable assurance, it should not be construed as the absolute indicator that all risks can be identified and managed to an acceptable level. Some risks will remain beyond the direct control of management.

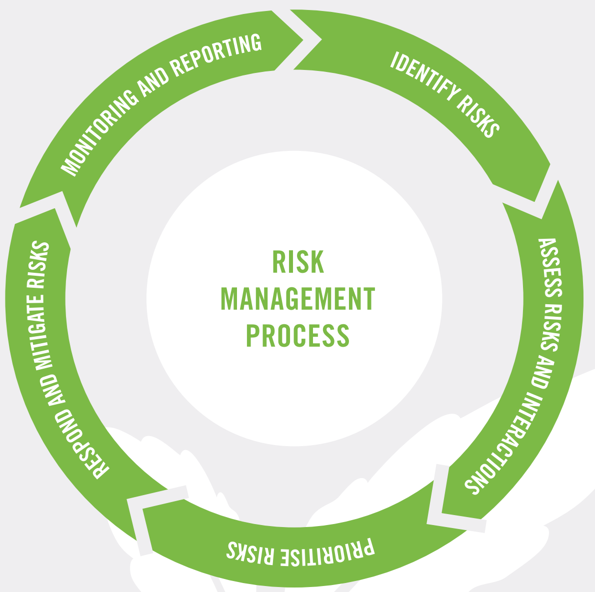
IDENTIFICATION OF RISKS

Identifying and monitoring risk is a continual process. The Group has established a network of risk owners and sponsors across the organisation and we utilise this network to identify risks faced by our business. In addition, based on our Risk Management Framework, our Risk Committee (comprising of our Chief Executive Officer, Deputy Chief Executive Officer cum Chief Commercial Officer and Chief Financial Officer) reviews risks, controls and mitigation strategies at least twice a year. This forms the basis for our Principal Risks and Uncertainties, which is challenged and validated by our Audit Committee, and thereafter our Board.

During the year, the level of risk arising from Long-Term Funding, Working Capital and Inventory Management increased significantly. The Board has also identified Culture and Internal Control Environment as new emerging risks.

PURECIRCLE'S ENTERPRISE RISK MANAGEMENT PROGRAMME

RISK MANAGEMENT FRAMEWORK



Top down

Board of Directors

- Sets the tone at the top and defines risk appetite
- Identifies principal risks and monitors emerging risks
- Overall responsibility for maintaining sound risk management and internal controls

Audit Committee

- Supports the Board in monitoring risk exposure against risk appetite
- Sets the risk management framework
- Reviews effectiveness of our risk management framework and internal control systems

Risk Committee

- Identifies and assess principal risks
- Monitors risk and risk response plans against risk appetite and tolerance levels
- Provides direction on applying risk management framework
- Provides guidance and training

Internal Audit

- Provides assurance on effectiveness of the risk programme
- Tests of key controls and co-ordinates risk management activities
- Provides expertise and support to business process owners
- Report and monitoring

Business process owners

- Formalise policies and procedures
- Own and review operational risks
- Operate controls and implement mitigation actions

Bottom up

THE COMPANY VISION AND STRATEGY INVOLVES THE CREATION FROM SCRATCH OF A NEW INDUSTRY.

At the time of writing, in view of the current COVID-19 outbreak and given the rapidly evolving nature of the pandemic, the Group has done a detailed assessment on the existing production plan and sales channel condition.

The Group has also considered the impact of COVID-19 on customers, suppliers and staff. The Group is cautiously optimistic that customers will continue to place sales orders but it is difficult to estimate the impact of COVID-19 on future sales orders and there may be a reduction compared to prior years should customers reduce order or delay product launches.

The Group has not noted any termination of supplier relationships over the past three months as we have a long-standing good relationship with our suppliers. We are monitoring closely the relationship in the coming months to ensure smooth production when we restart the manufacturing operation and work towards improving the difficult situation.

Over the past number of weeks, we have been working with our teams in production facilities in China, Malaysia to manage the ongoing developments relating to COVID-19. Our first priority remains the safety of our people and their families. Our teams in China and Malaysia are taking all appropriate protective measures in our facilities and we are working with authorities, our customers and other stakeholders to manage through the situation. Operations at our refinery plant in Malaysia has been suspended since 18 March 2020, to adhere to the government's movement control order. However, we expect to resume operations immediately, following approval by the authorities of our application to reopen and restart production. The Group continues to have sufficient inventories at hand that should mitigate any further disruptions. Production at our extraction plant in China is running as usual.

Whilst our supply chain remains robust, we are taking steps to mitigate our risks. We are actively monitoring and managing our inventory level and liquidity positions in this unprecedented uncertain period.

KEY AREAS OF FOCUS

During the year, we completed 'deep dives' into three specific focus risk areas namely Working Capital Funding, Inventory Management and Competition. These risk areas were selected as they were assessed to represent the most significant risks of the Company, at the time of the review. Risk owners were formally invited to present a full update of their risk register, including mitigation activities and target implementation dates, to the Audit Committee for review and consideration.

In addition, our risk profile has evolved with the materialisation of working capital constraints following breach of debt covenants, inventory costing and valuation issues and revenue recognition concerns, which has impacted the Company's financial position and reputation. The Board is relentlessly committed on a series of strategies, in order to address control deficiencies and reduce risks to an acceptable level.

EVALUATION OF RISKS

PureCircle's risk management framework incorporates both a top down approach to identify the Company's principal risks and a bottom up approach to identify operational risks. In addition, the business also considers both external and internal risks, from business units through to Group level. We use a risk scoring methodology to ensure risks are evaluated consistently. Our methodology considers Consequence (financial and business continuity impact), Likelihood and Control Effectiveness.

When we evaluate risk, we consider gross risk (the level of risk before any mitigation actions), net and residual risks (risk that remains after mitigation activities).

MANAGEMENT OF RISKS

Ownership and management of risks is assigned to our Risk Committee. They are responsible for ensuring the operating effectiveness of the internal control system and for implementing mitigation action plans.

A Group risk register is in place and these are summarised in a matrix which identifies the intensity of each risk, either high, medium or low. Each risk is assigned a sponsor and process owner.

As part of our risk process, we have also facilitated risk management workshops to explore and understand how risks are inter-connected and critical risk dependencies. This allows us to understand risk movement trends and prioritise on key mitigating controls.

RISK APPETITE

Our Board is responsible for defining the level and type of risk that the Company is willing to undertake and ensuring that it remains in line with our overall strategy. The Board regularly reviews the risk appetite of the Group, assesses available information and relevant risk factors.

Where the Board perceives the risk to be higher than what the Company should be undertaking, we take a "deep dive" into selected risk areas to ascertain the action plans. We continue to review and monitor to ensure that we have sufficient action plans to mitigate risks.

Our approach is not to eliminate risk entirely, but to ensure that we have the right structure to effectively navigate the challenges and opportunities faced. We focus on being risk aware, responding to changes to our risk profile quickly and having a strong risk awareness among employees. This ensures that our risk exposure remains appropriately minimal at any point in time.

During the year, our Board and Risk Committee have reviewed the risks facing the Group. Following errors in the classification and valuation of inventory, cost allocation in cost of sales and revenue recognition practices, the Board has instituted a series of corrective action plans, including a revamp of the senior management leadership team, and appropriate actions to protect the interests of the Company.

The Board has reviewed the impact of BREXIT and is of the opinion that BREXIT does not present significant challenges to PureCircle as our shipment from the UK into the EU is predominantly based on 'delivered' terms. However, the introduction of trade tariffs and custom border checks could potentially impact our margins and delivery lead time to customers. We will continue to monitor and assess the situation closely. In addition, the Board expects that the Company's performance will not be impacted by the on-going tariff discussions between China and United States as our end products shipped into the US are manufactured in Malaysia.

STRATEGIC REPORT

Principal Risks and Uncertainties continued

The principal risks and uncertainties facing the Group are summarised in the tables below. This includes a description of the risk, potential impact, key mitigation activities and risk movement in 2019, compared to 2018. These however, are not intended to be an exhaustive analysis of all risks currently facing the Group.

The table below represents the order of risk priority, from most to least significant ranking for PureCircle.

Description	Potential impact	Key mitigations	Movement in the year
TREASURY			
1. Long-term funding			
PureCircle is reliant on funding from a consortium of banks to fund the ongoing operations of the business and to enable ongoing product innovation and investment in technology. The current funding arrangements are subject to bank covenants. The debt is due to mature in November 2020 and is subject to compliance with certain bank covenants. Although the Group's debt covenants were re-set multiple times during the year, there was a default at financial year end. Subsequent to FY2019, the Group experienced severe cash flow constraints in meeting its working capital requirements and needed additional funding. In addition, the Group renegotiated and secured approval for the full waiver of non-compliance of bank covenants. Going forward, the Group's liquidity will be tight and our projections indicate that we will break our covenants. The Group is exploring alternative financing options to refinance its existing term loan before it matures in November 2020.	• A revoke of banking facilities • Breach of debt covenants • Interest rate increases • Insolvency • Important operating and capital expenditure decisions may be deferred due to insufficient funds	• Corporate Finance monitors the Group's cash flow on a weekly basis and cash forecast on a monthly basis, to ensure compliance with debt covenants. Where applicable, management shall ensure potential red flags are appropriately identified and timely corrective actions are taken to mitigate risk of non-compliance. • Bank covenant compliance is reviewed regularly with stress testing at various downside scenarios. Mitigating actions are constantly identified and implemented to ensure compliance even in the event of a downside case. • Regular dialogue on business performance with our banking consortium ensures a positive and open relationship is sustained. • Debt reduction is a key focus area for Senior Management; with active review in progress. **Key development in 2019:** • In January 2020, certain shareholders provided an unsecured subordinated loan of US$8.6million to the Group for working capital purposes. This was done in conjunction with the syndicated lenders to allow access to a revolving credit facility of US$8.6million. The total combined facility of US$17.2million provided additional liquidity to the Group. • The Group secured an approval from its consortium of lenders for a waiver and amendment to its Senior Facility Agreement. This approval provides for a full waiver of all previous defaults. • The risk level for long-term funding increased significantly when it became apparent that the Group had severe liquidity concerns subsequent to FY2019 and breached its bank covenants, which required renegotiation for waivers with banks. Currently, this risk has been managed with the securing of approval from its consortium of lenders for waivers and breaches of bank covenants and unsecured subordinated loan and access to revolving credit facility. However, this risk is expected to increase over the year as if we have not yet refinanced we expect to break the covenant under the existing facility. • There is a risk that the Group may not be able to meet the conditions stated in the Waivers and Amendments, and there is also the risk, in particular in relation to COVID-19 pandemic, that the Group may not have sufficient liquidity up until the facility is required to be repaid in November 2020.	▲

This risk was previously combined with "Working capital funding to support growth plans". Given the increase in risk in the year, it has been separately disclosed in 2019.

Description	Potential impact	Key mitigations	Movement in the year
TREASURY			
2. Working capital funding to support operations			
PureCircle fully controls the end-to-end process of its entire supply chain from leaf sourcing to manufacturing; sales; distribution and customer relationship management. The Company needs to fund its working capital from leaf purchases to sales and receivables. Working capital requirement at PureCircle is particularly influenced by its inventory levels. During the year, the Group experienced severe cash flow constraints in meeting its working capital requirements and needed additional funding to meet its payment obligations. Failure in of our business to generate sufficient operating cash flows; restricted access to funding or existing bank facilities being potentially withdrawn; creates call on cash, higher than anticipated. This will impact our financial performance and liquidity.	• Insufficient cash flow to continue operations • Customers not remitting payment within agreed terms; or not paying on a timely basis • Legal action from creditors and vendors to recover amounts owing to them • Non timely payment to vendors or extended payment terms causing loss of relationships/ reputation	• Commercial Finance actively follows up with customers on collections to facilitate improved days sales outstanding. The focus on debt collection remains a high priority for the Group. • Cash conversion and debt reduction are continued key focus areas for Senior Management, with active review in progress. **Key development in 2019:** • Although the Group has secured access to additional funding from shareholders to maintain working capital for operating activities, risk level for working capital management nonetheless has increased in 2019. • We will continue to actively monitor our working capital funding gap by reducing our receivables collection period and negotiating for more favourable credit terms from our vendors. Further information on working capital is provided in the relevant notes to the Annual Report and the Group Viability Statement.	▲
OPERATIONS			
3. Inventory management			
Inventory management is a key area of the business. Ensuring PureCircle manufactures the appropriate mix of finished goods inventory is of paramount importance as failure to do so may result in a high level of cash being tied up in the business. In 2019, it was noted that PureCircle maintained high inventory balances, particularly in relation to by-products. Many of the by-products were found to be carried at a cost higher than what could be realised, and/or slow moving and in excess of market requirements, despite efforts to sell directly or convert into other finished goods. The Company identified a number of errors pertaining to the classification and valuation of inventory; and cost allocation in cost of sales. Fluctuations in the market demand for PureCircle products can cause inventory levels to rise. In addition, changes in the market or viable uses of by-products may potentially cause inventory obsolescence and write-offs.	• Inventory mix not appropriate to meet customers' demand • Inventory obsolescence • Write off or write down of inventory • Increase in storage costs at external warehouses • Inventory valuation issues • Inappropriate costing of cost of goods sold	• Monthly standard operating procedures are in place to manage inventory. Slow moving and obsolete items across all sites, are listed with action plans identified to run down/ consume excess inventory. • Physical stock counts and reconciliation of book-to-inventory records. • Active management/ sale of work-in-progress products and finished goods is undertaken, to reduce inventory balances. • Sourcing leaf from multiple locations, with defined procedures to ensure we purchase the right leaf quantity and quality, at the right price. • PureCircle's strategic move to StarLeaf, which has a significantly higher Reb A content will reduce the level of work-in-progress inventory, as StarLeaf only requires a 1-stage refinery process. **Key development in 2019:** • Risk has increased in 2019 due to inventory costing, valuation and obsolescence issues. The inventory balance for by-products was building up and as the progress in reducing inventory levels was slower than expected due to slower growth in sales. Further information on current year events is provided in the Financial Review and the Audit Committee Report.	▲

STRATEGIC REPORT

Principal Risks and Uncertainties continued

Description	Potential impact	Key mitigations	Movement in the year
HUMAN RESOURCES			
4. Culture and internal control environment			
PureCircle is an entrepreneurial company operating in a fast evolving industry. Strong directive leadership is vital to achieving the Group's vision and strategy. Although this provides a clear chain of command and enables the Company to grow and react quickly to market opportunities, there is a risk that this creates a culture where achieving sales forecast and financials set out by the leadership was the sole purpose. The control environment around revenue recognition and inventory is particularly important. During the year, there was apparent override of controls by members of senior management that was not identified by our monitoring controls. This resulted in historical misstatements of our results going undetected. Weak awareness of controls and culture may give rise to failure in corporate governance and non-compliance with internal controls.	• Lack of control oversight leading to errors and incorrect accounting treatment. • Decisions tend to be short term focused with limited foresight of long-term implications. • Employees are afraid of making unpopular decisions. • Employees are not prepared to speak up. • Employees may compromise internal controls • Employees may be under pressure and being pushed to conform to management expectations • Low staff morale	• Establish clear communication on good corporate governance, culture and adherence to controls. • Critically assess the human capital strategy focussing on culture, employee recognition, risk compliant and compliance to internal controls. • Foster a culture of open communication; being respectful to others; receptive to feedback; constructive criticism and people centric management, to drive growth. • Provide refresher training to all employees on PureCircle's Whistle-Blowing and Anti Bribery and Corruption policy. **Key development in 2019:** • This is a newly added risk. In 2019, it became apparent that there were instances of internal control lapses due to senior management override of internal controls and lack of control oversight. This was followed by sweeping changes in senior management and the Board. • We are strengthening financial oversight and setting policies and procedures in the Group to ensure no reoccurrence of previous accounting and governance issues. Further information on current year events and improvements made to the Group's internal control and governance framework is provided in the Audit Committee Report.	▲
Given the increased emphasis creating a strong internal control and governance framework this risk has been added in 2019.			
HUMAN RESOURCES			
5. Talent attraction and retention			
Stevia is a relatively new industry in which PureCircle remains as a market leader. Attracting and retaining talented individuals will be imperative to the Group's future success. During the year, there were a number of senior management departures. Although an interim leadership team was formed to fill the void, there was nonetheless a short vacuum in senior leadership. The Group has since appointed a new set of senior leaders, with immediate focus on resolving issues identified during 2019 and restoring stability to the business. As PureCircle grows and becomes more successful, our talented individuals will increasingly become sought after.	• Key senior positions take longer to be filled, following staff turnover • Decline in productivity due to the time needed to train and upskill replacements • Lack of knowledge transfer or proper hand over to person taking over the role • Employee morale and engagement may be impacted	• Continued focus on attracting and retaining talented individuals. • Positioning PureCircle as an employer of choice. • Continued management focus on recruitment of talents with appropriate quality and industry background. • Investment in a senior management retention programmes for all key managers and high performers. • Regular human resources and management joint discussions / engagements. • Appropriate reward structures are in place. • Development planning and training sessions are conducted annually. • Periodic townhall meetings are held with scheduled participation and insights from senior leadership. • Collective agreement with the local union was formalised and implemented at the Enstek refinery plant. • Structured performance appraisal is performed on a half-yearly basis. **Key development in 2019:** • Positive developments have occurred in 2019. However, there were a number of senior management departures which has increased this risk in the short term.	▲

Description	Potential impact	Key mitigations	Movement in the year
CORPORATE			
6. Competition			
As the stevia industry continues to evolve, larger food and beverage ingredient suppliers may enter the market and erode the Group's current market share. Failure to anticipate movements in the market/ accurately forecast customer demand and industry trends could undermine PureCircle's business performance. The Group needs to adequately price its products to remain competitive.	• Loss of market share • Diminishing differentiation • Declining margins • Commercial team selling at loss, based on wrong pricing decisions	• PureCircle is committed to providing the best tasting stevia for its customers' applications. Our continued investment in research and development; and innovation will enable us to develop strong working relationships with existing and new customers. • R&D developments and breakthroughs sustained first mover advantage. • Deployment of competitive pricing strategies to protect existing business with strategic accounts. • Expansion into new market categories such as table top and food service (bakery products, dairy and confectionery). • Continue filing of intellectual property (IP), trade secrets and active defence of our existing granted patents to ensure that competition operates outside of our innovation boundaries. **Key development in 2019:** • This risk increased in 2019 following the increase in the number of new market entrants as well as our competitors increasing their portfolio of offerings. Further information is provided in the Business Review.	▲
OPERATIONS			
7. Leaf sourcing/procurement			
The Group's leaf sourcing plan is driven by market demand and sales strategy, which provides the direction on leaf variety to be planted, cultivated and purchased. Dried leaf is PureCircle's primary raw material and constitutes a significant proportion of the Company's variable costs of production. The Company's financial performance can be materially impacted by rising leaf cost and nature of contractual conditions, if not managed effectively. A significant majority of PureCircle's total leaf supply is sourced from China. The Group adopts a logical purchasing plan differentiated by province and purchase timing. This mitigates any potential risk of supply disruption within China. During the year, the Group paused its leaf development project in Latin America and North America due to unfavourable developments in those regions, and impaired the associated costs in its financial statements. Going forward, the Group's leaf sourcing strategy will comprise a combination of different leaf varieties; and the gradual phasing out of old stevia leaf varieties to leaf with better extract yields. This will drive improvements in terms of lower overall extract cost per metric tonne of processed leaf.	• Increasing leaf costs and loss of competitive advantage • Shortfall of leaf to process and extract • Manufacturing costs may increase	• Leaf contract terms from China have been expanded to include volume, quality, price controls and minimum take up volume from farmers. • Approximately 80% of the Group's leaf is currently sourced from China. Current leaf supply diversification is on-going in Africa. • Continue to partner with the farming communities to provide extensive technical support and research to achieve high quality stevia yields. **Key development in 2019:** • There are no significant changes to the risk level for leaf sourcing and procurement. Key mitigation activities have been implemented and will be continuously monitored and refined, to ensure effectiveness.	◀▶

STRATEGIC REPORT

Principal Risks and Uncertainties continued

CORPORATE

8. Intellectual property and innovation

Description	Potential impact	Key mitigations	Movement in the year
Innovation is why PureCircle is the market leader in the stevia industry. PureCircle's continuous investment in research, development and innovation (RD&I) must be protected by robust intellectual property (IP) strategies, including obtaining patents and protecting other forms of IP, to help sustain and grow the Company's position in an ever-competitive market.	• The value of PureCircle's investments in RD&I may be significantly diminished if we do not protect our IP • Others may obtain patents that limit or even prevent PureCircle's ability to use the Company's own innovations • PureCircle's innovations may become freely available to competitors, thus allowing competitors faster and cheaper entry to market based on such innovations • PureCircle may miss opportunities to leverage the Company's IP in business transactions involving licensing or transferring IP assets to other entities	• Maintain a robust patent filing strategy and procedures to ensure that patent applications are timely filed and are aligned with commercially relevant innovations. • Utilise strong trade secret protection practices, such as non-disclosure and non-analysis agreements, employee entry and exit interviews, and document security measures to protect confidentiality and ownership of innovations. • Foster a culture of innovation recognition and protection to incentivise the consistent use of effective IP protection strategies. • Where required, legal action is taken to address infringements and protect our IP. **Key development in 2019:** • There are no significant changes to the risk level for intellectual property and innovation. Key mitigation activities have been implemented and will be continuously monitored and refined, to ensure effectiveness.	◀▶

OPERATIONS

9. Manufacturing capacity

Description	Potential impact	Key mitigations	Movement in the year
PureCircle is a potentially fast growing company with production chain covering both extraction and refinery activities. It is imperative that our capacity keeps up with increasing customer demand. In addition, the Group needs to maintain reasonably accurate sales forecasts to facilitate the planning for manufacturing capacity, purchasing needs and inventory holding levels. The ability to manufacture however, is subject to available capacity and raw material extract to produce the required product according to the specified volume per customer's requirements. Our manufacturing capacity is dependent on process and product, and was built in anticipation of growth and increased market demand. Overall in FY2019, our refinery capacity utilisation is approximately 75% and we are currently running on full capacity in H2 FY2020. In addition, we are also purchasing certain products externally, on an exceptional approval basis, to close off any potential supply gaps. Subsequent to FY2019, Manufacturing is re-processing by-products to produce certain types of intermediary/ finished goods. This is a temporary shift in production plan to meet the current shortage of raw materials and excess demand in the market. Management will continue to monitor the situation and adjust its production plan, in order to achieve better efficiency in capacity usage and to produce intermediary/ end-products that will yield better margins and cash flow.	• Loss of sales, erosion of market share and leadership position in the stevia market • Higher production cost or additional costs from external purchases • Inefficient production process • Failure to achieve supply commitments to customers	• A five-year capacity plan is in place to match capacity against long-term sales projection. • Key performance indicators are established to monitor overall plant capacity utilisation. • A robust plant preventive maintenance programme is in place, including policy and processes governing environmental; health and safety requirements; hazard and operability studies. • Shortfalls in raw material extract is fulfilled through external purchases. • Encourage active communication between Commercial and Production to facilitate efficient utilisation of manufacturing capacity. **Key development in 2019:** • There are no significant changes to the risk level for manufacturing capacity. Key mitigation activities have been implemented and will be continuously monitored and refined, to ensure effectiveness. • Operations at our refinery plant in Malaysia has been suspended since 18 March 2020, to adhere to the government's movement control order. However, we expect to resume operations immediately, following approval by the authorities of our application to reopen and restart production. The Group continues to have sufficient inventories at hand that should mitigate any further disruptions. Production at our extraction plant in China is running as usual.	◀▶

Description	Potential impact	Key mitigations	Movement in the year
OPERATIONS			
10. Managing quality			
PureCircle is committed towards manufacturing safe products that meet legal and regulatory compliance. PureCircle sites are committed towards continuous improvement of quality objectives.	• Damage to PureCircle's reputation and image • Customer recalls/ product withdrawal • Loss of customers and impact to sales • Import alerts • Withdrawal of PureCircle's quality certification	• The Group actively manages its quality requirements through clearly defined quality objectives, quality protocols and standards that are set and monitored regularly by its Quality Leadership Team. This includes an integrated quality system, periodic audits and compliance towards high standards expected in the food manufacturing industry, including requirements from customers, independent third-party certification bodies and government agencies. • Suppliers are required to comply with the various quality standards and CSR requirements of the Group, including Anti-Bribery and Corruption policy and suppliers' Code of Conduct. • PureCircle conducts full testing on all batches produced, including additional testing per customer specific requirements. In addition, we have established a Corporate Safety and Quality Procedures as a framework for all our sites. • Regular quality audits are performed to ensure compliance to legal and regulatory requirements. There has been no significant changes to the risk level for Quality in 2019. Key mitigation activities have been implemented and will be continuously monitored and refined, to ensure effectiveness.	◀▶

The Directors have assessed the viability of the Group in accordance with the requirements of provision C.2.2 of the UK Corporate Governance Code

PROSPECTS ASSESSMENT PROCESS

In accordance with the UK Corporate Governance code, the Directors have assessed the viability of the Group after taking into account pertinent key assumptions i.e. external environment, business strategy, sales growth, financing risk and business continuity risk that may affect the profitability of the Group.

The Group is facing several material uncertainties including the Senior Facility Agreement (SFA) of 30 November 2017 term expiring on 30 November 2020. For the basis of this assessment it is assumed that the facilities will be refinanced on similar terms. The Group is currently in discussions on the refinancing of its banking facilities and also on injection of equity to reduce its debts.

ASSESSMENT PERIOD

The Directors have decided the period of assessment of five years until 30 June 2024 is an appropriate period over which to provide its viability statement because of the long-term research & development and product innovation based business the Group is engaged in.

ASSESSMENT OF PROSPECTS

The Group's market, strategy, business model and principal risks are each central to an understanding of its prospects. Our aim is to provide sustainable, low-calorie solutions to the world's food and beverage companies and consumers, ensuring that we anticipate industry evolution and maintain customer centricity. We do this through our strategic priorities, which are:

- Innovation
- Financing
- Sales
- Business Continuity

The Group takes a long-term view in carrying out its principal activities in the production, marketing and distribution of natural ingredients including sweeteners and flavours. We have outlined in our Annual Report the details of our business model, our strategy for achieving our objectives and our principal risks and uncertainties which this assessment takes into account.

The key factors impacting the Group's prospects and the execution of our strategy and business model are:

Critical Risk Factors	Scenario	Assessment of Risks/Considerations	Link to Principal Uncertainties
1. Innovation	If PureCircle does not maintain its R&D then it will not be able to continue innovating and commercialising the best tasting, sustainable stevia solutions for its customers. By not protecting the PureCircle IP will allow competitors to adopt similar processes and products and therefore reduce PureCircle's competitive advantage.	• The value of PureCircle's investments in RD&I may be significantly diminished if we do not protect our IP • Others may obtain patents that limit or even prevent PureCircle's ability to use the Company's own innovations • PureCircle's innovations may become freely available to competitors, thus allowing competitors faster and cheaper entry to market based on such innovations • PureCircle may miss opportunities to leverage the Company's IP in business transactions involving licensing or transferring IP assets to other entities	• Losing competitive edge in commercialising innovative products • Erosion of sales and profit margin

STRATEGIC REPORT

Principal Risks and Uncertainties continued

Critical Risk Factors	Scenario	Assessment of Risks/Considerations	Link to Principal Uncertainties
2. Financing	Failure to garner the support from banks may lead to untimely disruption to the business and operations.	• Whilst there are a number of refinancing uncertainties, we continue to garner support from existing bankers. The Group obtained approval from all lenders to waive prior covenant breaches and amend future covenants.	• Losing the ability to finance working capital for the production and business • Direct impact on cash flow and liquidity position which may lead to going concern uncertainties
3. Sales	The stevia market is forecast to increase over the next five years. If PureCircle is not able to maintain its market share this will impact the sales and liquidity assumed in the base case strategic plan.	Intense competition on prices of products which will affect the sales values. Difficulty in getting key or regional accounts to initiate profitable account relationship.	• Collapse in sales volume and values • Direct impact to the cash flow and liquidity
4. Business Continuity	To get prepared for any unforeseen circumstances that may directly affect the procurement of raw materials and the operation of the production line.	The current COVID-19 infection may directly impact the procurement and extraction of leaf in the China and following on refining in Malaysia. The shortage of raw materials will affect the production run and directly affect the sales volumes.	• Unforeseen disruption of supply of raw materials • Immediate stoppage of production lines

KEY ASSUMPTIONS OF THE BASE CASE STRATEGIC PLAN

The Group's prospects are assessed primarily based on the following key assumptions:

- Receiving waivers of past and future covenant breaches or other conditions of our lending facility.
- Executing successful fund-raising facilities with reasonable terms to replace the current facilities.
- Continued growth in stevia market of 7.4% in FY21 and 10% in the following forecast years.
- Growth in the Group's sales revenues, reflecting similar growth as the overall market.
- Leverage adequate refinery capacity to support strong sales growth.
- Fixed costs are assumed to include the Group's non-variable factory and SG&A overhead cost base and will be managed to a rate of increase below the rate of sales growth.
- Working capital assumptions are that inventory levels will reduce as a percentage of sales due to active inventory management improvement.

THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

Although the strategic plan represents the Directors' best estimates of the future prospects of the business, the potential impact on the Group of the critical risks of a reduction in sales or an unforeseen disruption in the supply chain or operational capability have been assessed. These are set out below.

Specific scenario analysis has not been considered on the other two critical risk areas of Innovation and Financing as:

- **Innovation** – the Group will continue to defend its intellectual property as demonstrated by the actions taken within the fiscal year 2019. It is recognised that this is crucial in maintaining the competitive edge of producing innovative products and ensuring that the Group can continue to provide ingredients to its customers at effective price points; and
- **Financing** – the base strategic case assumes that facilities with reasonable terms to replace the current facilities.

SALES

If the stevia industry does not grow in line with market forecasts or if PureCircle's market share is reduced, then this will have an impact on the sales and liquidity. The Directors have therefore considered a sales sensitivity on the base strategic plan to assess the impact on the liquidity of the Group.

The Directors assumed that the forecast growth in the stevia market reduces to 2% per annum for each year across the viability period. The Group has assessed the downside risk associated with COVID-19 and while it expects there will be short term reduction in sales, it is cautiously optimistic that sales will return to growth in the future. The Group is also mindful that current sales target assumptions may be adjusted during the review period as sales may not be achieved in accordance with planned sale target schedule and fall short of actual target achievement. In addition, cash collections may not be in accordance with planned collection schedule and fall short of actual collection.

There are a number of mitigating actions that the Group has taken or could take to further minimise the risk of a sales reduction:

- The Group has ramped up its ability to supply the next generation ingredients, like Reb M, in the large quantities that food and beverage companies require and in a cost effective manner. The Group's efforts to maximise taste performance through patented innovation processes will provide huge opportunity for food and beverage companies to unlock stevia's true potential.
- Continue to develop new varieties of leaf. In the medium term, there is a planned production and sale of protein, fibre and antioxidants from stevia which will further enable the Company to utilise much more of each stevia leaf. This will make the Group's stevia use even more efficient, as it will spread the cost of stevia raw material across the newly expanded array of ingredients sold and to be sold by the Group. This ensures the Group can continue to provide ingredients to its customers at cost effective price points and maintain its competitive advantage.
- Continue to market in untapped regional markets to boost sales and increase diversification of customer base. The regulatory landscape is continuing to move in a favourable direction for acceptance of stevia leaf ingredients with over 200 countries having approved the use of at least some stevia ingredients. Our focus has been to gain approval for many ingredients in the stevia leaf, including sweeteners, flavours, antioxidants, proteins and fibres. The Group is working with regulatory bodies and key opinion leaders all over the world to bring access to the full leaf.

BUSINESS CONTINUITY AND OPERATIONAL CAPABILITY

The impact of an unforeseen disruption in the supply chain and/or the production facilities has been considered with the various mitigating actions that could be taken:

- The group inventory is maintained at levels equivalent to circa 10 months of cost of sales. The extract inventory levels would be lowest during the leaf planting/harvesting period in China of August to September.
- There are a number of mitigating actions that the Group has taken or could take to further minimise the impact of a disruption in the supply chain:
    - The Group has a diversified supply chain across nearly every region in China and also Zambia. This mitigates the risk of a natural disaster in any one particular region of China;
    - There are three separate growing seasons in Zambia which allows the Group to increase supply at different points of the year if required; and
    - Ability to buy leaf extract from the market directly.
- There are a number of mitigating actions that the Group has taken or could take to further minimise the impact of a disruption in the production facilities:
    - Existing inventory levels held in Malaysia, UK, USA and Mexico at third party warehouses would allow the Group to continue making sales for a period of four weeks if the production facilities in Malaysia were not operational.

In view of the volatile outlook and economic uncertainties arising from COVID-19 pandemic, the Group will endeavour to conserve its cash flow by pro-actively managing its capital expenditure and working capital as well as identifying opportunities for cost savings that will not impact the long-term viability of the Group.

ASSESSMENT OF VIABILITY

These above scenarios which are based on aspects of the principal risks represent severe but possible circumstances that the Group could experience. The Group have assessed scenarios based on a number of Group's principal risks and uncertainties as outlined in the Annual Report.

As highlighted above, the Group have maintained multiple control measures to mitigate any occurrence of such scenarios in order to maintain liquidity to continue operation and business. These include reducing any non-essential capital expenditure and operating expenditure on projects.

Management ensures timely monitoring and review of business sales target achievements and cash receipt and payments on weekly and monthly basis in order to monitor progress and the impact on liquidity.

Based on the result of the assessment, the Group would be able to withstand the impact of these scenarios occurring over the assessment period.

STATEMENT OF VIABILITY

Taking into account the Group's current position and principal risks and uncertainties, the Group confirms, subject to the assumption that the Group is able to refinance its current banking facilities and maintain access to them in the event of a default and the combined scenario described below, that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

COMBINED SCENARIO

The Group has prepared a number of scenarios as part of the adoption of the going concern assumption. The Directors have considered a scenario where the Group's sales decline by approximately 20% and the expected margin improvements do not materialise given the Group's production facilities are not operating at optimal capacity and production has been temporarily interrupted due to COVID-19 at both the extraction and refining facilities. The Group has been monitoring the ongoing and fast-growing global outbreak of COVID-19 closely.

Whilst it is too early to assess or quantify an impact on profitability of the business, the Group is mindful of the volatile outlook and economic uncertainties arising from the COVID-19 pandemic which may drag for a longer period thus affecting sustainability of the business. In addition, there is a contingent import duty liability that may become due and payable. In this scenario the Group may not generate sufficient cash to fund its operations during the period and it would likely breach its banking covenants before the facility is due to be refinanced in November 2020.

This scenario would indicate the existence of material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Corporate Social Responsibility

SUSTAINABILITY IS EMBEDDED IN PURECIRCLE'S IDENTITY AND CORPORATE PRACTICES

PureCircle's vision is to make great tasting, zero-calorie stevia natural sweeteners mainstream in a responsible, sustainable manner by driving a scaled and fully traceable supply chain from seed to shelf. Our stevia is grown, purified and delivered in a way which respects people and the planet. From promoting a healthy diet, improving the livelihood of farmers and minimising environmental impact throughout our vertically-integrated supply chain, sustainability is key to who we are and how we operate.

PURECIRCLE SUSTAINABILITY PROGRAMME – RECENT ACHIEVEMENTS

OUR SUSTAINABILITY PROGRAMME STANDS ON THE FOLLOWING FOUR PILLARS:

1.

Supply Chain Integrity and Operational Transparency

PureCircle is fully committed to ethical trading and business practices with policies and a management system which support these on-going efforts.

Our formalised PureCircle Sustainable Agriculture Policy for farmers and leaf agents has been incorporated as a requirement into our leaf purchase contracts and is a pre-requisite for trading with the Company. In addition, we maintain complete traceability from our partner nursery or farm to the leaf agent.

In addition to upholding our Supplier Code of Conduct, we have embarked on a journey to work with our agriculture partners (including large and small-scale farmers) to meet global standards (Farm Sustainability Assessment (FSA) of SAI[1] Platform) from 2016 onwards. In FY2018, we trained hundreds of farmers in China whose output covers nearly 80% of total China production product, on FSA awareness and requirements.

We will continue to engage with our farmers in China through internal audits to guide them towards attaining SAI FSA Silver status by 2020.

Meanwhile, our manufacturing sites in China and Malaysia are in compliance with SMETA[2]. In FY2019, our Malaysia refinery plant attained ISO 14001 and ISO 45001 certifications in Environmental and Occupational safety standards in addition to being CTPAT[3] compliant. The China extraction plant is already ISO 14001 certified and CTPAT compliant.

Since 2019, PureCircle (Jiangxi) Co. Ltd. (PCJX) has successfully upgraded the PureCircle wastewater treatment plant. We are in full compliance with regional water discharge rules, which regulate the wastewater going into the local river.

In an effort to utilise and derive value from the entire stevia plant, we are providing a third-party manufacturer in Ganzhou all of our spent stevia leaf material to repurpose for making organic fertiliser.

2.

Strong Farmers and Their Communities

The PureCircle Agriculture Team has cultivated deep relationships with a strong and stable community of partner farmers in China. We are in regular contact with our farmers, confirming our plans for planting stevia through annual leaf contracts that provide financial security to the farmers. PureCircle distributes our technical planting guidebook with regular farm visits to guide farmers on best practices in sustainable stevia planting. In FY2019, PureCircle's agriculture activities in China have continued to generate employment opportunities to approximately 70,000 individuals.

Furthering our efforts to expand opportunities and improve the lives of farmers, PCJX has signed a memorandum of understanding with the government of Ziyang County, Shanxi Province and China Construction Bank in a poverty alleviation project to produce organic stevia. PureCircle will use this organic stevia leaf to produce organic stevia leaf extract accordingly. The next steps in this project include: (1) selecting three villages to tentatively plant organic stevia in 2022, (2) selecting seven villages to tentatively plant organic stevia in 2023 and (3) planting organic stevia with full implementation in 2024. This initiative will not only uplift distressed farming communities but also provide a differentiating, sustainably-sourced supply of organic stevia to PureCircle.

We continue to expand our agriculture partnerships in parts of Africa and North America. Since 2015, PureCircle has been working with farmers across parts of Africa to further expand the supply chain and we currently have 500 hectares in production. Through our efforts, we are able to support communities which once grew tobacco with an alternative, sustainable high value crop.

In FY2019, the Group has witnessed some successes in its Africa agricultural partnerships and has refocused its leaf development in this region.

PureCircle's Advantage

Unlike other stevia companies, we are actively involved in every stage of our vertically-integrated supply chain (breeding, cultivating and harvesting stevia plants; extracting and purifying stevia ingredients; delivering products to customers) allowing us to scale responsibly, and with full traceability from farm to customer formulation.

Our innovations allow us to produce non-GMO ingredients which originate from the leaf. No other company offers the quality ingredients, traceability and farming expertise that PureCircle does.

Stevia is up to 350 times sweeter than sugar. As a result, just a little of its sugar-like taste goes a long way to provide the required sweetness in food and drinks. Stevia plants require only 1/5th of the land to generate the same amount of sweetness compared to other natural sweeteners made from sugar cane, sugar beets or corn. Less land means less water and energy. From the start, our goal was to build on the notion of small footprint, big impact.

3.

Healthy People and Planet

PureCircle continues to partner with our customers to reduce the impact of the food and beverage industry on the environment and global caloric intake. Since 2011, we have provided the equivalent amount of stevia to eliminate 3.8 trillion calories from global diets.

In 2011, PureCircle was an industry pioneer as it was the first to publicly share the carbon and water footprint of our product lifecycle based on industry-recognised methodology (PAS 2050 and Water Footprint Assessment Methodology). This was supplemented with internal energy and water conservation initiatives within our operations.

4.

Responsible Scaling

Through the PureCircle Stevia Agronomy Programme, we have developed proprietary stevia leaf varieties, which yield significant increases in the most sought-after stevia leaf ingredients (e.g. Reb M) over conventional leaf varieties. This advance allows PureCircle to increase the amounts of ingredients produced without additional impact on the environment. PureCircle stevia leaf ingredients offer food and beverage developers plant-based, non-GMO, zero-calorie sweeteners and flavours which deliver on great taste and provide consistent quantities of material to support scaled, global brands.

By introducing an enzyme to mirror the leaf maturation process and converting Reb A into other sweeteners in the stevia leaf, PureCircle's innovations in stevia processing technology enhanced the way we work with stevia leaf extracts enabling further scaling of specific stevia leaf ingredients, like Reb M and Reb D. All of PureCircle's processes, unlike some other glycoside producers, start and end with the stevia leaf. All of our ingredients are Non-GMO Project Verified[4], and provide industry-leading taste performance at a scale and affordable cost to enable the development of food and beverage products for a diverse set of consumers at every price point.

1 SAI – The Sustainable Agriculture Initiative Platform (SAI Platform) is the primary global food and drink value chain initiative for sustainable agriculture.

2 SMETA – Sedex Members Ethical Trade Audit (SMETA), is an ethical audit format which reports on Sedex's four pillars of Labour, Health and Safety, Environment and Business Ethics.

3 CTPAT – Customs Trade Partnership Against Terrorism, a voluntary supply-chain security programme led by US Customs and Border Protection (CBP).

4 Non-GMO Project verified is North America's most trusted seal for GMO avoidance. Source https://www.nongmoproject.org

THE EVOLUTION OF GREAT TASTE

Our stevia experts understand the entire stevia leaf and how all of its many ingredients influence taste. This knowledge and continuous innovation have led to the development of a range of products which provide premium taste performance and formulation breakthroughs yielding zero added-sugar products.

In October 2017, in a research co-funded by PureCircle, scientists have completed the sequencing of the stevia plant genome. This milestone enabled PureCircle to better understand the stevia leaf's properties, and what additional advantages this could offer its customers in product formulation. Last year the Company discovered multiple sweeteners and flavours alongside functional ingredients such antioxidants, fibres and proteins. All of these are found naturally within the stevia leaf. PureCircle is continuously looking for ways to make each stevia leaf work harder, and yielding ingredients with high utilities for food and beverage companies.

We work alongside our customers as innovation partners to deliver stevia solutions best suited to each unique product. These can be single stevia leaf solutions like our Reb D and M to a blend of stevia leaf sweeteners and flavour modifiers designed specifically for a low to zero added-sugar product.

With the largest extraction facility in the world, we continue to deliver innovative stevia products at a scale to cater to the demands of the global food and beverage industry.

PURECIRCLE HAS OVER 500 STEVIA-RELATED PATENTS PENDING OR GRANTED

GOVERNANCE

GOVERNANCE

Chairman's Governance Overview

"AN EFFECTIVE GOVERNANCE FRAMEWORK IS VITAL TO ENSURING PURECIRCLE REMAINS SUCCESSFUL AND SUSTAINABLE"

Your Board is committed to high standards of corporate governance and has a vital role in setting the tone for how we do business as a Company.

INTRODUCTION

On behalf of the Board, I present the Corporate Governance report for the financial year ended 30 June 2019.

This is my first review since I took over the role as Chairman of the Company on 10 February 2020. John Slosar, who took over from Paul Selway-Swift, served as Chairman for a period from November 2018 up until the recent AGM in February 2020 where his re-election by shareholders as a director was withdrawn at his request. Given the short tenure of my service as Chairman of the Company for this financial reporting period, the reporting below are based on discussion with current Board members and management team.

Reporting year 2019 was a challenging year for PureCircle in which issues relating to accounting and governance were revealed to the Board by the auditors in the course of their work.

The current Board, with the exception of Guy Wollaert, comprises new members who were appointed in November 2019 and February 2020. Board members have heavy responsibilities with respect to addressing the accounting and governance issues as well as allocating resources to finalise the audited accounts for year ended 30 June 2019 and to produce this Annual Report. The learning curve in understanding the issues has been steep for many of the Board members given they have been with the Company for just a short time. They have been working hard, and have attended meetings more regularly outside their scheduled meetings to consider high priority matters.

Despite the challenges we have encountered this year, I remain convinced that the business of PureCircle has great potential and is well placed to take advantage of the growing health awareness of consumers who are demanding healthier and reduced calorie food and beverage options.

UK CORPORATE GOVERNANCE CODE

During the period, we are reporting under the requirements of the 2016 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council. We will formally apply the provisions of the 2018 UK Corporate Governance Code, published in July 2018, in the annual report and accounts for the fiscal year beginning 1 July 2019.

Overall, the Board confirms the Company has applied the provisions of the Code in the governance of the Company and remains in compliance to the Code unless specifically noted otherwise.

BACKGROUND TO GOVERNANCE IN PURECIRCLE

At PureCircle we have been striving to build a large, sustainable global business by 'doing things properly'. While it is not difficult to point to areas in which we are innovative and world class in doing things properly, we have during this year encountered issues which revealed that significant improvement is required to the governance of the Group. I can report that the Board's first priority was to get to the bottom of these issues so as to understand them, to fix them, and to make sure that they do not happen again. Details are in the following section.

Our vision is that PureCircle should be seen as a true leader in its field and recognised as making a real and sustainable contribution to help address some of the food-related epidemics confronting the world today. We see good governance as vital to support this vision. To achieve this, we believe that we must build our business to incorporate high standards of governance, aligned fully with principles of sustainability and good social behaviour. Our particular emphases are on ensuring that we have clear policies and systems in place and functioning well across the business as well as fostering the correct "tone from the top" throughout all levels of management. At the same time, as a developmental business we must retain the nimble, fast decision-making and strong innovation and development culture that has always been at the core of PureCircle and which has served us so well.

As a Company, we are prepared to accept market risk. This is inherent in the stevia industry, which is still best described as being a developing industry. Market risk includes specific research and development risk, wherein we may undertake projects which are not successful or where they are developed successfully but the resulting product or process turns out not to generate value for the Company. At the same time, we have no appetite for risks that would impact the health and safety of our employees or might impact our standing as a valued supplier and business partner to our customers. We have zero tolerance for unethical behaviour. In managing our risks, we try to ensure that our governance principles are not just confined to the boardroom, but are a part of the way we manage our business every day.

I believe that our Board culture and working style is open, communicative and informal. The Board contributed to key decisions and certainly challenged management on many issues during the year as well as during the recent investigations and audit. Following completion of the investigation work by KPMG LLP, the Board will further review the appropriateness of the tone-from-the-top to ensure the Board remains effective.

GOVERNANCE

Chairman's Governance Overview continued

We have stated previously that one of the key principles of good Corporate Governance is that the Chief Executive should run the business while the Chairman runs the Board in a way that enables it to best discharge its duties. John, who was then Chairman, was tasked by the Board with the additional role of interim CEO for a period of three months to February 2020 following the challenges we experienced in finalising our results. Doing so does not mean that we have given up on the principle of separation of focus to achieve the best result. During that period of uncertainty, the Board has necessarily had to get more involved with the detail of how the business was being run and John provided the requisite stability, leadership and stewardship to the Company.

We returned to the arrangement of separation of role of Chief Executive and Chairman in February 2020.

GOVERNANCE EFFECTIVENESS

Given the issues that came to light during the annual audit, it would not be unfair to call into question the effectiveness of the Group's Corporate Governance in practice. These issues are provided in detail in the Chairman's Report on pages 5 to 6. As a Board, we are committed to presenting a true and fair view of the Group's situation and performance to our shareholders. We do not support any actions which result in improper or misleading accounting. Rather than restate the issues, let me comment on steps that were taken:

- Following the emergence of the accounting issues of US$30 million over-valuation of work in progress, the Board decided to appoint external accountants, specifically forensic accountants and legal specialists to assist in resolving the issue.
- A steering committee comprising two senior Directors was given exclusive oversight into investigating the potential concerns.
- To address the breaches in loan covenants and to assist in the bank loan restructuring, two further external consultancy appointments were made.
- Unfortunately, the accounting and syndicated loan restructuring issues were not able to be speedily resolved with the delays giving rise to going concern status becoming a major audit issue.
- Shareholder loans of $8.6 million were subsequently obtained to assist the Company's cash flow but most of the fresh funds had to be incurred on external consultancy costs because of the extended audit and related issues that arose for the financial year ended 30 June.
- The Board of the Company was expanded and its governance experience enhanced. Details of this can be found in the Nomination Committee report on pages 49 to 51.
- To address "tone from the top" issues, responsible managers in sensitive positions in Commercial, Operations and Finance were advised that the Company will not support any actions which attempt to mislead or misrepresent our performance. The same message was delivered to their staff as well.
- Further, those same responsible managers were counselled that they must contact the Chairman, the Chair of the Audit Committee, or make use of our whistleblower system to make a report in the event any of them at any point felt pressured to do something that was not correct. They were assured that all reports would be followed up appropriately without any personal repercussions.
- To address the issues identified around our accounting systems and controls, we are taking on board the recommendations of the investigations.
- Specifically, to address the fact that our inventory accounting systems did not properly reconcile, we are now reconciling on a monthly basis. In the medium-term, we will need to upgrade and to add capability to our main accounting system to ensure that it is fit for purpose.
- To ensure proper oversight on the accounting for out of the ordinary transactions (i.e. credit notes, returns, etc.) we have put in place new standard operating procedures that enable our central Finance team to have visibility on these transactions so they can track them and investigate if needed.
- To foster a better culture and good teamwork within the Finance team, the Board decided that the new CFO should be based in Kuala Lumpur, Malaysia. This is where the majority of the Finance team are located, along with our staff overall and our investment. The Chairman of the Audit Committee will also be based there, which will facilitate direct interaction on a more regular basis.

BOARD CHANGES

The following section discusses Board changes covering the 12 months period to 30 June 2019 and up to the signing of this audited financial statements.

In September 2018, Rosemarie Andolino and Ann Marie Scichili joined the Board. Both Rosemarie and Ann Marie bring with them rich experience in their respective fields of expertise. Effective from 1 July 2019, Rosemarie was appointed advisor to the Chief Executive on matters relating to food services industry for which she received compensation and from that date was no longer considered an independent director of the Board for the purposes of the Code. Her advisory role has ended effective December 2019. In reviewing her ability to act independently at that time, the Board found that she was active in meetings and provided rigorous, independent challenge to management.

After the reporting period, there were considerable changes made to the members of the Board. Notably, in addition to my appointment, there were three other new appointments to the Board in November 2019 - Tan Boon Seng; Tan Sri Wan Azmi Wan Hamzah and Datuk Ali bin Abdul Kadir. The Board considers Boon Seng and Tan Sri Wan Azmi to be non-independent for the purposes of the Code as they are significant shareholders of the Company via their respective investment vehicles. Boon Seng subsequently resigned in December 2019 for personal reasons.

At the recent Annual General Meeting in February 2020, there were election and retirement of Directors. Three additional Directors proposed as new members of the Board were voted on by our shareholders – Olivier Maes, Sridhar Krishnan, and Peter Lai Hock Meng.

Olivier and Sridhar were appointed as Independent Non-Executive Directors of the Company. John Slosar, Rosemarie S. Andolino and Ann Marie Scichili retired as a Non-Executive Director following their withdrawal of candidacy for re-election to the Board of the Company at that meeting.

Olivier was formerly an Independent Non-Executive Director of the Company's Board during the period from September 2007 to March 2016. During the period from his retirement in 2016 until his re-appointment to the Board in February 2020, which is almost four years, there exists no business relationship between Mr. Maes and the Company, directly or indirectly. The Board therefore considers him to be independent for the purposes of the Code.

Sridhar has over 44 years of experience across global textile and agri-commodity business, including 25 years in Olam International Limited (Olam) where he was an executive director from 1998 to 2013 as well as a member of Olam's executive committee from 1995 until his retirement in 2016. Olam is a strategic shareholder of the Company since 2008 and currently holds 16.6% (or 30,544,609 shares) of the issued share capital of the Company. Sridhar does not represent Olam nor does he have any business dealings with Olam since 1st January 2020. As such, the Board considers him to be independent for the purposes of the Code.

At appointment, the Board considers Peter Lai to be non-independent for the purposes of the Code as he is holding a semi-Executive position in the Company as Chairman of the Group's two Chinese subsidiaries. Peter has now taken on the role of Chief Executive Officer effective 10 February 2020, and is considered an Executive Director.

Jimmy Lim Kian Thong, our new Chief Financial Officer and an Executive Director, joined PureCircle in February 2020 after completing a handover process from interim CFO, James Ritchie.

The roles of Senior Independent Director and Board Committees chairmen have had gone through significant changes during the reporting period up until the signing of the audited financial statements as follows:-

- Datuk Ali bin Abdul Kadir has been appointed Chairman of Audit Committee effective from 27 December 2019 following a 2-weeks vacuum of chairmanship after John Gibney's resignation as a Director on 11 December 2019;
- Additional to his role as Audit Committee Chair, Datuk Ali was appointed Senior Independent Director, a role he took over from Guy Wollaert, effective from 10 February 2020;
- Tan Sri Wan Azmi Wan Hamzah (Non-Independent Non-Executive Director) took over the role as Chair of Nomination Committee from John Slosar (who replaced Guy Wollaert on 27 December 2019)
- Guy Wollaert has been appointed Chairman of Remuneration Committee on 27 December 2019 following a two-weeks vacuum of chairmanship after Mitch Adamek's resignation as a Director on 11 December 2019

We are aware of the need to ensure a balance of skills and capabilities of Directors of a listed company, and this remains an important focus for PureCircle when considering new appointments to the Board, as well as to the Committees. A key theme running through these most recent appointments is enhanced governance experience.

These new and prospective appointments add both experience, diverse insights and new skills to our Board which will improve our debate and decision making on how best to build our business and our position in an evolving sweetener and flavour industry. They are already making valued contributions to Board discussions. On behalf of the Board, I welcome these changes.

On 14 November 2019 co-founder of the business, Magomet Malsagov voluntarily stood aside as Chief Executive Officer, pending further investigation of the issues that have been identified during the course of audit of the Group's financial statements. As announced by the Board on 14 November, 2019, John Slosar was asked by the Board to act as Interim Chief Executive Officer as well as Chairman until such time as a new Chief Executive has been found. John assumed the role for a period of three months until 10 February 2020 when Peter Lai was appointed Chief Executive. This departure from the provisions of the UK Corporate Governance Code was required in the exceptional circumstances that we faced. The restoration of proper separation between the governance role of Chairman and leadership responsibilities of CEO is an important part of restoring good governance to PureCircle.

Rakesh Sinha resigned as Chief Financial Officer of the Company effective 22 November 2019. The Board is delighted to have approved Jimmy Lim Kian Thong to be the Chief Financial Officer of the Company from his joining date of 4 February 2020. The Board welcomes these changes and look forward to working with the new Executive Directors to deliver the strategic priorities of PureCircle.

We also announced the resignation of John Gibney and Mitch Adamek as Non-Executive Directors on 11 December 2019. John was the Audit Chairman and the Senior Independent Director, whilst Mitch was Chair of the Remuneration Committee.

Further details on Board succession can be found on Tan Sri Wan Azmi's report as Chair of the Nomination Committee, commencing on page 49.

Biographies of the members of our Board of Directors can be found on pages 44 to 45.

GOVERNANCE

Chairman's Governance Overview continued

BOARD EVALUATION

This year, the performance evaluation of the Board, its Committees and Directors were conducted internally and led by John Slosar the Chairman. Directors completed an evaluation form comprising questionnaires which were based on the requirements of the Code, covering the performance of the Board and its Committees. The output of the evaluation was presented in a summarised report to the Board at its June 2019 meeting and the Directors discussed the points raised by the review.

Separately, John Slosar the Chairman at that time the evaluation was conducted, also led the appraisal of the Directors by way of peer evaluation in a discussion while John Gibney, Senior Independent Director during the fiscal year under review, led the evaluation of the Chairman using the collated anonymous output from other Directors.

Separate, summarised evaluation reports were prepared for each of the Audit, Nomination and Remuneration Committees based on the feedback from the questionnaires and discussed openly by the respective Committees at their meetings in June 2019.

In light of this evaluation, the Board considered the performance of each Director to be effective. At the same time, the audit issues we experienced in 2019 have led us to enhance the financial expertise and capability of the Board, which we have done now, so as to be able to support the proper governance of the Company and its business strategy.

COMMUNICATION WITH SHAREHOLDERS

We place considerable importance in the effectiveness of the engagement we have with our shareholders.

We seek to build a mutual understanding of objectives between the Company and our institutional investors by making results performance and business review presentation after the half year and full year financial results; meeting shareholders and potential investors via face-to-face meetings and conference calls to discuss areas of interest and/or raise concerns and gathering feedback. All shareholders and others with potential interest in the Group have access to our results review presentations, as well as Annual Report and Accounts and other information about the Company through our website at www.purecircle.com.

Shareholders may also attend the Company's Annual General Meeting at which they have the opportunity to ask the Board questions.

Non-Executive Officers are kept informed of the views of shareholders by Executive Directors and the Chairman and are provided with periodic market perception reports by our financial PR firm, Newgate Communications as well as independent feedback from investor meetings.

The Company has always held its Annual General Meeting in London, in line with the location of where its shares are listed on the main market of the London Stock Exchange. However, the Company decided to hold its most recent AGM in Kuala Lumpur to contain costs and limit travelling by the Board members in light of coronavirus (COVID-19) outbreak.

For the AGM on 10 February 2020, a separate Notice of Meeting (the "Notice"), setting out the resolutions proposed to shareholders was sent to shareholders on 14 January 2020.

The Board considered that each of the resolutions to be in the best interest of the Company and the Shareholders as a whole. The Directors had unanimously recommended that Shareholders vote in favour of all the resolutions as they had intended to in respect of their own beneficial holdings.

All of the resolutions proposed by the Board were duly passed on a show of hands except for Resolution 4 (as set out in the Notice), which was passed by a poll vote. Resolutions number 2, 6 and 8, as set out in the Notice, relating to re-election of Directors were withdrawn at the meeting. Accordingly, John Slosar, Rosemarie Andolino and Ann Marie Scichili are no longer Directors of the Company from that date.

Ordinary resolution number 1 which concerned the adoption of the Annual Report and Accounts, together with Directors' report, the Auditors' report and related matters on a date no later than 90 days from 10 February 2020, as set out in the Notice, was put to shareholders for a vote as a matter of good governance even though the provisions of Section 84(3) of the Bermuda Companies Act 1981 entitled the Chairman to adjourn the Meeting for up to 90 days without the need for a shareholder resolution. Now that the Company's audited accounts has been finalised and the Annual Report produced, the adjourned AGM will be reconvened in Kuala Lumpur, Malaysia, on 7 May 2020 at 4pm (GMT+8) to approve and adopt the Company's accounts, together with the Directors' report and auditors' report thereon, for the financial period ended 30 June 2019, as well as to approve all related matters including the appointment and remuneration of auditors for the next financial year. Due to COVID-19, the Company is assessing its plans around holding a physical meeting for its adjourned meeting and will inform shareholders in due course. We look forward to shareholders participation in the adjourned AGM.

Inspite of the location of its AGM being held in Kuala Lumpur, Malaysia, the Company is pleased that the proxy votes that were validly cast for each of the resolution were at its record highest, from 65% to over 70% of the total issued share capital of the Company.

The Notice of meeting, together with summary of the proxy votes received are available on PureCircle's website, https://purecircle.com/shareholder-and-constitutional-documents/

REMUNERATION

Our remuneration policy is linked to our strategy. Central to this is the creation of significant sustainable value for our shareholders.

Linked to this our Executives Directors will only receive above-average rewards for corresponding above-average performance. Our strategic objective is to build a large, sustainable global business. Remuneration programmes are designed to align organisational strategy and the total remuneration for our Executive Directors through a combination of salary, bonus and long-term incentive schemes, underpinned by stretching performance targets. Details of our remuneration programme is covered in the Remuneration Committee report on pages 58 to 65.

HEALTH AND SAFETY

PureCircle employs more than a thousand people in our supply chain and operations spread across four continents. The health and safety of each and every one of our employees is an important priority for the Group and your Board. In that context, I am pleased to report that the overall number of safety, health and environment cases needing investigation or mitigation has reduced. Despite this we have continued to place additional investment into staff training on health and safety.

Beginning this fiscal year, we are including Safety as a non-financial KPI (see page 17). We set a benchmark and measure our safety results at Group and manufacturing entity level by computing the Lost Time Injury Incidence Rate (LTIIR) which is the number of injuries that resulted in lost-work days per 200,000 hours. This year, our recordable LTIIR worsened marginally (FY2018: 0.64; FY2019:0.66). The expansion of our production capacity and introduction of new equipment and production processes were contributing factors to the adverse movement of the injury incidents in FY19. Our continuous efforts in improving safety awareness through training programmes, root cause analysis and incident reporting will allow us to reduce the injury incident occurrence moving forward.

This year, our refinery plant located in Malaysia achieved ISO 14001 and ISO 45001 certifications in Environmental and Occupational safety standards, thus demonstrating the Group's commitment to environmental, safety and health programmes.

DIVERSITY

The Company recognises that diversity drives the Company's ability to attract, retain, motivate and develop talent, create an engaged workforce, and continue to grow the business. In view of the above, the Board has adopted a Diversity and Inclusion Policy.

The Board is currently devoid of female gender involvement and while this is a departure from the Code, the Company remains committed to ensuring that the best candidate both at a Board and employee level are appointed as opportunities arises regardless of gender, beliefs, social or racial background.

At senior management level, we continue to value and to have significant gender diversity in several functional areas of our Company.

Further details on our Diversity and Inclusion policy are covered in Tan Sri Wan Azmi's report as Chairman of the Nomination Committee on pages 49 to 51.

FURTHER INFORMATION

Over the following pages we describe our corporate governance framework in more detail.

Dato' Robert Cheim Dau Meng
Non-Executive Chairman

GOVERNANCE

Board of Directors

LAI HOCK MENG (PETER)

Chief Executive Officer

Joined the Board on 10 February 2020.

Lai Hock Meng started his career as a regulator with the Monetary Authority of Singapore. He has more than 39 years of experience in regulatory agency, treasury management, education, investment banking, asset management, corporate governance and real estate investment trust. Peter has held various senior management positions in banking institutions and has been independent director of listed companies in UK, Singapore, Hong Kong and Malaysia. His general management, capital markets and financial management experience combined with significant board level experience provides him with the skillsets required to lead the Group.

Peter holds a B. A. (Honours) and MA degree from Cambridge University, UK majoring in Economics, and is a CFA charter holder.

D T

LIM KIAN THONG (JIMMY)

Chief Financial Officer

Joined the Board on 4 February 2020.

Lim Kian Thong is a Fellow Chartered Accountant of Singapore and a Fellow CPA of Australia with over 27 years of financial and operational management experience. He has held leadership roles including as CEO and Executive Director of Haitong International Securities (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Haitong International Securities Group Limited, which is listed on the Hong Kong Stock Exchange.

Jimmy began his career with KPMG, Singapore, where he undertook and managed company audits for multi-national corporations and publicly listed companies across a diverse range of industries. He has also held senior roles in stockbroking and investment banking companies in the capital markets and securities broking industries.

Jimmy holds a Bachelor of Accountancy degree from National University of Singapore and an MBA (Banking and Finance) from Nanyang Business School, Nanyang Technological University of Singapore.

D T

DATO' CHEIM DAU MENG (ROBERT)

Non-Executive Chairman

Joined the Board on 18 November 2019.

Robert Cheim Dau Meng, Dato', ("Dato' Robert Cheim"), is a Fellow of ICAEW and a Member of the Malaysian Institute of Accountants.

He is currently Non-Executive Chairman of CIMB Investment Bank & CIMB Thai Bank Public Company Limited both of which are subsidiaries of CIMB Group Holdings Berhad (CIMB Group), a leading banking group in South East Asia.

Dato' Robert has significant board level experience having held the positions of chairman and independent director in a number of listed companies. In addition, Dato' Robert brings with him a wealth of operational and financial market experience having served in various capacities including as a Chief Executive of CIMB Investment Bank, the investment banking arm within CIMB Group.

Dato' Robert has previously served as non-executive Chairman of Tanjong PLC and executive director of CIMB Group Holdings Berhad.

D N

Key to Committees

- N Nomination
- A Audit
- R Remuneration
- D Disclosure
- T Treasury
- ◯ Committee Chair

DATUK ALI BIN ABDUL KADIR

Senior Independent Director

Joined the Board on 18 November 2019.

Appointed Senior Independent Director on 10 February 2020.

Ali bin Abdul Kadir, Datuk ("Datuk Ali"), is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He is also the Honorary Advisor to ICAEW Malaysia, Honorary Fellow of the Institute of Chartered Secretaries & Administrators, United Kingdom.

Datuk Ali is currently the Chairman of JcbNext Berhad (formerly Jobstreet Corporation Berhad) and Enra Group Berhad. He is a board member of Glomac Berhad, Citibank Malaysia and Ekuiti Nasional Berhad (Ekuinas).

Datuk Ali was the Chairman of the Securities Commission of Malaysia from 1 March 1999 to 29 February 2004. He initiated and drove the development of the Capital Market Masterplan and the Capital Market Advisory Council which he chaired. He was also a member of the National Economic Consultative Council II, the Foreign Investment Committee, Oversight Committee of National Asset Management Company (Danaharta) and Finance Committee on Corporate Governance.

On the international front, he was a member of the Executive Committee of the International Organisation of Securities Commissions (IOSCO) and Chairman of its Asia-Pacific Regional Committee and the Islamic Capital Market Working Group and trustee of AAOIFI. He was also the advisor to the Sri Lanka Securities & Exchange Commission to develop their Capital Market Development Blueprint.

Earlier in his career, Datuk Ali was the Executive Chairman and Partner of Ernst & Young and its related firms. He was the Past President of the MICPA, chairing its Executive Committee and Insolvency Practices Committee, and co-chairing the Company Law Forum. He was appointed as an Adjunct Professor in the Accounting and Business Faculty, University of Malaya in 2008, retiring in August 2011. He was then appointed to the Advisory Board of the same faculty. Datuk Ali has also chaired the Financial Reporting Foundation from July 2009 to June 2015. He was an Authority board member of the Labuan Financial Services Authority from 2000 to October 2019.

Datuk Ali was bestowed with the "Lifetime Achievement Award" by MICPA and the "President's Award" by ICAEW Kuala Lumpur City Chapter.

A N

SRIDHAR KRISHNAN

Independent Non-Executive Director

Joined the Board on 10 February 2020.

Sridhar Krishnan is currently serving in an advisory capacity to some select organisations covering a cross section of industries. His total experience pans 44 years across the global textile and agri-commodity industries including 25 years in Olam International Limited, a global food and agri-business headquartered and listed on the main board of the Singapore Stock Exchange. Sridhar has held many senior positions in Olam including as an Executive Director and being a member of its Executive Committee, the most senior decision-making body in Olam.

Sridhar holds a Bachelor's degree in Commerce and is a postgraduate in Business Management from a leading business school in India.

A N R

OLIVIER MAES

Independent Non-Executive Director

Joined the Board on 10 February 2020.

Olivier Maes has more than 25 years of experience in the FMCGs markets. He formerly held CEO positions of various companies in Europe and Asia for Campofrio Food Group, Danone Group and Kraft Group. He has built most of his professional career within Danone Group where he held leadership roles including as CEO of LU Benelux in Belgium and Netherlands; CEO of biscuits and snacks ASEAN zone.

He is currently Executive Chairman of Haudecoeur, the number one French exotic dry food and CEO of Oak Grove International, a company he founded specialising in providing consultancy to owners, leaders of businesses in the FMCGs market.

Olivier holds an MBA from Ecole des Hautes Etudes Commerciales (MBA HEC) Paris.

A N R

TAN SRI WAN AZMI WAN HAMZAH

Non-Independent Non-Executive Director

Joined the Board on 11 November 2019.

Wan Azmi Wan Hamzah, Tan Sri, ("Tan Sri Wan Azmi") was Chairman of Rohas Tecnic Berhad, a Malaysian public listed, until his retirement on 31 December 2019. He remained the controlling shareholder of the company whose principal business is in manufacturing and infrastructure development.

He is also Chairman and shareholder of Syarikat Pengeluar Air Selangor Berhad, a water treatment concessionaire company whose business was recently taken over by the government of Malaysia's interests.

Tan Sri Wan Azmi passed his final accountancy exams under the Institute of Chartered Accountants in England and Wales in 1974. His career spans nearly five decades in the UK and Malaysia and served in leadership position for a number of corporations in property development and banking.

Over an entrepreneurial career that started in 1987, Tan Sri Wan Azmi had also held directorship in, and acted as the Chairman of several publicly listed companies where his family interests held significant equity interests. He is much more of an investor rather than the entrepreneur/manager over the last decade or so.

N

GUY WOLLAERT

Independent Non-Executive Director

Joined the Board on 10 July 2015.

Guy stepped down as a Senior Vice President and Chief Technical and Innovation Officer of The Coca-Cola Company, and member of the executive committee, after a 23 year career. Mr Wollaert previously served as General Manager of the Global Juice Center, where he was responsible for leading the global juice business, including business development, marketing, procurement, supply chain and R&D.

R A

Other Directors who served in the year

Paul Selway-Swift, Chairman and Non-Executive Director
Retired 30 November 2018

Rakesh Sinha, Chief Financial Officer
Resigned 22 November 2019

Mitch Adamek, Independent Non-Executive Director
Resigned 11 December 2019

John Gibney, Senior Independent Director
Resigned 11 December 2019

Magomet Malsagov, Chief Executive Officer
Resigned 17 December 2019

Tan Boon Seng, Non-Independent Non-Executive Director
Resigned 31 December 2019

John Slosar[1], Non-Executive Chairman and interim CEO

Rosemarie. S. Andolino[1], Independent Non-Executive Director

Ann Marie Scichili[1], Independent Non-Executive Director

1 The Director withdrew his/her candidacy for re-election before the AGM on 10 February 2020, and accordingly, he/she is no longer a Director of the Company from that date.

GOVERNANCE

Board Activity

DESCRIPTION OF KEY DISCUSSION OF BOARD ACTIVITY DURING THE YEAR

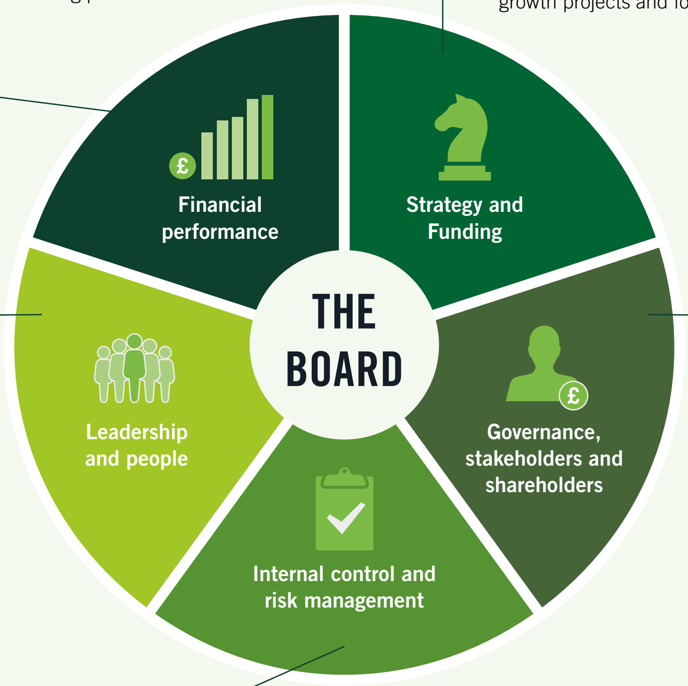
BOARD ACTIVITY

Financial performance

- Received regular performance reports and updates from the CFO
- Considered the financial performance of the business, reviewed and approved the budget for FY19 and key performance targets
- Reviewed and approved the Group's full year and half year results and its corresponding market announcements
- Maintained oversight of financial position of the Group and financial reporting process, including policies and procedures
- Reviewed and approved long-term financing plans

Strategy and Funding

- Reviewed the Group's performance and set budgets and targets for management
- Reviewed and approved debt funding arrangements and gearing levels
- Reviewed and approved the Group's Going Concern and Viability Statements as disclosed in the Annual Report 2019
- Reviewed and approved the Group's strategic plan
- Discussed new business opportunities including new sectors and channels
- Reviewed and approved capital raise for investment in growth projects and for balance sheet strengthening



Leadership and people

- Discussed the composition of the Board and its Committees, including succession planning for senior leaders
- Approved the appointments of new Directors
- Reviewed the development of people, talent, diversity in the Group, including succession planning for Senior Leadership Team members
- Reviewed the provisions of the new 2018 UK Corporate Governance Code published in July 2018 and undertook a review of the Group's arrangements in the context of its provisions
- Discussed the oversight of the work being undertaken by the new Chief Commercial Officer

Internal control and risk management

- Reviewed the Group's business processes, procedures and controls
- Reviewed the Group's risk register and the effectiveness of the systems of internal control and risk management
- Reviewed the risk framework and reporting structure
- Reviewed significant and emerging risks including cyber security, intellectual property and innovation, ongoing uncertainty arising from US-China trade relations and Brexit

Governance, stakeholders and shareholders

- Discussed Board evaluation and reviewed effectiveness of the Board
- Received key updates in legal, regulatory and corporate governance code and practices, and reviewed Committee terms of reference
- Received regular meeting updates from the Chairman of the Audit, Remuneration and Nomination Committees
- Reviewed annual fees for the Non-Executive Directors
- Engaged regularly with major shareholders

BOARD COMPOSITION AND ROLES

The Board currently comprises a Non-Executive Chairman (who was independent on appointment), two Executive Directors; a Senior Independent Director; three Independent Non-Executive Directors and a Non-Independent Non-Executive Director.

Changes in the Board Committees are discussed in the pages following.

Biographical information of the Board of Directors can be found on pages 44 to 45.

Their key responsibilities are as set out in the table below:

Chairman	
Dato' Cheim Dau Meng (Robert)	• Responsible for leading the Board, its effectiveness and governance process. • Responsible for providing a culture of openness and debate. • Ensures effective communication with shareholders.
Chief Executive	
Lai Hock Meng (Peter)	• Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.
Chief Financial Executive	
Lim Kian Thong (Jimmy)	• Supports the Chief Executive in developing and implementing strategy, and is responsible for finance and IT, including financial planning and reporting, Group treasury and investor relations.
Senior Independent Director	
Datuk Ali bin Abdul Kadir	• Provides a sounding board for the Chairman and to serve as an intermediary for other Directors. • Available to shareholders to discuss any concerns that cannot be resolved through the normal channels of communication with the Chairman or Executive Directors. • Attends meetings with a range of major shareholders to understand their issues and concerns. • Leads the other Independent Non-Executive Directors in the Chairman's performance appraisal.
Independent Non-Executive Directors	
Guy Wollaert **Sridhar Krishnan** **Oliver Maes**	• Constructively challenge and help develop proposals on strategy. • Scrutinise the performance of management in meeting agreed goals and objectives within the framework of risk and control agreed by Board and monitor the reporting of performance. • Responsible for determining levels of remuneration of Executive Directors and have a prime role in appointing, and, where necessary removing Executive Directors.
Non-Independent Non-Executive Director	
Tan Sri Wan Azmi Wan Hamzah	• Constructively challenge and help develop proposals on strategy.

GOVERNANCE

Board Activity continued

BOARD MEETINGS

The Board meets regularly to in order to effectively discharge its duties. Board meetings are held in person or by teleconference. During FY2019, there were 11 scheduled Board meetings and Board sub-committees were constituted on a number of occasions in order to deal with matters arising in the ordinary course of business outside the normal schedule of meetings.

In addition to the scheduled Board meetings in FY2019, there were 28 Board meetings held between 1 July 2019 and the signing of the audited financial statements.

The Board agenda is set by the Chairman, with the support from the Head of Corporate and consists of the following broad discussion areas:-

- an update from the Chief Executive; the Chief Financial Officer and each of the key business areas heads on business and financial performance and key business initiatives
- an update from the chairman of Audit; Remuneration and Nomination Committees on key discussion points from respective committee meetings
- discussion on strategic proposals, material transactions and other Group matters
- risk and compliance matters
- legal and governance matters

Individuals from relevant business areas are invited to attend Board meetings, as appropriate, to present on key items, allowing the Board the opportunity to debate and challenge the initiatives directly with the management team.

In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone and email occurs whenever necessary.

The table below details the attendance at Board and Committee meetings of each Directors during the 12 months period to 30 June 2019.

Board and Committee meetings attendance during 2019[1]

Director	Appointment date	Committee appointments	Board	Audit Committee	Nomination Committee	Remuneration Committee
Chairman and Executive Directors						
Paul Selway-Swift[2]	10 November 2007	R	3/3		1/1	1/1
John Slosar[3]	1 July 2017	N R D	10/11		2/2	3/3
Magomet Malsagov[4]	26 September 2007	D T	11/11		2/2	
Rakesh Sinha[5]	6 July 2016	D T	11/11			
Non-Executive Directors						
Mitch Adamek[6]	10 July 2015	N A R	11/11	3/3	1/1	4/4
Rosemarie Andolino[7]	19 September 2018	A R	8/9	2/2		1/1
John Gibney[8]	11 April 2016	A D	11/11	3/3		
Ann Marie Scichili[9]	19 September 2018	N A	8/9	2/2	1/1	
Guy Wollaert	10 July 2015	N A R	10/11	3/3	3/3	4/4

1 Attendance at meetings in accordance with the formal schedule of meetings.

2 Retired on 30 November 2018.

3 Appointed a member of Nomination Committee and Remuneration Committee on 19 September 2018. The Director withdrew his candidacy for re-election before the AGM on 10 February 2020, and accordingly, he is no longer a Director of the Company from that date.

4 Resigned on 17 November 2019.

5 Resigned on 22 November 2019.

6 Appointed a member of Nomination Committee on 12 March 2019.

7 Appointed to the Board and a member of Audit Committee on 19 September 2018; and a member of Remuneration Committee on 12 March 2019. The Director withdrew her candidacy for re-election before the AGM on 10 February 2020, and accordingly,she is no longer a Director of the Company from that date.

8 Resigned on 12 December 2019.

9 Appointed to the Board and a member of Audit Committee on 19 September 2018; and a member of Nomination Committee on 12 March 2019. The Director withdrew her candidacy for re-election before the AGM on 10 February 2020, and accordingly, she is no longer a Director of the Company from that date.

Key to Committees

- N Nomination
- A Audit
- R Remuneration
- D Disclosure
- T Treasury

Nomination Committee Report

"I am pleased to present the Nomination Committee Report for the financial year ended 30 June, 2019."

NOMINATION COMMITTEE AT A GLANCE

Current Members

- **Wan Azmi Wan Hamzah, Tan Sri (Chairman)** (Appointed as a member on 27 December 2019 and as Chairman on 10 February 2020)
- **Robert Cheim Dau Meng, Dato'** (Appointed on 27 December 2019)
- **Ali bin Abdul Kadir, Datuk** (Appointed on 10 February 2020)
- **Olivier Maes** (Appointed on 10 February 2020)
- **Sridhar Krishnan** (Appointed on 10 February 2020)

Other members who served during the year

- **Guy Wollaert** (Chairman) (Resigned as a member on 27 December 2019)
- **John Slosar**[1] (Appointed as a member on 19 September 2018 and appointed as Chairman on 27 December 2019)
- **Magomet Malsagov** (Resigned on 12 March 2019)
- **Mitch Adamek** (Appointed on 12 March 2019 and resigned on 11 December 2019)
- **Ann Marie Scichili**[1] (Appointed on 12 March 2019)
- **Rosemarie Andolino**[1] (Appointed on 27 December 2019)

1 The Director withdrew his/her candidacy for re-election before the AGM on 10 February 2020, and accordingly, he/she is no longer a Director of the Company from that date.

THE ROLE OF THE NOMINATION COMMITTEE

The Nomination Committee leads the process for appointments to the Board and ensures that plans for succession to the Board and senior management are put in place. It regularly reviews the structure, size and composition of the Board and the leadership needs of the Group (both executive and non-executive) to ensure an appropriate balance of skills, knowledge, experience and diversity of gender, social and ethnic backgrounds, cognitive and personal strengths within the Company and on the Board. The duties of the Nomination Committee are set out in the terms of reference, which may be found on the Company's website at **https://purecircle.com/app/uploads/Revised-Charter-2019-clean.pdf**.

PRINCIPAL ACTIVITIES DURING THE YEAR

The Nomination Committee met three times during the year and its principal activities during the year were as follows:

KEY ACTIVITIES
SEPTEMBER 2018
Appointment of two new Independent Non-Executive Directors, Ms. Ann Marie Scichili and Ms. Rosemarie S. Andolino, to the Board on 19 September 2018
Appointment of Ms. Ann Marie Scichili and Ms. Rosemarie S. Andolino as members of Audit Committee on 19 September 2018
Board Chair Succession Planning – appointment of John Slosar as successor to Paul Selway-Swift, following the conclusion of AGM in November 2018
Appointment of John Slosar as member of Nomination, Remuneration and Disclosure Committee on 19 September 2018
MARCH 2019
Appointment of Mitch Adamek, Chairman of Remuneration Committee, as designated Non-Executive Director responsible for workforce engagement, in line with the provisions of the UK Corporate Governance Code
Resignation of Magomet Malsagov as member of the Nomination Committee on 12 March 2019
Appointment of Mitch Adamek and Ann Marie Scichili as members of Nomination Committee on 12 March 2019
Appointment of Rosemarie S. Andolino as member of Remuneration Committee on 12 March 2019
Discussion on development of crisis succession plan for senior management and a diverse pipeline for succession for medium to long term
Discussion on the process and how Board and Board Committee evaluation should be conducted, noting the provision of the UK Corporate Governance Code for a regular externally facilitated Board evaluation at least every three years and agreed that external evaluation be put on hold for this financial year, with the Board Chair leading the evaluation of Board and Board Committee, based on feedback from questionnaires completed by members and compiled by VP, Head of Corporate
JUNE 2019
Discussion on succession planning framework and process and the roll out of succession planning for senior management and other members of the management team.
Discussion on the findings of internally facilitated review of the effectiveness of the Committee
Discussion/review of "independence" of Rosemarie S. Andolino with her appointment as Advisor to CEO to advise CEO on all matters relating to food services and branding as well as government relations/regulatory matters in USA

GOVERNANCE

Nomination Committee Report continued

KEY ACTIVITIES

Resignation and Appointment of Directors subsequent to year ended 30 June 2019

After the reporting period, owing to the resignation of both Executive Directors and two Independent Non-Executive Directors, the Nomination Committee has sought to bring a range of fresh insight and expertise to the Board, specifically in the areas of finance, accounting, governance and strategy development. Accordingly, the Committee has undertaken the following key activities:

Appointment of Tan Boon Seng as Non-Independent Non-Executive Director to the Board on 11 November 2019 and Tan Boon Seng subsequently resigned on 31 December 2019

Appointment of Wan Azmi Wan Hamzah, Tan Sri as Non-Independent Non-Executive Director to the Board on 11 November 2019

Appointment of Ali bin Abdul Kadir, Datuk as Independent Non-Executive Director to the Board on 18 November 2019

Appointment of Robert Cheim Dau Meng, Dato' as Independent Non-Executive Director to the Board on 18 November 2019

Appointments to Board Committees subsequent to year ended 30 June 2019

After the reporting period, the Board have undertaken the following appointment to Board Committees:

Appointment of Guy Wollaert as Chairman of the Remuneration Committee, as Senior Independent Director of the Company and resignation as Chair and a member of the Nomination Committee

Appointment of Ali bin Abdul Kadir, Datuk as Chairman of the Audit Committee.

Appointment of Robert Cheim Dau Meng, Dato' as a member of the Remuneration Committee and the Nomination Committee

Appointment of Wan Azmi Wan Hamzah, Tan Sri as a member of the Nomination Committee

Appointment of Rosemarie Andolino as a member of the Nomination Committee and the Remuneration Committee

Appointment of John Slosar as Chairman of the Nomination Committee on which he previously served as a member

Resignation and Appointment of Directors subsequent to year ended 30 June 2019

Subsequent to year ended 30 June 2019, the Committee has undertaken the following appointment:

Appointment of Lim Kian Thong, Jimmy as the Chief Financial Officer and executive director to the Board on 4 February 2020.

The conclusion of Annual General Meeting ('AGM') on 10 February 2020, the Committee has undertaken the following appointments:

Appointment of Sridhar Krishnan as independent Non-Executive Director to the Board on 10 February 2020

Appointment of Olivier Maes as Independent Non-Executive Director to the Board on 10 February 2020

Appointment of Lai Hock Meng, Peter as Executive Director to the Board on 10 February 2020

KEY ACTIVITIES

Appointments to Board Committees subsequent to year ended 30 June 2019

The conclusion of Annual General Meeting ('AGM') on 10 February 2020, the Committee has undertaken the following appointments:

Appointment of Wan Azmi Wan Hamzah, Tan Sri, currently a member of the Nomination Committee, as Chairman of the Nomination Committee

Appointment of Ali bin Abdul Kadir, Datuk as a member of the Nomination Committee and as Senior Independent Director.

Appointment of Sridhar Krishnan as a member of the Remuneration Committee, Audit Committee and Nomination Committee

Appointment of Olivier Maes as a member of the Remuneration Committee, Audit Committee and Nomination Committee

Appointment of Robert Cheim Dau Meng, Dato' as member and Chairman of the Disclosure Committee

Appointment of Lai Hock Meng, Peter and Lim Kian Thong, Jimmy as member the Disclosure Committee

Other Appointments

The Nomination Committee appointed Wan Azmi Wan Hamzah, Tan Sri, Chairman of the Nomination Committee, as the designated Non-Executive Director responsible for workforce engagement, in line with the provisions of the UK Corporate Governance Code.

Subsequent to year ended 30 June 2019:

A Steering Committee was formed to oversee the forensic investigation performed by KPMG LLP.

An Extended Nomination Committee was established to recommend to the Board on how to resolve issues surrounding the identified financial irregularities.

APPOINTMENT OF DIRECTORS

Appointments to the Board are subject to a formal, rigorous and transparent procedure. The Committee normally relies on external search firms to identify suitable candidates. However, candidates identified by external search firms sometimes fall short of the criteria set by the Committee. The Committee also relied on the network of business contacts of the Board to identify suitable new Board candidates. The appointment of two new female Independent Non-Executive Directors to the Board during this financial year was a result of the latter.

Tan Sri Wan Azmi Wan Hamzah, Tan Boon Seng, Datuk Ali bin Abdul Kadir and Dato' Robert Cheim Dau Meng were appointed to the Board to provide fresh insight and expertise especially in the areas of finance, accounting, governance and strategy development. Tan Sri Wan Azmi Wan Hamzah and Tan Boon Seng are significant shareholders of the Company. In addition, Olivier Maes, Sridhar Krishnan and Peter Lai Hock Meng were nominated as Directors, by shareholders.

Careful consideration is given to ensure that proposed appointees have the necessary skills, expertise and experience and that the balance of skills, knowledge and experience on the Board is maintained or improved.

SUCCESSION PLANNING

This year, the Committee focused on the development of crisis succession plan for senior management and a diverse pipeline for succession planning for senior management and other members of the management team. We believe that good succession planning is important and requires a good understanding of potential internal candidates and their development needs.

DIVERSITY AND INCLUSION

The Committee believes that a diverse and inclusive culture is important to the innovation, growth and success of our business. We made good progress this year with the appointment of two new Non-Executive Directors to the Board with further appointments after the period end. These appointments strengthened the Board, both in terms of new expertise and gender diversity. We are a multi-cultural, multi-national business, operating in 12 different geographies and time zones. We have a Diversity and Inclusion Policy which aims to increase and leverage diversity in all aspects, to help build a sustainable business by:

- employing a diverse workforce that reflects the diverse communities within which we operate; and
- fostering an inclusive culture where people are valued, respected and supported

The Board is currently devoid of female gender involvement and commits to ensure gender diversity in the future.

GOVERNANCE

Members of the Nomination Committee are appointed by the Board from amongst Directors of the Company. The Committee comprises a minimum of three members at any time, a majority of whom are Independent Non-Executive Directors. The quorum necessary for the transaction of business shall be two at least one of whom must be an Independent Non-Executive Director.

Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chief Executive Officer, the Head of Human Resources and external advisors may be invited to attend all or part of any meeting, as and when appropriate.

The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The Committee Chair reports the outcome of meetings to the Board.

Wan Azmi Wan Hamzah, Tan Sri
Chairman, Nomination Committee

GOVERNANCE

Audit Committee Report

"ON BEHALF OF THE AUDIT COMMITTEE, I PRESENT OUR REPORT FOR THE YEAR ENDED 30 JUNE 2019. FOLLOWING MY APPOINTMENT TO THE COMMITTEE IN DECEMBER 2019, I AM SATISFIED THAT THE WORK WE HAVE DONE TO IDENTIFY AND CORRECT ISSUES IDENTIFIED IN THE PREPARATION OF THIS ANNUAL REPORT IS SUFFICIENT AND I SHALL CONTINUE TO ENSURE SUCH ISSUES ARE NOT REPEATED GOING FORWARDS."

OVERVIEW

Since the year end, the issues described in our Chairman's Report on pages 5 to 6 have required very significant attention from the Audit Committee. We have included comprehensive discussion of the work of the Audit Committee in addressing the issues in this report.

In addition to the challenges identified after the year end, the work of the Audit Committee during the year to 30 June 2019 has been more challenging than in previous years due to the increasing complexity of the business. We have developed new products from proprietary leaf, continued diversification of our leaf sourcing, and invested in our sales capability and inventory holdings in order to position ourselves to take advantage of anticipated growth opportunities. Whilst we continue to observe PureCircle making good progress in securing new business with new stevia products unique to PureCircle, competition has been fierce on early generation stevia products, which will continue to represent a significant proportion of our revenue whilst we capitalise on our strategy of leading in higher value new generation stevia products. This has resulted in revenue being lower than anticipated, and consequently the risk level on our key major risks continuing to be elevated for a longer period than expected.

This Report sets out:

- The role, composition, activities and responsibilities of the Audit Committee;
- A summary of the meetings of the Audit Committee during the year;
- The significant issues related to the financial statements;
- The Committee's oversight of the Group's Risk Management and internal control systems; and
- The role and effectiveness of the internal audit processes.

ROLE OF THE COMMITTEE

The Committee's primary role is to assist the Board in providing effective governance over the appropriateness of the Group's financial reporting, risk management and internal control systems. It reviews the appropriateness of the financial results for the full year, half year and the interim management statements, including applicable accounting policies, key judgement areas and going concern assumptions. The Committee also reviews the Annual Report and Accounts taken as a whole to ensure they are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

The Audit Committee also reviews and monitors the extent of non-audit work undertaken by the Group's external auditors, advising on the appointment of such external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process and reviewing the effectiveness of the Group's internal review and control functions.

COMMITTEE MEMBERS

The UK Corporate Governance Code, as it applies to the Company, recommends that an audit committee should comprise at least three members who are independent Non-Executive Directors and that at least one member should have recent and relevant financial experience. Until his resignation on 27 December 2019, the Board assessed that this requirement was met by John Gibney having served as Chief Financial Officer of Britvic PLC for 17 years until April 2016. Following his resignation, the Board was satisfied that I meet this requirement, being a Fellow of the Institute of Chartered Accountants in England and Wales, former President and member of the Malaysian Institute of Certified Public Accountant, and having been Chairman of the Securities Commission of Malaysia and of The Financial Reporting Foundation which oversees the issuance of Malaysian Accounting Standards and Partner and Chairman of Ernst & Young Malaysia.

Appointments to the Audit Committee are made by the Board, on the recommendation of the Nomination Committee. Appointments are for a period of up to three years and may be extended for no more than two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

CURRENT MEMBERS

- Datuk Ali Abdul Kadir (Chairman) (appointed on 27 December 2019)
- Guy Wollaert
- Olivier Maes (appointed to the Committee on 10 February 2020)
- Sridhar Krishnan (appointed to the Committee on 10 February 2020)

PAST MEMBERS

- John Gibney (Chairman) (resigned from the Board and the Committee on 12 December 2019)
- Mitch Adamek (resigned from the Board and the Committee on 12 December 2019)
- Rosemarie Andolino (appointed to the Committee on 19 September 2018 and resigned from the Committee on 1 July 2019)
- Ann Marie Scichili (appointed to the Committee on 19 September 2018 and resigned on 10 February 2020)

The Committee met three times during the year, with the Company's Chairman, Chief Executive Officer, and Chief Financial Officer attending all three meetings by invitation, whilst the Head of Internal Audit attended two of our meetings. The external audit partner as usual, attended all meetings. Subsequent to my appointment as Audit Committee

Chairman, I have continued to hold regular meetings with external and internal audit to discuss any concerns, as did the previous Chairman, to receive their thoughts on matters which might be presented and discussed at Audit Committee meetings.

FY19 (1 July 2018 to 30 June 2019) AC Meetings

- 12 Sept 2018 (attended by all AC members, John Gibney (Chair), Mitch & Guy and CEO, CFO, Paul Selway-Swift, John Slosar)
- 6 March 2019 (attended by all AC members, John Gibney (Chair), Mitch, Guy, Rosie & Ann Marie and CEO, CFO, John Slosar)
- 19 June 2019 (attended by all AC members, John Gibney (Chair), Mitch, Guy, Rosie & Ann Marie and CEO, CFO, John Slosar)

KEY FOCUS AREAS FOR THE AUDIT COMMITTEE

The Committee has ensured that its work has taken account of the performance of the PureCircle business, and the additional risks as well as opportunities associated with that.

A large part of our work subsequent to the end of the financial year has been in relation to the financial irregularities in relation to revenue cut-off and non-commercial transactions, along with the concerns regarding the allocation of costs to inventory that were discovered during the course of the external audit and which are detailed in Note 27 (b),(c),(d) & (e) on other expenses on page 127 and Note 34 on Prior Year Adjustments from pages 133 to 135.

Inventory management is a key area of the business. Ensuring PureCircle manufactures the "right" inventory is of paramount importance as failure to do so may result in high levels of working capital being tied up in the business.

In September, the Committee appointed and instructed external accounting and legal firms to commence an independent investigation into the allocation of inventory issue in response to issues raised in the audit of these financial statements. Our external advisors reported directly to a special committee comprising the Audit Committee Chair, Group Chairman and Interim CEO throughout the investigations. The special committee received regular reports throughout the process, and reported to the Board.

The adjustments mostly relate to (a) revision in the basis of costing affecting average cost for all inventory categories; (b) unrealised profit element in work-in-progress inventory sold to intercompany at a loss; and (c) adjustments of production and consumption volumes of WIP products.

These errors have understated the Company's COGS and contributed to the build-up of inventory values in the financial statements. The above adjustments, in addition to inventory write-down to net realisation value (NRV), have also contributed to the reduction in GP margin.

The magnitude of the above adjustments have materially impacted the carrying value of the Company's inventory, EBITDA as well as ratios that are linked to the Company's debt covenant calculations.

The independent investigation was expanded to cover certain non-commercial transactions and then certain transactions that appeared to have been inappropriately recognised in the prior year financial statements. As a result of these investigations the Company has restated its revenue for FY18 and opening retained earnings. The Company also reviewed its revenue cut-off procedures which also resulted in an adjustment to opening retained earnings as at 1 July 2018.

The investigations identified apparent override of controls by members of senior management that had not been identified by our monitoring controls. This resulted in historical misstatements of our results going undetected. As set out in all the recommendations made by our external advisors as well as our own observations, I have categorically instructed Jimmy Lim, our new CFO, to ensure all of the recommendations are implemented to rectify the gaps and weaknesses. This implementation involves undertaking significant steps to improve the Group's systems, processes and controls, both locally and at a Group level. Critically, this includes increasing the resources and improving the capabilities of the controlling function based in Malaysia. Underlying our commitment to increase oversight, our CFO, as well as myself as Audit Committee Chair, will be based in Malaysia in order to provide clear direction and timely oversight respectively, and significant strengthening of the Internal Audit and Risk Management functions which are currently staffed by one person.

Since the year end, the Committee has specifically focused on:

- Understanding the inventory reconciliation issue and the impact on FY2019 and prior years and the root cause. We considered the assessment of the independent advisors;
- Understanding and investigating the revenue cut-off policy issue and the non-commercial transactions as discussed above. We considered management's conclusions in determining the correct accounting treatment, and the assessment of the independent advisors;
- Ensuring, in discussion with the Board, senior management, internal audit, the external auditors, and other advisors that the remedial steps proposed are appropriate and sufficient to prevent a repetition of these issues;
- Specific actions in relation to inventory, revenue recognition and liquidity risks are noted below;
- Examining the culture and behaviours that have come to light in this investigation; and
- Improving internal control, risk management oversight and reporting and tightening compliance.

As noted on page 5 both previous CEO and CFO have left this business and been replaced by Peter Lai as our new CEO (effective from 10 February 2020) and Jimmy Lim as our new CFO (effective from 4 February 2020). They will report back to us on the improvements made in governance and compliance including internal control.

The Committee recognises the existing weaknesses in management's monitoring of compliance with the lending banks' covenants. I have instructed the new CFO to carry out a thorough review of the monitoring and oversight procedures in the finance to ensure strict compliance with all banks' covenants and continue to make improvements to the quality and integrity of the cash flow reporting from the Finance Team this year, and it is clear that this area is a constant focus of the Finance Team. Whilst the business has sought to identify further contingency action plans which could be readily implemented if necessary, to protect the financial position of the Group, the Committee continues to believe that further great improvements need to be made. This area will continue to be a key part of our work and focus over the coming financial year.

GOVERNANCE

Audit Committee Report continued

Key focus areas for the Audit Committee were:

Key Focus Area	Actions during the year
Valuation of Inventory: i. Inability to reconcile the value of the inventory and work-in-progress (WIP) between two internal systems; and ii. Inventory carrying value given the level of WIP and different products.	i. The Committee has challenged management in relation to the action plans adopted following the identification of issues and will continue to refine its strategy in order to make sure that this issue does not reoccur in future periods: a. Engaged professional advisors to investigate root cause for errors as well as quantify potential financial impact. The work done was detailed and completed and identified the required corrections. As a result of these investigations the Company has restated its results for FY18 and opening retained earnings. b. The Group has adopted intensive and rigorous manual checks since the problem was identified to ensure the inventory value reported through its production planning tool is reconciled to its general ledger system on a monthly basis. The new CFO takes direct oversight and review of work done. This will be a manual process for the remainder of FY2020, whilst the Company moves towards a longer term solution of improving its operational workflows and automating the necessary checks and balances within its accounting system; c. Within the next six months, the Group expects to: i. critically assess and refine its costing methodology, to ensure it is appropriate given the growth ambitions of the business; ii. document financial processes with clearer segregation of duties and robust controls with appropriate checks and approvals; and iii. improve the cultural environment, which encourages open communication between colleagues and creates a place where people feel confident to speak up. ii. The Audit Committee has discussed both the level of inventory and its sustainable value with management. a. Level of inventory - the owners of this risk attended two Audit Committee meetings to present their updates and highlighted a number of initiatives that have been developed to deliver a gradual reduction in inventory held, which have been reviewed and challenged by the Audit Committee: i. Improved communication between the production and commercial teams to actively sell all classes of inventory, including some of the lower margin products. ii. Continued to re-process work-in-progress inventory into intermediary/ final products that can be sold; and iii. Commercial actively partnered with Technical Sales on analysis, trials and regulatory requirements to convert potential leads into sales opportunities. b. Sustainable value – areas of inventory which have been relatively slow moving have been reviewed. In the year, it was recognised that there were significant slow-moving inventory with an inventory value that required a provision to be made against it. A provision of $24m was taken mid-way through the year, however, $19.9m has been written back as management were able to utilise ML01 by-product in the manufacture of NSF02. Given the high inventory levels, the Committee will continue to regularly review both the action plans being developed to reduce the risk, and the NRV of slow-moving inventory. It is however becoming increasingly evident that the business will, as a result of continuing innovation and development of alternative production techniques, continue to produce by-products with appropriate cost being allocated to this by-product and we may or may not be able to sell it in time to realise cash. Accordingly, we need to constantly review the carrying value of its inventory. Management undertook a detailed NRV assessment as at 30 June 2019 based on the sales for the six months to 31 December 2019, which resulted in a further NRV adjustment of $19.67m. There was a provision of slow-moving inventory on work-in-progress and finished goods of US$10.4m (2018: NIL) and US$4.4m (2018: NIL) respectively. These amounts have been included as cost of sales in profit or loss during the year.
Liquidity and going concern: Given the inventory issues as highlighted above, the Group has breached its debt covenants on various occasions.	During the year, the Group was exposed to significant increase in liquidity risk as it has breached its debt covenants due to lower than expected sales and profitability. The Group breached its covenants in June 2019 and the shares were later suspended from trading when the Annual Report was not released in time. The Committee has challenged management in relation to the action plans adopted, following the identification of breaches in banking covenants, and will continue to refine its strategy in order to mitigate this risk in the short term and in future periods. i. Engaged a Chief Restructuring Officer (CRO), with relevant industry experience, to manage the rectification and seeking waiver for all historical breaches with lenders. A waiver was signed with the lenders with effect from 18 February 2020 that provided the Company with a waiver for all historical covenant breaches and provided the necessary time to seek further funding to manage any liquidity shortfall. ii. Developed a monthly and weekly cash flow forecast so as to assess any short and medium term liquidity requirements and put in appropriate cash controls. iii. Within the next six months, the Group is expected to critically evaluate and refine its systems, treasury policies and procedures to ensure discipline and oversight on liquidity matters, including specific debt related issues. iv. Management prepared a Going Concern Paper and its assumptions for review by the Committee. The Committee has reviewed the base case projection analysis and key risks and scenario sensitivities and key mitigations. There are a number of material uncertainties and potential defaults by the Group that could cast doubt on going concern due to the potential failure to meet requirement to refinance by November 2020. Appropriate disclosure on the requirement to refinance, the covenants and other requirements as set out in the waiver agreement are highlighted in the Directors' report in the Financial Statements and an appropriate Emphasis of Matter paragraph will be included in the Auditor's Report.

Key focus areas for the Audit Committee were:

Key Focus Area	Actions during the year
Revenue cut-off issues: a number of transactions were identified that resulted in adjustments to revenue in FY2018 and FY2019.	As highlighted on page 53, there were a number of transactions identified in FY18 and FY19 that upon investigation resulted in a movement in sales between financial years of c.$ 3.8 million from FY18 to FY19 and a de-recognition of sales of $3.1 million in FY18. The Committee has challenged management to check whether any further transactions in FY18 or FY19 have been incorrectly recognised. Management has undertaken the following steps: i. Engaged professional advisors to investigate and assess the transactions and identify any further revenue recognition issues by: a. consideration of FY18 and FY19 revenue and purchases to identify any other transactions to similar parties; b. undertaking revenue cut off testing; ii. Management assessed all credit notes raised post year end and aged accounts receivables to confirm recoverability; iii. Management has reassessed and updated the revenue recognition policy and provided an update and clear instruction to staff on how it is to be followed in relation to tolling arrangements; and iv. Within the next six months, the Group will evaluate the segregation of duties and the revenue recognition checks and controls, so as to improve the control environment. Given the above checks, the Audit Committee are satisfied that adequate checks have been performed in relation to FY19 revenue except for prior year FY18 which led to the auditors to qualify the accounts given they have found exceptions in their prior year testing. Management did not fully address the issue relation to the prior years.
Intangible Assets and Goodwill: The Group balance sheet includes Intangible assets and goodwill. The recognition of intangible assets, the consideration of their useful lives and performing impairment assessments is inherently judgmental.	As with Inventory, the carrying values of Intangible Assets may be subject to some volatility in terms of provisions against carrying values. This is not unusual for a Company in a fast evolving industry, where investment in Intangible Assets may take some time to reach the level where the commercial value is clear. The Committee reviewed reports from management regarding the intangible assets recognised during the period and challenged the amounts capitalised and whether such amounts were in line with the Group's accounting policies. The Committee also considered management's assessment of the value in use of the intangible assets, noting that a consistent methodology was applied year on year based on a discounted cash flow model underpinned by the Group's business plan. The Committee received a report presented by management on an alternative model on an FVLCD basis that supports the carrying value and this was discussed with the Group's auditors over the annual impairment assessment for indefinite lived assets and goodwill. The Group has prepared a VIU calculation which is subject to a number of estimates and uncertainties with regard to future sales, margins and costs and the future rate of growth. The Group has also considered the FVLCD of the Group. While information on the fair value of an asset or CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. The Directors have been considering equity and other fundraising opportunities as part of the refinancing initiatives. Based on valuations prepared by the Directors and their advisers as part of these activities, the Directors determined that the FVLCD of the Group is in excess of the carrying value of the net assets. Accordingly, the carrying value of goodwill is supported and no impairment is required. The Directors have also considered whether any reasonable possible changes could give rise to an impairment and concluded they would not. The Committee discussed this with the management and auditors and are comfortable with the conclusion drawn here. The Committee has also reviewed the intangible assets of the Group and concluded that it would be appropriate to provide an impairment of $1.8 million for its intellectual property and product development projects in relation to a product with negative gross margin In addition, the Committee also concurred with management's FY19 assessment on the commercial strategy for Latin America due to continuing trade restrictions new in the current year, it became clear that they were not going to be lifted in the near term and given the uncertainty in obtaining another route to market, hence resulting in a full impairment made of its leaf development cost of $13.9 million. The Committee agreed that the Africa leaf development intangible asset should be amortised. Leaf production in Africa in FY19 amounted to 1,337MT. Previously it was agreed that the commercial threshold volume to initiate amortisation would be 2,000MT. However, given that little development work occurred in the year and that a significant amount of high quality leaf is now being sourced from the area, the Committee concluded that it would be appropriate to commence amortisation of the asset from January 2019.

GOVERNANCE

Audit Committee Report continued

Key focus areas for the Audit Committee were:

Key Focus Area	Actions during the year
Deferred tax: a deferred tax asset shall be recognised for the carry forward of unused tax losses to the extent that it is probable that there are sufficient taxable profits in the future to offset the unused tax losses.	The Committee reviewed the Paper presented by management on deferred tax and concurred with the treatment proposed and adopted by the management as follows: The Group has fully reversed a PCUSA deferred tax assets of USD$9.4m during the year which relates to carried forward tax losses. The Company has incurred the losses over the last three financial years. They relate to ongoing costs of the business and remuneration costs for Group executives. In the financial year ended 30 June 2018, it was expected that certain of these costs would be recharged to other Group subsidiaries, however, due to a change in strategy and policy during the year, a recharge of costs is no longer expected. The Company is expected to continue to generate losses into the near future. As such, the Group has concluded that the deferred tax assets will not be recoverable using the estimated future taxable income based on the business plans and forecasts for the subsidiary.
Overdue Accounts payables	The Audit Committee reviewed the overdue payables and challenged management to improve the position significantly. Management has since given priority to reduce the overdue accounts payable position as and when the liquidity position of the Group improves.
Impact assessment of COVID-19 on the business	In light of the COVID-19 pandemic the Committee asked management to present its views on the impact on the Group and the mitigating actions that were planned as follows: Operations at the refinery in Malaysia has been suspended since 18 March 2020 as part of the current countrywide lockdown requirements by the government. In view of the current COVID-19 outbreak and given the rapidly evolving nature of the pandemic, the Group has done a detailed assessment on the existing production plan and sales channel condition while noting the rapidly evolving nature of the pandemic. The Group forecasts that the total lockdown imposed on the Group's refinery plant in Malaysia may cause a temporary disruption to the production. Some of the action plans: 1. Upon management's appeal, the Malaysian authority granted an approval on 27th March 2020 to re-open and re-start production of our refinery plant albeit with stringent measures to prevent the possibility of the spread of virus within the factory premises. 2. Management will coordinate to expedite raw materials purchases and processing at our extraction plant in China for delivery to refinery plant upon the re-opening and restarting of production of its refinery in Malaysia. 3. Management is actively planning with stevia leaf suppliers in China to prepare planting materials for the coming stevia growing season. The Group's extraction plant in China is still running as usual and is still purchasing and processing stevia leaf into extract. 4. The Group's sales team are actively engaging with customers to firm up any pending orders at the same time to improve receivables collection. The Committee has reviewed the assumptions built into the assessment and the feasibility of the action plans in order to mitigate the impacts and concluded that these mitigation actions are within the control of management.
Impairment losses on investments in certain subsidiaries of the Parent	As at 30 June 2019, there were impairment indicators on investments in certain subsidiaries of the Parent and therefore management performed an impairment assessment on the respective investments in subsidiaries and impairment losses amounting to USD39,560,000 (2018: NIL) were recognised on the carrying amounts of the investments in subsidiaries. The Committee reviewed the impairment done and concurred with the management's impairment treatment.

INTERNAL CONTROL AND RISK MANAGEMENT

As noted on page 52 the Audit Committee supports the Board in the management of risks and is responsible for reviewing the effectiveness of risk management and internal control processes during the year. The Committee receives and discusses at each of its meetings:

- the Group's risk register, including significant emerging risks and how exposures have changed during the period; and
- summary reports and progress against agreed actions from management on managing the risks identified.

In FY19, much focus was placed on the Group's key risks. The identified risk owners formed working groups to mitigate risks and implement action plans within an acceptable timeframe. Risk workshops took place in the year focusing on the Group's 12 key risk areas.

Assisted by the Committee, the Board has reviewed the effectiveness of the Group's systems of risk management and internal control in place throughout the year and up to the date of this report. The review considered investments made in systems and management during the year.

As set out in the in the introduction to this report, during and subsequent to the period end our internal investigation supported by external advisors has identified irregular practices relating to revenue cut-off, non-commercial transactions and inventory valuation which has identified a number of control deficiencies which were not identified by our monitoring controls thereby resulting in the misstatement of results during the current and previous years. The Committee therefore views the control environment has not been fully effective in the year.

As noted in Key Focus Areas For The Audit Committee immediate steps have been taken to strengthen the financial processes and controls in our business and control improvement plans have been instituted where appropriate. Steps will continue to be taken to improve further our control, governance and compliance environment.

Where failures and areas for improvement have been identified, new procedures have been introduced to strengthen the controls and will themselves be subject to regular review as part of the ongoing assurance process to ensure this does not happen again.

INTERNAL AUDIT

The Company's Head of Internal Audit, Ms. Lee-Ann Loo's scope of work covers all our operations and whilst she reports directly to me to ensure independence, her day to day activities are managed through the Group CFO to ensure she receives ongoing support and development.

A full 12-month rolling Internal Audit programme is developed each year and agreed with the Audit Committee. In addition, Lee-Ann has worked closely with the Group's senior management to help facilitate improved risk management workshops, with risk owners providing clearer identification of key risks, the potential impact of such risks and the mitigating actions identified.

WHISTLEBLOWING POLICY

Having introduced a whistleblowing policy in FY2016 to enable employees to report any concerns in confidence, this facility has now been further updated and enhanced. An independent third party has been appointed to handle a 24-hour hotline and anonymous complaints through the website. In addition, awareness of the whistleblowing facility has also been extended further to include suppliers and contractors. In FY2019, we received two whistleblowing incidents on alleged misconduct of employees in their dealings with stakeholders of the Company. Following internal investigations, one of the alleged claims was found to be baseless whereas in the second incident, the employees involved were dismissed from the Company following investigations.

Given some of the cultural issues identified during the year, the whistleblowing policy has been highlighted to all employees again with the clear message from management that we need to operate to a high ethical standard and we encourage our staff to report any concerns where they believe this not to be the case.

BRIBERY AND CORRUPTION POLICY

The Board has a zero-tolerance policy for bribery and corruption of any sort. The Group has rolled out an awareness programme including a briefing highlighting potential areas of vulnerability. New employees are required to complete an online training module when they join.

COMMITTEE EFFECTIVENESS

Feedback from the annual performance evaluation of the Board and its Committees, which was conducted internally this year is described earlier on page 40 of the Annual Report. This confirmed that the Audit Committee continued to be effective in fulfilling its duties.

EXTERNAL AUDITORS

PricewaterhouseCoopers (PwC) UK LLP, took over from PwC Malaysia in FY16. The Audit Committee assesses annually the qualification, expertise, resources, and independence of the auditor and the effectiveness of the audit process. The Audit Committee is responsible for recommending the appointment, re-appointment or removal of the external auditors. The Audit Committee also approves the terms of engagement and remuneration of the external auditors and monitors their independence.

The audit partner from PwC was Jason Burkitt, who has been the audit partner for four years. The incumbent auditor, PwC, has indicated their intention not to seek re-appointment. The Group has not decided on a new auditor and takes note of FRC's guideline on delaying audit tender during the current COVID-19 pandemic.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

To help safeguard the auditors' objectivity and independence, the Company operates a non-audit services policy which sets out the circumstances and financial limits within which the Group auditor may be permitted to provide certain non-audit services (such as tax and other services). The Group policy is in line with Main Market best practice and is for non-audit services to be restricted to below 50% of the audit fee.

The remuneration of the auditors was set at US$2.8 million along with further non-audit assurance fees of US$0.1 million for the review of the interim announcement.

EFFECTIVENESS OF THE EXTERNAL AUDIT

PwC UK LLP, our external auditors are an independent registered public accounting firm, reported in depth to the Committee on the scope and outcome of the annual audit. Their reports included accounting matters, governance and control, and accounting developments.

The Committee considers a number of aspects in relation to the performance the external auditors, including full year audit and interim review, their independence and objectivity, their remuneration and reappointment. The Audit Committee held independent meetings with the external auditors during the year and as Audit Chair, I met with PwC on a number of occasions outside of the Audit Committee.

The Audit Committee reviewed, discussed, challenged and agreed the approach to PwC's audit plan, including their assessment of the financial reporting risk profile of the Group. The Committee were taken through the Audit findings of PwC at both the full year audit and interim review. The Audit Committee had a full and open discussion with PwC regarding their audit work, and questioned and challenged their findings. As a result of these discussions, the Audit Committee is satisfied with the independence of the external auditor, the approach taken to the audit, the quality of the audit work and the audit findings for the year.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee has an additional Committee meeting ahead of the formal year-end review to assess the fairness, balance, and understandability of the Group's Annual Report.

Considering the preparation process, the information provided by the management, and the opinion of the Executives and the external auditor, the Committee could confirm and recommend to the Board that the FY2019 Annual Report is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

Datuk Ali bin Abdul Kadir
Chairman, Audit Committee

GOVERNANCE

Remuneration Committee Report

"I AM PLEASED TO INTRODUCE THE DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019."

CURRENT MEMBERS

- **Guy Wollaert (Chairman)** (Appointed as Chairman on 27 December 2019)
- **Olivier Maes** (Appointed on 10 February 2020)
- **Sridhar Krishnan** (Appointed on 10 February 2020)

OTHER MEMBERS WHO SERVED DURING THE YEAR

- **Mitch Adamek** (Chairman) (Resigned on 11 December 2019)
- **John Slosar**[1]
- **Rosemarie Andolino** (Appointed on 12 March 2019, resigned as a member on 1 July 2019)
- **Paul Selway-Swift** (Retired on 30 November 2018)
- **Robert Cheim Dau Meng, Dato'** (Resigned as a member on 10 February 2020)

1 The Director withdrew his candidacy for re-election before the AGM on 10 February 2020, and accordingly, he is no longer a Director of the Company from that date.

I have assumed the role of Chair of the Remuneration Committee since 27 December 2019, following the resignation of Mitch Adamek.

Shareholders last approved our Remuneration Policy in 2016. A new Remuneration Policy is being put forward to an advisory shareholders vote at our adjourned AGM to be held in Kuala Lumpur, on 7 May 2020 at 4pm (GMT+8). The Company is incorporated under the Bermuda laws and it is not subject to the requirements imposed on UK-incorporated companies to submit their remuneration policy to a binding vote of shareholders. Nonetheless, this is prepared on a voluntary basis in line with good practice.

On the following pages, I have set out our new Remuneration Policy and our Annual Report on Remuneration, which explains how we intend to implement the new Remuneration Policy. The Annual Report on Remuneration will be subject to an advisory shareholder vote at our adjourned AGM.

PureCircle is a globally diverse, de-centralised organisation with over 1,100 employees located in multiple countries around the world.

Remuneration at PureCircle is structured on the principle that individual rewards must support overall corporate objectives

Performance during the year and remuneration outcomes

Company performance fell short of annual and long-term incentive plans goals. Consequently, annual incentive plan payouts were very small and awarded only to those employees who achieved individual results above regional plan targets. In addition, employees in the lower two job grades in China and Malaysia received a one-month salary bonus, which is in line with local market practice. The long-term incentive plan award lapsed for all eligible employees as performance conditions were not achieved.

Key remuneration decisions for 2018-2019

During the year, the Remuneration Committee made changes to both the Annual Incentive Plans and the Long-Term Incentive Plans, for both the Executive Directors and all management grades. The details of the new plans are set out below. The reasons for making these changes are:

- Aligning all employees around achieving profitable sales revenue growth; and
- Implementing incentives for all Sales and Sales support employees to meet and exceed regional sales revenue targets and increase focus on breakthrough products

Guy Wollaert
Chairman, Remuneration Committee

THE ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee oversees remuneration at Board level and across the whole of the Group. Consequently, it seeks to set reward policies that recognise local differences while ensuring that all employees, regardless of task or location, are aligned to the Company's overall strategic plan. The Remuneration Committee therefore assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration and determining the individual remuneration and benefits packages of each of the Executive Directors. The duties of the Remuneration Committee are set out in its terms of reference, which may be found on the Company's website at www.purecircle.com.

REMUNERATION COMMITTEE ACTIVITY DURING THE YEAR

The Remuneration Committee met four times during the year and its principal activities during the year were as follows:

Meeting	Key Activities
September 2018	• Approval of awards under 2018 Incentive Plans • Update on 2019 Commission and Bonus Plans • Approval of 2019 Incentive Plan Award • Approval of 2019 Salary Review
December 2018	• Review of Annual Bonus Incentive Plans • New Long-Term Incentive Plan Proposal
March 2019	• 2019 Provisional Awards • 2020 Remuneration Programme Proposal
June 2019	• Review of Workforce Statistics • Review of 2019 Incentive Plan Estimates • 2020 Salary Review • 2020 Incentive Programme Targets

ADVISORS TO THE REMUNERATION COMMITTEE

The Company's Human Resources department prepares the papers for the Remuneration Committee meetings, where appropriate sourcing data from external benchmark studies.

The Remuneration Committee does not engage any remuneration consultants to assist it in its work.

REMUNERATION IN SUMMARY

REMUNERATION PHILOSOPHY

The principles governing our remuneration structure are:

- **Alignment:** to ensure alignment of interests between employees, executives and shareholders.
- **Pay for Performance:** in order to reflect personal achievement and influence on the Company's results.
- **Market Competitiveness:** in markets where we do business in order to be an employer of choice.
- **Affordability:** remuneration must reflect the Company's ability to pay and thus be sustainable.
- **Fairness, Transparency, and Simplicity:** so that remuneration principles are transparent and easy to understand.

Each individual's total reward is based upon overall Company growth, specific business unit performance, and individual performance. The ability of each individual to impact overall Company performance, is also taken into consideration. This operates at three levels:

Employment Group	Approach
Executive and Senior Management	To pay competitive based salaries and benefits, offer an annual performance-based bonus, and a longer-term share grant scheme.
Sales Teams	In addition to a market-appropriate base salary and benefits, to pay employees a performance-based bonus that is tied to their individual performance in achieving sales growth target in their area of responsibility.
Middle, junior management and all employees	To pay base pay and benefits that are appropriate in the local market, and are supplemented by an annual cash bonus that is linked to Company performance, as well as business unit and individual performance. Employees in China and Malaysia receive one-month salary in line with local market practice.

The Remuneration Committee has approved two types of performance-based bonuses, also referred to as short-term incentive plans:

Bonus Plan	Scope
Bonus Plan	The CEO and his direct reports, and employees in Operations or Corporate roles are eligible for the Bonus Plan. Individual Awards will vary based on Company results, individual performance, bonus target, and business unit and functional results. Payments in this plan may vary between 0% and 67.5% of individual base salary.
Commission Plan	In 2018, the Company implemented the enhanced Commission Plan for eligible employees directly involved in Sales, Marketing and Technical Support. The Plan stipulates that each individual sales team member's commission will be accumulated in the overall Commission Plan pool, which will be shared with the remaining Commercial team members. The overall Commission Plan result directly impacts the overall Company Bonus Plan pay-out which accounts for 50% of the bonus performance result for Corporate employees world-wide.

The 2019 Long Term Incentive Plan (LTIP) lapsed due to Company performance not reaching the threshold targets. For 2020, the Company has introduced a loyalty retention plan for selective employees who are critical for business continuity and future Company success.

GOVERNANCE

Remuneration Committee Report continued

DIRECTORS REMUNERATION POLICY

INTRODUCTION

This part of the Directors' Remuneration Report sets out the remuneration policy for the senior executives of the Company (the **Directors Remuneration Policy**) which has been developed taking into account the views of major shareholder groups.

At the adjourned AGM which will be held in Kuala Lumpur, Malaysia, on 7 May 2020 at 4pm (GMT+8), the Directors will be seeking an approval of the remuneration policy in the section following. As the Company is incorporated and registered under the Companies Act 1981, it is not subject to the requirements imposed on UK-incorporated companies to submit their remuneration policy to a binding vote of shareholders. Nonetheless, the Company has, on a voluntary basis, prepared a forward-looking remuneration policy which will be submitted to a vote of shareholders on an advisory basis.

REMUNERATION POLICY

The Group's remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors, members of the Management Committee and all employees. The retention of key management and the alignment of management incentives and the creation of shareholder value being key objectives of this approach.

The table below sets out the key elements of Executive Directors' pay for the purposes of the Directors Remuneration Policy:

Base Salary

Purpose: Provides the core reward for the role	
Operation	Base Salary is reviewed each year and reflects market and individual performance. At senior levels, salary will be slightly below market rate in order to give greater focus to the performance-based elements of pay within the overall remuneration structure.
Performance metric	None.
Discretion	The Remuneration Committee may review the performance of the Executive Director when reviewing salaries.

Annual Bonus

Purpose: Rewards the achievement of short-term business targets	
Operation	Individual Awards will vary based on Company results, individual performance, bonus target, and business unit and functional results. Payments in this plan may vary between 0% and 67.5% of individual base salary. The level of bonus for the achievement of target will be no more than 45% of individual base salary and the maximum bonus payable will be no more than 150% of target.
Performance metric	The metrics used to calculate the Annual Bonus will be a combination of Company and individual performance measures. At least 50% of the Annual Bonus will be based on Sales Revenue with specific revenue targets set to determine final amount paid. The other performance measures used will be Gross Margin (25%) and Inventory Management (25%).
Discretion	The Remuneration Committee may change the performance targets for the purpose of calculating the Annual Bonus from year-to-year and may exercise discretion in determining the performance outcomes for some individual performance metrics.

Long-Term Incentive Plan

Purpose: Rewards sustained contribution	
Operation	Senior Management and Executives are eligible to join the Long-Term Incentive Plan (LTIP). This annual plan aligns senior level employees to long-term, sustainable Company performance by awarding shares provided certain Company financial targets and / or retention conditions are met. Actual final award of shares can fluctuate between 0% and 200% of the initial provisional award based on results. The final award of shares will be based on cumulative Company performance over a three-year period. For Executive Directors and the Chief Commercial Officer, awards will be subject to a two-year holding period following the end of the three-year performance period. For all other eligible employees, a one year holding period following the end of the three-year performance period will apply.
Performance metrics	Performance metrics are set at the effective date of award. Performance is measured against long-term Company performance metrics (year-on-year growth in revenue, adjusted EBITDA).
Discretion	In accordance with the Rules of the LTIP, awards may be made on a one-off basis in exceptional circumstances. Most commonly on joining the Company.

Benefits

Purpose: Help recruit and retain employees	
Operation	The following benefits are provided for the Executive Directors: Medical and Life Assurance, Car Benefit.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the benefits made available to Executive Directors in line with any changes in the policy for benefits provided to all employees.

Pension

Purpose: Help recruit and retain employees	
Operation	An appropriate pension provision may be granted either as a contribution to a qualified plan or as a cash allowance of up to 10% of base salary.
Performance metric	None.
Discretion	Not applicable.

Non-Executive Directors Fees

Purpose: Compensation for time and commitment	
Operation	Non-Executive Directors are paid fees according to their roles on the Board, which includes a base fee plus additional fees for respective Committee responsibilities as follows: Base Fee: US$70,000 p.a. Committee Chair: US$15,000 p.a. Senior Independent Director US$10,000 p.a. Chairman US$170,000 p.a.
Performance metric	None.
Discretion	Not applicable.

GOVERNANCE

Remuneration Committee Report continued

DIRECTORS REMUNERATION POLICY CONTINUED

SHARE OWNERSHIP GUIDELINES

The Remuneration Committee considers that each Executive Director of the Company should retain a personal holding of shares in the Company which has a significant value to the individual. This exposes the Executive Directors to the same risks and rewards enjoyed by the shareholders of the Company so aligning management's interests with those of the shareholders. The share ownership requirements are as follows:

- 200% of annual base salary for the CEO; and
- 100% of annual base salary for the CFO.

Shares in which the Executive Director, their spouse / civil partner or minor children have a beneficial interest count towards the Shareholding providing they are not:

- Shares held in any Employee Benefit Trust established by the Company or a member of its group from time to time,
- Unexercised options or vested share awards, or
- Shares for which the receipt has been deferred.

Executive Directors with Shareholdings worth less than their respective Shareholding requirement shall retain all shares arising from vested LTIP awards (net of tax) or any other share plan as determined by the Remuneration Committee until shares worth their respective Shareholding requirement are held.

POLICY ON RECRUITMENT OF EXECUTIVES

For Executive Directors and Senior management, our policy is to pay competitive base salaries and benefits, and offer an annual performance-based bonus and a longer-term share grant scheme.

POLICY ON CESSATION OF EMPLOYMENT AS A GOOD LEAVER UNDER THE LTIP RULES

Under the rules of the LTIP, if a participant ceases to be an employee at any time before the vesting and release of an award by reason of:

- death;
- retirement;
- ill health, injury or disability (in each case, evidenced to the satisfaction of the Remuneration Committee);
- redundancy;
- the company by which he/she is employed ceasing to be a company within the Group or the business/undertaking (wholly or partially) of such company being transferred to another company within the Group;
- the Participant being transferred or seconded to an associated company or a company which is outside the Group; or
- any other event/reason approved by the Remuneration Committee

Then that award shall immediately cease to be capable of vesting or exercise and shall lapse in full upon the expiry of the period of 30 days from the date the participant ceases to be an employee. At any time prior to the date of cessation or the expiry of the 30-day period, the Remuneration Committee, in its absolute discretion, may determine otherwise.

ANNUAL REPORT ON DIRECTORS REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director for the year-ended 30 June 2019.

	Salary		Benefits		Bonus		LTIP		Pension		Total	
(US$'000)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Magomet Malsagov	600	580	331.6	86.2	–	–	–	308.7	–	53.2	932	1,028
Rakesh Sinha	357	340	252.9	190.2	–	–	213.9	85.9	–	19.8	824	636

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director for the year-ended 30 June 2019.

	2019		2018	
(US$'000)	**Fees**	**Total**	**Fees**	**Total**
Mitch Adamek	85	85	75	75
Rosemarie Andolino (appointed w.e.f. 19 September 2018) *	54.8	54.8	–	–
John Gibney	95	95	88	88
Ann Marie Scichili (appointed w.e.f. 19 September 2018)	54.8	54.8	–	–
John Slosar	128	128	70	70
Guy Wollaert	85	85	75	75
Paul Selway-Swift (retired w.e.f 30 November 2018)	70.8	70.8	170	170

* Note: Rosemarie Andolino was appointed as advisor to the CEO on 1 July 2019 at a fee of US$125,000 p.a. The Contract was terminated on 31 December 2019 and the fee was pro-rated accordingly.

ADDITIONAL INFORMATION SUPPORTING THE SINGLE FIGURE TABLE

Salary

Having not made any changes to the salaries of the two Executive Directors during the year to 30 June 2018, the Remuneration Committee reviewed the salaries of the two Executive Directors with reference to individual and Company performance during the year and approved salary increases as follows:

	Salary		
US$	**2018–2019**	**2017–2018**	**% Change**
Magomet Malsagov	600,000	580,000	3.45%
Rakesh Sinha	357,000	340,000	5.00%

In determining this increase, the Remuneration Committee took account of local market base salaries by reference to the 50 percentile level set in the Directors Remuneration Policy. During the period, salary increases across the Group ranged between 3.0% and 7.0%. Benchmarking salary data is sourced from a number of providers (including Willis Towers Watson, ERI and SHRM).

Bonus awards

A bonus was not awarded to the Executive Directors for the year to 30 June 2019 as performance targets were not achieved.

Long-term incentive awards

During the year, the structure of the LTIP for Executive Directors was amended to align the incentives of the Executive Directors with the long-term financial success of the business. Awards were made to the Executive Directors under the LTIP scheme on 10 January 2019 as shown in the Directors' Long-Term Incentive Interests table below. Any Awards under LTIP for Executive Directors, who have officially resigned from the Company, would lapse automatically. The conditions for the LTIP awards for the 2018-2019 year are as follows:

2019 Award Conditions

The FY2019 Annual LTIP awards can only be exercised if certain sales targets are satisfied as follows:

Below Threshold	If the sales are below Threshold, then the awards shall not vest and shall lapse at the end of the awards' life.
Threshold	If sales are at Threshold (but below Target), then the awards shall be exercisable at 50% of the grant.
Target	If sales are at Target (but below Stretch), then the awards shall be exercisable at 100% of the grant.
Stretch	If sales are at Stretch or above, then the awards shall be exercisable at 200% of the grant.

If the sales targets are met, the awards will vest equally on 1 November over a period of four years beginning year 2019.

If the sales targets are not met, the awards will lapse automatically.

GOVERNANCE

Remuneration Committee Report continued

ANNUAL REPORT ON DIRECTORS REMUNERATION CONTINUED

Directors' Long-Term Incentive Interests – Number of Shares

	1 July 2018	Granted	Issued/Vested	Lapsed	30 June 2019	Notes
Magomet Malsagov	139,372	–	–	(139,372)	–	This discretionary time-based award was granted on 29 September 2017 and had lapsed following the Chief Executive's voluntary declination of the award in November 2018 prior to its intended vest date on 30 September 2020.
	–	183,487	–	–	183,487	FY19 Annual LTIP award granted on 10 January 2019 and would vest if certain sales targets are met. This award had lapsed following the Director's resignation[1].
	139,372	183,487	–	(139,372)	183,487	
Rakesh Sinha	–	87,340	–	–	87,340	FY19 Annual LTIP award granted on 10 January 2019 and would vest if certain sales targets are met. This award had lapsed following the Director's resignation[2].
	26,667	–	(26,667)	–	–	This joining award was granted on 23 May 2016 and may vest equally on employment anniversary in year 2017, 2018 and 2019. The second tranche vested in FY18 while the third (final) tranche vested in FY19. Both the second and third tranches were allotted during FY19.
	100,000	–	(16,500)	–	83,500	This one-off discretionary award was granted on 20 January 2017 to members of the Senior Leadership Team – 50% of the awards ("Retention Portion") will vest equally after the end of each financial year 2018, 2019 and 2020, while the balance 50% of the awards will vest if performance conditions are fulfilled by FY20. The first tranche of the Retention Portion (16,500 shares) vested in FY18 but was allotted in FY19. The balance of 67,000 lapsed following resignation of the Director[2].
	62,847	–	–	–	62,847	This discretionary time-based award was granted on 29 September 2017, and has a three-years vesting period. The award had lapsed following the Director's resignation[2].
	–	25,840	(25,840)	–	–	This discretionary time-based award was granted on 25 October 2018 and vested on 31 October 2018.
	189,514	113,180	(69,007)	–	233,687	

1 Magomet Malsagov resigned as CEO and as an Executive Director on 17 December 2019.

2 Rakesh Sinha resigned as CFO and as an Executive Director on 22 November 2019.

Payments to past Directors/payments for loss of office

No payments were made to past Directors or for loss of office.

IMPLEMENTATION OF THE DIRECTORS REMUNERATION POLICY IN 2019–2020

The Remuneration Committee proposes to implement the Directors Remuneration Policy for 2019-2020 as set out below:

Salary

The salaries for the CEO and CFO are set out below:

	Salary		
US$	2019–2020	2018–2019	% Change
Magomet Malsagov	600,000	600,000	0.00%
Rakesh Sinha	357,000	357,000	0.00%

Annual bonus plan

The Annual Bonus Plan for 2020 for the Executive Directors will be based on sales results and other key Company KPIs and strategic goals. The Remuneration Committee considers that the detailed performance targets for the 2019-2020 annual bonus awards to be commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be disclosed in the 2020 Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus plan.

LTIP award

The LTIP has been amended for 2019-2020 to align the incentives of the Executive Directors with the long-term financial success of the business. Vesting will be 100% measured against long-term Company performance metrics (year-on-year growth in revenue and adjusted EBITDA) in order to comply with UK Investor expectations. A provisional award for 2019-2020 will be made on cumulative performance for the three-year period from 1 July 2019 and awards will be subject to a two-year holding period post vesting. Thus, any shares vested under the 2020 LTIP award may not be sold before 30 June 2024. Awards will be assessed by reference to the following scale:

Target level	Expected Year-on-Year Growth % (See note)	Level of Payout
Threshold	15	50%
Target	20	100%
Stretch	30	200%

Note: The base year will be the year commencing 1 July 2018

The LTIP target awards for the Executive Directors will be:

- Chief Executive Officer: 130 per cent of salary; and
- Chief Financial Officer: 100 per cent of salary.

Changes to Executive Directors' Remuneration

New Appointments

- On 10 February 2020, the Group officially appointed Mr Lai Hock Meng, Peter as Chief Executive Officer and Executive Director of the Board.
- On 4 February 2020, the Group officially appointed Mr Lim Kian Thong, Jimmy as Chief Financial Officer and Executive Director of the Board.

Compensation Package

The Remuneration Committee has approved the annual compensation package of the new Chief Executive Officer and Chief Financial Officer as follows:

Mr Lai Hock Meng, Peter

- Salary of US$600,000, of which 50% is payable in cash, and 50% is payable in shares quarterly in advance, to be vested over 4 quarters.
- Additional benefits include a Company car with a petrol card (RM1,000 limit per month), one-time mobile phone reimbursement of RM1,000, an apartment rented by the Company (not exceeding RM15,000 or US$3,500 monthly rental), travelling allowance of US$1,500 per month

Mr Lim Kian Thong, Jimmy

- Salary of RM1,700,000 (US$395,349), an increase of 10.7% from salary paid to CFO in 2018-2019.
- Additional benefits include a Company car with a petrol card (RM1,000 limit per month), a one-time mobile phone reimbursement of RM1,000.

Both Directors remain subject to the bonus and LTIP policies set out in this report.

John Slosar assumed the role of interim CEO for the months of November 2019 to January 2020. His remuneration remained unchanged from his Chairman fee, at US$170,000 (pro-rated for three months).

Benefits and pension

No changes are proposed to the Executive Directors' benefits or pension contributions for 2019-2020

Changes to Non-Executive Directors' Fees

The Board do not propose to make any changes to the Non-Executive Directors fees for 2019-2020. However, subject to the approval of shareholders on the Directors Remuneration Policy set out above, the Board propose to put a plan in place to enable Non-Executive Directors (NED) to be paid wholly or partially in PureCircle shares (the "Plan"), details as follows:

- NED may, by notice in writing, elect to receive 100% or 50% of their fees in PureCircle shares, or otherwise continue to receive all of their fees in cash as they do currently. NED who elect to receive 50% of their fees in shares will receive the balance of their fees in cash as they do currently. Such election by NED will be good until revoked/changed by further notice in writing to the Company.
- Payment in shares will be fulfilled by the allotment of new shares to the relevant NED, with such allotment to take place quarterly in arrears. The number of new shares to be allotted will be determined by reference to the share price either on the date of allotment or other pre-agreed referenced date

GOVERNANCE

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

The report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure Guidance and Transparency Rule ('DTR') 4. Other information that is relevant to this report, and which is also incorporated by reference, is disclosed as follows:

	Page(s)
Likely future developments in the business	Pages 19–21
Strategic Report	Pages 10–37
Going concern	Pages 66–67
Governance	Pages 39–65
Financial instruments	Note 5 (pages 96–98)
Financial risk management objectives and policies	Note 4 (pages 89–95)
Assessment of price, credit, liquidity and cash flow risk	Note 4 (pages 89–95)
Related party transactions	Note 29 (page 128)
Energy and carbon reporting	Page 37
Sustainability	Pages 36–37
Post balance sheet events	Note 35 (pages 135–136)
Overseas branches	Page 146
Disclosure of qualifying third party and pension scheme indemnity provisions	Not applicable

DISCLOSURE TABLE PURSUANT TO LISTING RULE LR 9.8.4C

In accordance with LR 9.8.4C, the table below sets out the location of the information required to be disclosed, where applicable.

Applicable sub-paragraph within LR 9.8.4C		Page(s)
(1)	Interest capitalised	Note 22 (pages 122–123)
(2)	Unaudited financial information	Not applicable
(3)	Long-term incentive scheme only involving a Director	Not applicable
(4)	Directors' waivers of emoluments	Not applicable
(5)	Directors' waivers of future emoluments	Not applicable
(6)	Non pro-rata allotments for cash (issuer)	Page 68
(7)	Non pro-rata allotments for cash (major subsidiaries)	Not applicable
(8)	Listed company is a subsidiary of another company	Not applicable
(9)	Contracts of significance involving a Director	Note 29 (page 128) and Note 35 (pages 135–136)
(10)	Contracts of significance involving a controlling shareholder	Not applicable
(11)	Waivers of dividends	Not applicable
(12)	Waivers of future dividends	Not applicable
(13)	Agreement with a controlling shareholder	Not applicable

PRINCIPAL ACTIVITIES

The Company is engaged principally in the business of investment holding whilst the principal activities of the rest of the Group are the production, marketing and distribution of natural sweeteners and flavours. There have been no significant changes in the nature of these activities during the financial year.

RESULTS AND DIVIDENDS

PureCircle Group's revenue for the financial year ended 30 June 2019 was USD124 million (2018: USD127 million). The PureCircle Group's loss attributable to the owners of the Company was USD80 million (2018: USD2 million), equivalent to loss per share of USD45.32 cents (2018: USD0.95 cents).

The Group ended the year with net assets of USD160 million (2018: USD210 million), total assets of USD312 million (2018: USD373 million), gross cash balances of USD26 million (2018: USD24 million) and total borrowings of USD94 million (2018: USD122 million).

Additionally, our 2018 results have been restated based upon prior period adjustments identified during the current year. It was identified that the Company's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead, certain costs remained capitalised in inventory in 2017, 2018 and 2019 respectively. Accordingly, historical inventory was overstated and historical cost of sales was understated. Further, the Company's revenue was overstated due to non-commercial transactions and further, revenue was not recorded in the appropriate period, which has resulted in a restatement of FY17 and FY18 revenue. The Group further assessed the debt covenant compliance for FY18 and noted that the Group had not met the required debt covenant criterion, thus resulting in the reclassification of non-current debt to current. Given the impact to prior years, the Company further adjusted opening retained earnings as at 1 July 2017.

The impact of restatements on the prior year financial results relate to three main categories of issues: inventory, revenue and classification of inventory. More information on these reclassifications can be found in Note 34.

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2019.

GOING CONCERN

The Group has obtained approval from lenders for waivers for the breach of all covenants to date. In addition, the lenders have agreed to amend the covenants for the year to 31 March 2020 and 30 June 2020 respectively. Although there are a number of uncertainties due to the requirement to refinance the revolving credit facility by November 2020 and the Directors are projecting that covenants will be breached again and conditions of the agreement may not be met, the Group has a number of options and mitigating actions that they are pursuing that will allow the Group to refinance. However in certain scenarios the Group may not have sufficient funds throughout the going concern period. Together these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Save for the above matters of disclosure herein, the Directors have concluded it is appropriate for the Financial Statements to be prepared on a going concern basis at the date of signing these Financial Statements.

DIRECTORS

The Directors in office since the last date of the Report are:

- Guy Wollaert
- Wan Azmi Wan Hamzah, Tan Sri (appointed w.e.f. 11 November 2019)
- Ali bin Abdul Kadir, Datuk (appointed w.e.f. 18 November 2019)
- Robert Cheim Dau Meng, Dato' (appointed w.e.f. 18 November 2019)
- Lim Kian Thong (appointed w.e.f. 4 February 2020)
- Lai Hock Meng (appointed w.e.f. 10 February 2020)
- Olivier Maes (appointed w.e.f. 10 February 2020)
- Sridhar Krishnan (appointed w.e.f. 10 February 2020)
- John Slosar*
- Tan Boon Seng (appointed w.e.f. 11 November 2019 and resigned w.e.f. 31 December 2019)
- Ann Marie Scichili (appointed w.e.f. 19 September 2018)*
- Rosemarie Andolino (appointed w.e.f. 19 September 2018)*
- Magomet Malsagov (resigned w.e.f. 17 December 2019)
- Mitch Adamek (resigned w.e.f 11 December 2019)
- John Gibney (resigned w.e.f 11 December 2019)
- Rakesh Sinha (resigned w.e.f. 22 November 2019)
- Paul Selway-Swift (retired w.e.f. 30 November 2018)

DIRECTORS AND THEIR INTERESTS

The interests (all of which are beneficial interests save as otherwise stated) of the Directors and of the persons connected with them as at 30 June 2019 are as follows:

	Number of ordinary shares of USD0.10 each			
Company	At 01 July 2018	Bought / Options exercised	Sold / Transfer	At 30 June 2019
Magomet Malsagov[1]	15,249,602	54,911	–	15,304,513
Rakesh Sinha	38,333	57,503	–	95,836
Guy Wollaert	26,200	–	–	26,200
John Gibney[2]	20,000	8,236	–	28,236
John Slosar	1,671,202	200,000	–	1,871,202
Rosemarie Andolino	–	4,118	–	4,118

	Number of share awards over ordinary shares of USD0.10 each				
Company	At 01 July 2018	Award	Exercised	Lapsed	At 30 June 2019
Magomet Malsagov[3]	139,372	183,487	–	(139,372)	183,487
Rakesh Sinha[3]	189,514	113,180	(69,007)	–	233,687

[1] 15,228,302 held directly and 76,211 held indirectly by his wife.
[2] 18,236 held directly and 10,000 held indirectly by his wife.
[3] Held directly.

SIGNIFICANT SHAREHOLDERS

Information on major interests in shares provided to the Company under the Disclosure Guidance and Transparency Rules (DTR) of the UK FCA is published via a Regulatory Information Service and on the Company's website: https://purecircle.com/significant-shareholders/. As at 30 June 2019, the Company had been advised of the following significant direct and indirect interests in the issued share capital of the Company:

Beneficial Shareholders	Interest in issued shares	Interest
Wang Tak Company Limited	50,339,121	27.3%
Olam International Limited	30,544,609	16.6%
Magomet Malsagov	15,304,513	8.3%
Halfmoon Bay Capital Limited	14,432,228	7.8%
Asian Investment Management Services Limited	7,524,861	4.1%
Alwaha Fund Limited	6,151,706	3.3%

No material changes to the interests have been disclosed between 30 June 2019 and 17 March 2020.

Refer also to Note 35, which described post balance sheet events, including the election of a Director which has related party transactions with the Group.

AGREEMENTS AFFECTED BY CHANGE OF CONTROL

There are no significant agreements to which the company is a party that take effect after or terminate upon a change of control of the company.

BYE-LAWS

The Company's bye-laws may only be amended by a special resolution at a general meeting of shareholders.

The Company's bye-laws were last amended at its Special General Meeting held on 19 October 2015.

* The Director withdrew his or her candidacy for re-election before the AGM on 10 February 2020, and accordingly, he or she is no longer a Director of the Company from that date.

GOVERNANCE

Directors' Report continued

POWER OF DIRECTORS

The Directors (as detailed on page 67) may exercise all powers of the Company subject to applicable legislation and regulation and the Company's bye-laws.

APPOINTMENT / REPLACEMENT OF DIRECTORS

The appointment or replacement of Directors is governed by the Company's bye-laws, the UK Corporate Governance Code (Code), the Bermuda Companies Act 1981 (Act) and related legislation.

The Board may appoint a Director either to fill a vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the bye-laws.

An appointment of Director is for an initial term of three years commencing on the appointment date which is renewable for two further terms of three years each and is terminable by one month notice from either the Company or the Director. An appointed Director must annually retire and then seek election to office at the next PureCircle AGM. In addition to any power of removal conferred by the Act, PureCircle may by ordinary resolution remove any Director before the expiry of their period of office and may, subject to the bye-laws, by ordinary resolution appoint another person who is willing to act as a Director in their place. In line with the Code, all Directors are required to stand for re-election at each AGM. During the most recent AGM, certain Directors were appointed whilst others withdrew their bid for re-election, as indicated by the 10 February 2020 effective date in the list of Directors on page 67.

SHARE CAPITAL

As at 30 June 2019, the Company's issued share capital comprised 184,355,951 ordinary shares each with a nominal value of USD10 cents. Details of the ordinary share capital can be found in Note 18 to the Group consolidated financial statements.

To satisfy obligations under the Group's Long-term Incentive Plans, the Group issued 579,199 ordinary shares during the year. The Group announced the completion of placement of 9,500,000 ordinary shares for cash on a non-pre-emptive basis at a price of £2.80 per share for total gross proceeds of £26.60m (before expenses).

Further information about share capital is in Note 18. Information about options granted under the Company's Long-term Incentive Plans is in Note 21.

At the Group's 2018 AGM held on 30 November 2018, the Directors were given the power to allot shares up to a maximum nominal amount of USD5,809,000, being 33% of the issued share capital of the Company as at 30 June 2018. This authority has expired at the 2019 AGM. As such, a resolution was proposed at the AGM seeking shareholder approval to renew this authority.

At the Company's 2019 AGM on 10 February 2020, the Directors were given the power to allot shares up to a maximum nominal amount of USD 6,148,000, being 33% of the issued share capital of the Company as at 30 June 2019. This authority will expire on 31 December 2020. As such, a resolution will be proposed in the Notice of next AGM seeking shareholder approval to renew this authority.

Other than the above, the Directors have no current intention of issuing further share capital and no issue will be made which would effectively alter control of the Company without prior approval of shareholders in a general meeting.

SHAREHOLDER VOTING RIGHTS AND RESTRICTIONS ON SHARE TRANSFERS

All the issued and outstanding ordinary shares of PureCircle have equal voting rights with one vote per share. There are no special control rights attached to them.

The rights, including full details related to voting rights of shareholders and any restrictions on transfer of ordinary shares, are set out in the bye-laws. This document is available on PureCircle's website at: https://purecircle.com/shareholder-and-constitutional-documents/.

DIRECTORS' INDEMNITIES AND INSURANCE

In accordance with our bye-laws and to the extent permitted by law, Directors are granted an indemnity from the Group in respect of liability incurred as a result of their office. In addition, the Group maintained a Directors' and Officers' liability insurance policy throughout the 2019 financial year. Once the policy expired on 30 June 2019 of the financial year, the Group procured another annual Directors' and Officers' Policy with a validity period of 12 months to 30 June 2020. There was no gap in coverage period. Neither our indemnity nor the insurance provides coverage in the event that a Director is proven to have acted dishonestly or fraudulently.

EMPLOYEE INFORMATION

The Group's policy is to provide equal employment opportunities to everyone with respect to recruitment, hiring, development, promotion and compensation, without regard to race, colour, age, religion, ethnicity, national origin, veteran status, disability, gender, sexual orientation or any other basis as protected by law. It is important that the Group embraces the differences and reflects the global market within which the Group works. The Group must always comply with local, national and international regulations and legislation and will strive to observe local customs.

HEALTH, SAFETY AND THE ENVIRONMENT

Respect for the environment and the communities within which the Group operates in are fundamental to the reputation in the marketplace and relationship and trust with the suppliers, customers and communities. The Group must comply with all applicable local legislation, regulations, policies and procedures. Violations of such or the intentional failure to prevent violations or take reasonable care will result in disciplinary action, up to and including termination.

POLITICAL DONATIONS

The Company did not make any political donations or expenditure in the year that requires disclosure (2018: NIL). The Company's policy is that no political donations shall be made or political expenditure incurred.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group has heavily invested in research and development activities since incorporation for continuous innovation to meet the demand of evolving market. The current period expenditure on R&D was USD714,000 (2018: USD956,000). The Group has multi-disciplinary approach spanning plant breeding, agronomy, biotechnology, biochemistry, food technology and sensory analysis. The Group has successfully commercialised a portfolio that includes natural sweeteners, flavours and specialty ingredients based on high purity stevia. The Group has deep expertise across the value chain, from seedling to sweetener.

GREENHOUSE GAS (GHG) EMISSIONS

The Group's sustainability focus has a positive impact in many areas. On a global basis, rural farmers benefit from stevia crop production. Planting stevia provides a benefit to land use by reducing the number of hectares planted annually versus other crops. The additional benefit from growing stevia is a reduction of water footprint consumption. As a result, the carbon footprint of the Group is reducing.

2019 ANNUAL GENERAL MEETING

This year's Annual General Meeting (the "AGM") was held at 9am on 10 February 2020 at 12th Floor, West Wing, Rohas PureCircle, No. 9, Jalan P. Ramlee, 50250 Kuala Lumpur.

A separate Notice of Meeting (the "Notice"), setting out the resolutions proposed to shareholders was sent to shareholders on 14 January 2020. The Board considered that each of the resolutions to be in the best interest of the Company and its Shareholders as a whole. The Directors had unanimously recommended that Shareholders vote in favour of all the resolutions as they had intended to in respect of their own beneficial holdings.

All of the resolutions proposed by the Board were duly passed on a show of hands except for Resolution 4 (as set out in the Notice), which was passed by a poll vote. Resolutions number 2, 6 and 8, as set out in the Notice, relating to re-election of Directors were withdrawn at the meeting. Accordingly, Mr. John Slosar, Ms. Rosemarie Andolino and Ms. Ann Marie Scichili are no longer Directors of the Company from that date.

Ordinary resolution number 1 which concerned the adoption of the Annual Report and Accounts, together with Directors' report, Auditors' report and related matters on a date no later than 90 days from 10 February 2020, as set out in the Notice, was put to shareholders for a vote as a matter of good governance even though the provisions of Section 84(3) of the Bermuda Companies Act 1981 entitled the Chairman to adjourn the Meeting for up to 90 days without the need for a shareholder resolution. Now that the Company's audited accounts have been finalised and the Annual Report produced, the adjourned AGM will be reconvened in Kuala Lumpur, Malaysia, on 7 May 2020 at 4pm (GMT+8) to approve and adopt the Company's accounts, together with the Directors' report and auditors' report thereon, for the financial period ended 30 June 2019 as well as to approve all related matters. Details of the adjourned AGM will be set out in the notice. In the event that the regulatory curfew/lock-down remains due to COVID-19, the Company would hold the adjourned AGM by electronic means.

The Notice of the 2019 meeting, together with summary of the proxy votes received are available at https://purecircle.com/shareholder-and-constitutional-documents/

FORWARD-LOOKING STATEMENTS

The Directors' report is prepared for the members of the Group and should not be relied upon by any other party or for any other purpose. Where the Directors' report includes forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties underlying such forward-looking statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;

(c) make judgements and accounting estimates that are reasonable and prudent; and

(d) prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1981 and applicable regulation and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Group financial statements, which have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent company's auditors are aware of that information.

The Directors' report on pages 66 to 69 and the Directors' Remuneration Report on pages 58 to 65 of this Annual Report were approved by the Directors on 31 March 2020.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2020.

Lai Hock Meng
Chief Executive Officer

Lim Kian Thong
Chief Financial Officer

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Independent Auditors' Report

to the members of PureCircle Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below relating solely to the Group financial statements:

- PureCircle Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2019 and of the Group's and the Company's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company statements of financial position as at 30 June 2019; the consolidated and Company statements of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR QUALIFIED OPINION

The Group recognises a significant proportion of its revenue in June, the last month of its financial year. Given that certain transactions of concern (described below in the Key Audit Matter titled Inappropriate Recognition of Revenue) came to light during our audit and called into question previous revenue recognition practices, management reassessed the cut-off of sales in the current year and the years ended 30 June 2018 and 2017. This led to management making adjustments to previously reported numbers resulting in a net decrease to revenue of $2.8m in the year ended 30 June 2018 and $2.2m in the year ended 30 June 2017. In response to the increased cut-off risk identified, we performed additional detailed testing of revenue transactions recognised in the month of June for the years ended 30 June 2017, 2018 and 2019 in order to determine whether those revenue transactions had been recognised in the appropriate period. We were unable to obtain sufficient appropriate audit evidence that sales transactions in June 2017 and June 2018 were recognised in the correct financial periods. However, we were able to obtain sufficient appropriate audit evidence that the transactions selected for testing the cut-off assertion relative to June 2019 were appropriately recognised in the 2019 financial year. A further $2m of sales in prior years where the stock was subsequently repurchased by the Group were identified. These sales subject to repurchases were incorrectly reversed from revenue and the related balances in the year ended 30 June 2019 rather than in the period in which the sales were originally recorded. There was no material profit impact.

The Group uses two internal inventory costing systems to record inventory transactions and calculate the value of inventory as at 30 June 2019 and 2018 and costs of goods sold for the years then ended. We were unable to obtain sufficient appropriate audit evidence in relation to differences in the amounts recorded between these systems which totalled $5.0m as at 1 July 2017 $3.7m in the year ended 30 June 2018 and $3.7m in the year ended 30 June 2019 and we were therefore unable to determine whether these differences represented valid reconciling items or resulted from misstatements. These differences impact on the amounts recorded for inventory and costs of goods sold in the respective years.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN – GROUP AND COMPANY

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the Group's and Company's ability to continue as a going concern. We draw attention to the various waiver and amendment agreements negotiated with the lender syndicate that has provided the term loan and revolving credit facility (RCF). While all past events of default have been waived, the Group's projections indicate that it will breach the amended covenants and may not be able to meet other conditions under the agreement. Accordingly there is a risk that the Group will need to negotiate further waivers with the lender syndicate in order to avoid its borrowings becoming immediately payable, which it currently would be unable to do. Further the Group does not have sufficient committed funds available or forecast operational cash flows to refinance the borrowings when the RCF matures in November 2020. Under certain scenarios, and in light of the impact of the COVID-19 pandemic, it may also not have sufficient cash resources to continue operations until then.

These conditions, along with the other matters explained in note 3 to the Group financial statements and note 1 to the Company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Audit procedures performed

In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of the impact of recent sales performance, and the impact this has on forecast margins and cash flows. We also considered the covenant calculations and the adjustments that are permitted under loan facility agreements and subsequent amendments, the other default terms and the ability of the Group to repay the facility in November 2020 in the absence of sufficient operating cash flows or other committed facilities.

In assessing the impact of the above scenarios, which are referred to in note 3 to the Group financial statements and note 1 to the Company financial statements, we performed procedures on the Directors' assessment that the Group and Company will continue as a going concern which included the following:

- agreed the underlying cash flow projections to management approved forecasts, assessed how these forecasts are compiled, and assessed the accuracy of management's forecasts by reviewing recent sales performance, future pipeline and applying appropriate sensitivities to the projections where required including scenarios for the potential impact of the COVID-19 pandemic;
- evaluated the assumptions regarding the gross margin and associated EBITDA impact, including the mix of products produced and how the associated by-products would be utilised, sold or stored;
- evaluated the assumptions in respect of the costs that could be avoided if sales performance did not improve;
- assessed the impact of the mitigating factors available to management in respect of the ability to restrict capital expenditure, overheads, manage leaf purchases and supplier payments;
- reviewed the terms of the covenant waiver and amendment agreement, and assessed whether the adjustments made to the underlying financial numbers within the forecast covenant calculations were in line with the agreement; and
- checked the mathematical accuracy of the spreadsheet used to model future financial performance and determined in what circumstances there was a risk that covenants may be breached.

OUR AUDIT APPROACH

Overview

- Overall Group materiality: $1,250,000 (2018: $1,310,000), based on 1% of revenue.
- Overall Company materiality: $2,180,000 (2018: $1,960,000), based on 1% of total assets.

- The Group's operating units vary significantly in size and we identified 7 operating units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics.
- Specific audit procedures over certain balances and transactions were performed at a further 3 operating units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in 6 countries and, in addition to our work at the centralised function in Malaysia, the Group audit team visited reporting locations in Malaysia and China, along with the main sales office in the US. Further, specific audit procedures over central functions and areas of significant judgement, including inventory costing and valuation, taxation, treasury and impairment, were performed by the Group audit team centrally.
- Taken together, the operating units subject to audit procedures and centralised testing accounted for 100% of Group revenues and 89% of absolute Group profit or loss before tax.

- Going Concern (Group and Company)
- Inappropriate Recognition of Revenue (Group)
- Inventory Costing (Group)
- Valuation of Inventory (Group)
- Accounting for Intangible Assets and Goodwill (Group)
- Impairment of Intangible Assets including Goodwill (Group)
- Consideration of the Impact of COVID-19 (Group and Company)
- Recoverability of the Company's Investments in and receivables from Subsidiary Undertakings (Company)

FINANCIAL STATEMENTS

Independent Auditors' Report continued

to the members of PureCircle Limited

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inappropriate Recognition of Revenue (Group)	
Refer to page 55 (Audit Committee Report), page 105 (Accounting policies) and note 34 of the financial statements. Management's performance is measured based on revenue. Hence, in light of the investigation described below, there is a risk that non-commercial transactions have taken place that appear as sales transactions but are in fact connected with a repurchase arrangement, which by nature, are tolling arrangements and should not be recorded as separate sale and purchase transactions. Further, given that a large proportion of the Group's revenue is recognised in June, there is a cut-off risk of recording revenue ahead of time due to the nature of the business. As previously announced by the Company, during the course of our audit work, matters of concern were identified in relation to how certain transactions had been constructed and/or reflected in the Group's accounting records. These matters of concern relate to whether non-commercial transactions had been appropriately accounted for, and whether revenue cut-off was appropriate. Management appointed professional advisers to independently investigate these matters. The investigation identified apparent override of controls by members of senior management that may have contributed to historical misstatements of the Group's results going undetected. As a result, adjustments were recorded that have the effect of reducing previously reported Group sales for 2018 by $6.9m. These restatements relate to two transactions: • In June 2018 a customer purchased $3.1m of by-products from the Group and this was recorded as revenue. Subsequently a linked repurchase transaction from a related party to the customer amounting to $3.5m was identified. As the linked transaction did not meet the definition of revenue under IFRS 15 and had no commercial purpose the transaction was reversed with the 2018 financial statements being restated to remove the sale. • A sale of stevia products was inappropriately recognised in June 2018. Performance obligations had not yet been satisfied at 30 June 2018 because the goods were not yet finished and collected by the customer. Correction of this resulted in $3.8m of revenue and $1.1m cost of goods sold (COGS) being restated and recorded in the current financial year when the performance conditions were actually met.	During the course of our audit we identified a sale and repurchase transaction that did not appear to have a clear commercial purpose. The investigation into the matter determined that management had attempted to inflate sales during the year by selling excess Stevia by-products to a third party and then re-purchasing a more refined product at a higher cost. While the Board of Directors had already intervened to stop the transaction, we identified that it had been partially executed, although not recorded as revenue but rather as a tolling arrangement. Management confirmed there were no further linked transactions of this nature. We extended our testing and identified a further similar transaction where the sales leg had been executed in the prior year, and the repurchase following the conclusion of the audit. We reported this matter to the Board who initiated an independent investigation. We assessed the competence and objectivity of management's experts. We understood the scope, procedures performed and conclusions reported to the Board. The investigation concluded that there was no clear commercial purpose to the transaction, that it had been entered into to inflate sales and profit in the prior year and the misstatement therefore appeared to be the result of management override of controls by senior management. Following the identification of these transactions, we reassessed the risk of fraud and the appropriate audit response thereon which resulted in an extension of our testing including a review of material consumables purchases and sales transactions with certain customers. During the course of our audit we also identified a specific instance of revenue being recognised in advance of the performance obligation being met. In general we perform testing to ensure that sales are recorded in the appropriate period by reviewing the contractual terms for each sale, understanding the performance obligations and then confirming the date of sale to supporting documentation. While no irregularities were initially identified from this testing relative to this transaction, in light of our risk assessment we expanded our testing to further trace the sale to export documentation and cash receipts, which noted an unusually long lag in time between the customer collecting the goods (Ex works) and ultimately exporting the goods. After not receiving any satisfactory response from management, we reported our concerns to the Board of Directors who included the transaction in the scope of independent investigation noted above. The investigation concluded that the goods had been moved to another location by management in June 2018 so as to appear to have been collected by the customer, but were then returned to the factory to be finished and were ultimately collected by the customer months later. We concluded that this misstatement appeared to result from management override of controls by senior management. We therefore extended our testing to address this risk of management override, including in prior periods. Further cut-off errors were identified and corrected. Given the further exceptions identified in our initial sample, we again extended our sampling. Evidence obtained indicated that a large portion of our sample was recognised in the correct period, however, we were unable to obtain sufficient appropriate audit evidence to achieve a high level of assurance that revenue was properly stated in each respective period ending 30 June 2017, 2018 and 2019 on the basis of lack of supporting documents. We were however able to achieve a high level of assurance that revenue in June 2019 was appropriately recognised in the current financial period. We reviewed the disclosures related to the restatement of these transactions, along with the disclosures related to the management override of controls in the Annual Report and we concluded that these matters were appropriately disclosed.

Key audit matter	How our audit addressed the key audit matter
Inventory Costing (Group)	
Refer to page 54 (Audit Committee Report), page 102 (Accounting policies). The Group produces numerous intermediate and final products from Stevia leaf. Given the range of products, and alternative production methods, the cost allocation process is complex, as is the process used to identify the costs of goods sold. During the course of our audit, issues relating to the classification and valuation of certain inventory items were identified with management unable to explain a material variance between the general ledger and the detailed inventory costing model (the “mass balance file”). The Company appointed KPMG to independently investigate these issues. KPMG’s investigation confirmed the variance arose as a result of a number of errors, including in the prior year. In all cases the errors related to the amounts allocated to inventory or costs of goods sold (COGS) and have resulted in adjustments to both the current and prior year financial statements as follows: • 2017: $4.5m decrease of inventory with corresponding increase of COGS; • 2018: $7.3m decrease of inventory with corresponding increase of COGS; and • 2019: $9.6m decrease of inventory with corresponding increase of COGS.	We performed both analytical and detailed substantive testing procedures over inventory costing. Our analytical procedures identified that the cost of inventory by-products had risen considerably during the year, yet the gross margin of finished goods sold had remained relatively constant, so further detailed investigation of the costing model was performed. We examined the detailed inventory costing model, the “mass balance file”, testing inputs to the costing model and recalculations of inventory costing. We noted a number of errors, along with an unexplained reconciling difference to the general ledger, which led to the investigation by KPMG. We assessed the competence and objectivity of management’s expert, KPMG. We understood the scope, procedures performed and conclusions of KPMG’s independent investigation of the Group’s inventory costing model. We also performed additional detailed substantive tests and analytical tests of the adjustments proposed to obtain audit comfort, including in respect of the adjustments made to the prior year financial statements. Based on these procedures we concurred with the adjustments made both in the current year as well as the prior year restatement of inventory and cost of goods sold. As the adjustments had the effect of reducing the reported profitability of the Group, we considered its impact on the going concern assumption and other account balances, such as intangible assets (see separate Impairment of Intangible Assets including Goodwill key audit matter below). Whilst the cost of inventory was reduced, we also tested whether as a result the net realisable value of inventory was supportable based on modified cost to convert forecasts (see separate Valuation of Inventory key audit matter below).
Accounting for Intangible Assets and Goodwill (Group)	
Refer to page 55 (Audit Committee Report), page 101 (Accounting policies), page 106 (Critical accounting estimates and judgements) and page 112 (Intangible assets). The Group undertakes significant research and development activities and has capitalised both indefinite lived and definite lived intangible assets. In addition goodwill of $1.8m continues to be recognised. The inappropriate capitalisation of research and development costs that do not meet the definition of an intangible asset is a risk. Such assets, once capitalised and considered indefinite, must also be tested for impairment at least annually. Identifying and applying an amortisation policy is judgmental as it should reflect how the asset is consumed over its useful economic life and the markets in which the Group operates are immature. During the year a reassessment of the lives of indefinite lived intangible assets was performed and these assets were reclassified as finite lived assets and amortisation commenced over their remaining expected useful lives. Additionally, following good progress in developing the supply of stevia leaf in Africa, the Group’s purchasing activities began to operate at a commercial level.	We evaluated the appropriateness of capitalisation policies, performed tests on costs capitalised and assessed whether the requirements of capitalisation in terms of IAS 38 had been met. We also reviewed management’s reassessment of the useful lives of intangible assets and whether certain assets had reached commercialisation and should be amortised. In performing these procedures, we challenged the judgements made by management including: • Whether the costs capitalised met the requirements under IFRS; • The appropriateness of asset lives applied in the calculation of amortisation in light of market developments, project progress made against contractual milestones; and • The appropriateness of when amortisation commenced, in particular with reference to management’s leaf procurement strategy. Following our challenge management reclassified certain intellectual property to assets with a finite life and began amortisation over their expected useful life. Following our challenge, amortisation of leaf development costs in Africa began following commercial milestones being reached.

FINANCIAL STATEMENTS

Independent Auditors' Report continued

to the members of PureCircle Limited

Key audit matter	How our audit addressed the key audit matter
Impairment of Intangible Assets including Goodwill (Group)	
Refer to page 55 (Audit Committee Report), page 102 (Accounting policies), page 106 (Critical accounting estimates and judgements) and page 112 (Intangible assets). Goodwill and intangible asset valuation is also a judgmental and complex area as it depends on the future financial performance of the cash generating unit ('CGU') and future market performance. In particular, there is uncertainty in the stevia market due to the increasing number of products and applications being developed and accepted by customers. As such, the key judgmental areas are the short-term revenue and margin growth rates, terminal growth rates and the discount rate. Management concluded that the recoverable amount of goodwill was higher under a fair value less costs to dispose scenario than value in use and that the carrying value of $1.8m was fully supported. In addition to impairment risks to CGUs and goodwill, there is also a risk that specific intangibles that have been capitalised related to certain products or development costs could be impaired should the expected future benefits not materialise. During the year management performed an assessment of whether there were any indications that specific intangible assets were impaired, taking into consideration market developments, progress against project milestones and expected future sales of the related products. This review identified a number of assets where impairment indicators were present and further detailed assessments of the future value of these intangible assets were performed. Management concluded that the recoverable values of three intangible assets were not fully supported resulting in the following impairment charges being recognised: • $2.5m against product development costs following the termination of a programme; • $1.8m against the recoverable value of patents and product developments related to a product where its forecast margins had declined; and • $13.9m against leaf development costs in Paraguay following a reassessment of the leaf procurement strategy.	We tested management's identification of the CGU, considering business changes that would prompt a change to the classification of CGUs. In order to test the impairment assessment model, we challenged and evaluated the future cash flow forecasts for the identified CGU and the process by which they were drawn up and tested the accuracy of the underlying calculations. As part of our testing we challenged the key assumptions as follows: • The short-term revenue and margin assumptions and how management incorporated the impact of market changes, by comparing them to historical results and the current order book, agreeing the short-term growth rates to specialist third party published reports; • Terminal growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; • The discount rates by assessing the inputs to the cost of capital calculations to those of comparable organisations; and • We also performed an alternate assessment by comparing the market capitalisation of the Group to the carrying value of assets capitalised, and the expected fair value less costs to dispose of the overall business. Following some revisions to certain assumptions, and considering the results of the alternate procedures, we found that the recoverable amount determined under the fair value less costs to dispose scenario supported the carrying value of goodwill and was reasonable. We reviewed the contractual arrangements related to the development programme which had been terminated in the year and having considered the status of the project we concluded that the product development costs should be written off in full. We examined the sales and margin performance of those products which had related intangible balances and where there were declines in the year we performed more detailed assessments of the recoverable values. While the majority of the intangible assets recoverable values were supported by forecast sales, following audit challenge on the adequacy of evidence to support the asset recoverable amount, management wrote off all intangible assets related to a product that was no longer expected to generate positive margins. We considered the impact of the export restrictions of leaf purchase from Paraguay and the change in leaf procurement strategy more generally with regards to America and concluded that while there were potential future economic benefits the short term leaf procurement strategy did not support the carrying value and the related intangible asset should be written off in full. We reviewed management's disclosures of the impairments and the related uncertainties and did not identify any uncorrected material exceptions from our audit work.

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventory (Group)	
Refer to page 54 (Audit Committee Report), page 102 (Accounting policies) and page 108 (Critical accounting estimates and judgements). The Group has recorded a total gross inventory balance of $123.7m as at 30 June 2019 (2018: $115.5m restated) which continues a trend of rising inventory levels. The majority of this increase is due to increases in work in progress ('WIP') and in particular, steviol glycoside bearing liquors that can be consumed to produce a range of finished products, or occasionally, can be sold directly to third parties. In December 2019 management determined that a large quantity of by products would be disposed of at a lower value than cost and an exceptional provision of $24.m was recorded reducing the carrying value to net realisable value (NRV). However management did not dispose of the by-products and instead increased consumption, generating higher margins by converting and ultimately selling some of the written down inventory. The gross profit was subsequently adjusted, and the remaining by-product balance written down to nil value, given it could not be profitably converted and no disposal market could be demonstrated. Following the increase in the proportion of Starleaf consumed, there has also been a significant increase in the volume of another liquid by-product which increases the risk that the inventory will not be utilised in normal production. Additionally, under the Group's cost allocation methodology, costs are allocated to by-products irrespective of expected utilisation. Management has performed an assessment of the carrying value of remaining inventory as at 30 June 2019 with reference to current market prices for finished goods and by-products, as well as approved production plans underpinned by sales forecasts and processing costs for WIP and raw materials. Based on this assessment, management has determined that a NRV provision of $19.7m and slow-moving inventory provision of $14.8m was recognised.	We assessed the recoverability of inventory, with the understanding that the Group has historically maintained high levels of inventory to avoid disruption to the supply chain. Whilst management did undertake a high level review of the recoverability of inventory, which identified a number of issues, this analysis was not systematic or subject to appropriate review and additional analysis was required. As part of our testing we challenged the key assumptions used as follows: • Reviewing forecast sales pipeline data and production plans to gain an understanding of the expected utilisation of by-products; • Assessed any available evidence to support the direct sale of by-products to reduce inventory levels; • Understood the terms of a tolling agreement to process slow moving leaf stock on hand in South America; and • Performed tests to ensure inventory is valued at the lower of cost and net realisable value based on evidence of recent sales prices after deducting any further conversion and sales costs. We challenged the recognition of the NRV provision recognised at the half year against the by-product that had been consumed rather than disposed of, noting no effort appeared to have been made to dispose of the by-product and discovering that the only substantial prior sale was the result of a non-commercial transaction. We therefore determined that management had misrepresented its intentions to dispose of the inventory and the profit made on the sale of the inventory converted and the gross profits recorded were adjusted accordingly. Management adjusted the COGS of the products sold and the level of the NRV provision to reflect the change in use following our challenge. We challenged management to consider if the move to using a higher proportion of Starleaf in manufacturing would lead to excess by-products being produced and held in stock. We concluded that under current plans the majority of the stock would be consumed in the production of finished goods but that the carrying value was not supported and a NRV provision of $19.7m and slow-moving inventory provision of $14.8m should be recognised at 30 June 2019.
Consideration of the Impact of COVID-19 (Group and Company)	
Refer to page 56 (Audit Committee Report). During the course of the latter stages of finalisation of the financial statements, the potential impact of COVID-19 became significant. As a result, management (including the Board and Audit Committee) invested a significant amount of time to fully consider the implications on the Group. Management considered implications for the Group's going concern assessment as set out in the "Material uncertainty related to going concern" section above, impairment of certain assets and appropriate disclosure in the Annual Report and Accounts, by developing stress test scenarios to model the potential impact.	We reviewed management's scenario analysis including levers available to management to mitigate the impacts. Based on the information available at the time of the Directors' approval of the financial statements, we consider the scenarios to be reasonable whilst noting the impact of COVID-19 on future sales, receivables collection and future production levels in light of the extension of the closure of the refinery in Malaysia as part of the current country wide lockdown requirements is currently difficult to quantify. We challenged management on the key assumptions included in the scenarios and confirmed management's mitigating actions are within their control. We considered the potential impact on the balance sheet, noting that COVID-19 is not an adjusting event at 30 June 2019. We reviewed management's disclosures in relation to the COVID-19 potential impact and found them to be consistent with the scenario analysis performed. Our reporting on going concern is set out in the "Material uncertainty related to going concern" section above.

FINANCIAL STATEMENTS

Independent Auditors' Report continued

to the members of PureCircle Limited

Key audit matter	How our audit addressed the key audit matter
Recoverability of the Company's Investments in and receivables from Subsidiary Undertakings (Company)	
Refer to page 56 and page 144 (Notes 2, 3 and 6 to the Company Financial Statements) Investments in subsidiaries of $209.4m (2018: $142.4m) are accounted for at cost less provision for impairment in the statement of financial position of the Company at 30 June 2019. This includes $156.9m (2018: $64.7m) of amounts paid on behalf of subsidiaries that fall within the scope of IAS 27 rather than IFRS 9. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. Management judgement is required in the area of impairment testing, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable value, being the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; and (3) key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. In addition changing the assumptions selected by management to determine the level of any impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the recoverable value determined by the impairment test and as a result affect the Company's financial condition and results of operations. Receivables due from subsidiary undertakings of $1.8m (2018: $49.5m) are initially measured at fair value, being the transaction price. The amounts are repayable on demand, have no fixed repayment date and no interest is charged on them. The expected credit loss provision is therefore assessed initially on whether the subsidiary has sufficient liquid assets to meet its obligations and, if so, the expected credit loss is immaterial. Where the subsidiary is not able to make repayment immediately different strategies are considered for repayment including a fire sale of non liquid assets and repayment over time. The expected credit loss is calculated as the weighted expected loss from each of the strategies. Where there is no reasonable expectation of recovery of the receivable via any strategy the receivable is written off.	We evaluated management's assessment of whether any indicators of impairment existed and challenged some of their analysis which resulted in several impairment indicators being identified relating to certain of the Group's subsidiary undertakings. To determine the recoverable value, management prepared a valuation based on the discounted future cash flows of the relevant subsidiary taking into account any loans between the parent and subsidiary. We tested the reasonableness of key assumptions, including revenue, profit and cash flow growth rates, terminal growth rates and the discount rate that management has applied. We utilised our valuations experts to assist with the assessment of the discount rate applied to the cash flows of a subsidiary undertaking. We performed our own independent sensitivity analysis to understand the impact of reasonably possible changes in management's assumptions that would result in further impairment. Overall several provisions for impairment were identified and recorded which reduced the carrying value of five investments in subsidiary undertakings in aggregate by $39.6m. There were no uncorrected material exceptions arising from our audit work. For receivables due from subsidiaries we obtained the balance sheets of each of the subsidiaries and identified those that were not in a net current asset position and therefore would be unable to pay on demand. Two subsidiaries were identified as not being able to meet their obligations on demand. We then assessed management's alternative strategies for obtaining receipt of the funds. Both subsidiaries were in net liability positions therefore we concurred with management that sufficient cash flows could reasonably be recovered through a sale of assets. We further obtained management's value in use calculations assessed as part of our testing over investments in subsidiaries. These showed that both subsidiaries were not currently expected to generate sufficient profits to settle their obligations. For one of the subsidiaries this was due to the subsidiary becoming dormant. We concurred with management that no cash flows could reasonably be recovered by delaying the due date of the debt. For the other subsidiary we understood that the loss making position was due to the cost allocation structure of the entity within the Group. We concurred with management that, although unlikely, were the cost structure to change the subsidiary could pay back the debt owed. As such a full write off and full expected loss reserve, respectively, were recorded by management for the amounts owed by these subsidiaries totaling $4.1m. We identified no uncorrected material exceptions arising from our audit work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of entities covering non-trading legal entities, centralised functions, two processing facilities, regional sales offices and research and development facilities.

The Group's operating units vary significantly in size and we identified 7 operating units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were performed at a further 3 operating units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in 6 countries and, in addition to our work at the centralised function in Malaysia, the Group audit team visited reporting locations in Malaysia and China, along with the main sales office in the US. Further, specific audit procedures over central functions and areas of significant judgement, including taxation, treasury, inventory and impairment, were performed by the Group audit team centrally. Together, the operating units subject to audit procedures and centralised testing accounted for 100% of Group revenues and 89% of absolute Group profit before tax.

In establishing the overall approach to the Group audit, we considered the type of work that needed to be performed at the operating units by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the extent of audit work needed at those operating units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$1,250,000 (2018: $1,310,000).	$2,180,000 (2018: $1,960,000).
How we determined it	1% of revenue.	1% of total assets.
Rationale for benchmark applied	PureCircle Limited is not yet consistently profitable and profit/loss before tax is not appropriate as a benchmark for determining overall materiality. Revenue is a key indicator for the Group, and for users of the financial statements, and we therefore consider this to be the most appropriate benchmark.	The Company is an investment holding Company with no trading/manufacturing activities. Where there were balances and transactions within the Company accounts that were within the scope of the audit of the Group financial statements, our procedures were undertaken using the lower materiality level applying to the Group audit.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was $125,000 and $1,200,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $62,000 (Group audit) (2018: $131,000) and $62,000 (Company audit) (2018: $196,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the material uncertainty we have described in the material uncertainty related to going concern section above.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

FINANCIAL STATEMENTS

Independent Auditors' Report continued

to the members of PureCircle Limited

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 35 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 33 to 35 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 57, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 53 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 69, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The engagement partner on the audit resulting in this independent auditors' report is Jason Burkitt.

PricewaterhouseCoopers LLP

Chartered Accountants

London

31 March 2020

Consolidated Statement of Financial Position

as at 30 June 2019

	Note	30 June 2019 USD'000	30 June 2018 (Restated*) USD'000	1 July 2017 (Restated*) USD'000
ASSETS				
Non-current assets				
Intangible assets	8	47,564	64,132	54,710
Property, plant and equipment	9	95,294	100,115	90,627
Prepaid land lease payments	10	1,794	2,408	2,439
Deferred tax assets	11	2,221	10,223	10,464
Trade receivables		–	–	279
Other receivables, deposits and prepayments	14	–	410	935
		146,873	177,288	159,454
Current assets				
Inventories	12	89,242	115,487	105,228
Trade receivables	13	40,266	48,001	52,925
Other receivables, deposits and prepayments	14	6,893	8,074	8,720
Tax recoverable		1,512	253	109
Restricted cash	16	215	52	252
Cash and cash equivalents	16	25,460	23,935	32,744
Financial assets at fair value through profit or loss	17	1,748	–	–
		165,336	195,802	199,978
TOTAL ASSETS		312,209	373,090	359,432
EQUITY AND LIABILITIES				
Equity				
Share capital	18	18,436	17,428	17,371
Share premium	19	259,999	225,504	222,284
Foreign exchange translation reserve	20	(20,135)	(14,006)	(22,529)
Share-based payment reserve	21	2,099	2,167	3,719
Accumulated losses		(100,922)	(20,926)	(19,264)
TOTAL EQUITY		159,477	210,167	201,581
NON-CURRENT LIABILITIES				
Deferred tax liabilities	11	3	1,102	3,574
Long-term borrowings		–	–	39,000
Other payables and accruals	24	403	598	567
Derivative financial instruments	32	1,446	–	–
		1,852	1,700	43,141
CURRENT LIABILITIES				
Short-term borrowings	22	94,271	122,092	78,735
Trade payables	23	33,190	20,529	11,055
Other payables and accruals	24	23,285	18,167	24,521
Income tax liabilities		134	435	399
		150,880	161,223	114,710
TOTAL LIABILITIES		152,732	162,923	157,851
TOTAL EQUITY AND LIABILITIES		312,209	373,090	359,432

* Refer to Note 34.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2020.

Lai Hock Meng
Chief Executive Officer

Lim Kian Thong
Chief Financial Officer

The annexed Notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2019

	Note	2019 USD'000	2018 (Restated*) USD'000
Revenue	30	124,003	126,601
Cost of sales		(122,758)	(88,320)
Gross profit		1,245	38,281
Administrative expenses		(34,477)	(34,813)
Other income	27	5,665	2,385
Other expenses	27	(11,744)	(2,046)
Impairment on leaf development	27	(13,919)	–
Impairment on product development	27	(1,760)	–
Specific provision on trade receivables	27	(1,834)	–
Expected credit loss on trade receivables	27	(892)	–
Expected credit loss on other receivables	27	(3,807)	–
Finance income	27	215	116
Finance costs	27	(11,015)	(7,355)
Share of gain/(loss) in joint venture	7	80	(14)
Loss before taxation	26	(72,243)	(3,446)
Taxation	25	(7,430)	1,784
Loss for the financial year		(79,673)	(1,662)
Other comprehensive (loss)/income (net of tax):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(6,129)	8,523
Total comprehensive (loss)/income for the financial year (net of tax)		(85,802)	6,861
Loss for the financial year			
Attributable to:			
Owners of the Company		(79,673)	(1,662)
		(79,673)	(1,662)
Total comprehensive (loss)/income			
Attributable to:			
Owners of the Company		(85,802)	6,861
		(85,802)	6,861
Loss per share (US cents)			
– Basic	28	(45.32)	(0.95)
– Diluted	28	(45.32)	(0.95)

* Refer to Note 34.

The annexed Notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2019

	Attributable to owners of the Company					
	Share capital USD'000	Share premium USD'000	Foreign exchange translation reserve USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
Group						
Balance at 01 July 2018	17,428	225,504	(14,155)	2,167	(4,498)	226,446
Impact of correction, net of tax*	–	–	149	–	(16,428)	(16,279)
Balance at 01 July 2018 (Restated*)	17,428	225,504	(14,006)	2,167	(20,926)	210,167
Adjustment on adoption of IFRS9**	–	–	–	–	(323)	(323)
Balance at 01 July 2018 (Restated after IFRS9*)	17,428	225,504	(14,006)	2,167	(21,249)	209,844
Loss for the financial year	–	–	–	–	(79,673)	(79,673)
Exchange difference arising on translation of foreign operations	–	–	(6,129)	–	–	(6,129)
Total comprehensive Loss for the financial year	–	–	(6,129)	–	(79,673)	(85,802)
Transactions with owners:						
Share awards scheme compensation expense for the financial year	–	–	–	2,291	–	2,291
Exercise of share awards	58	2,301	–	(2,359)	–	–
Issuance of share capital, net of transaction costs	950	32,194	–	–	–	33,144
	1,008	34,495	–	(68)	–	35,435
Balance at 30 June 2019	18,436	259,999	(20,135)	2,099	(100,922)	159,477

* Refer to Note 34.

** Refer to Note 33.

	Attributable to owners of the Company					
	Share capital USD'000	Share premium USD'000	Foreign exchange translation reserve USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
Group						
Balance at 01 July 2017 (Previously stated)	17,371	222,284	(22,531)	3,719	(13,195)	207,648
Impact of correction, net of tax*	–	–	2	–	(6,069)	(6,067)
Balance at 01 July 2017 (Restated*)	17,371	222,284	(22,529)	3,719	(19,264)	201,581
Loss for the financial year (Restated*)	–	–	–	–	(1,662)	(1,662)
Other comprehensive income	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	8,523	–	–	8,523
Total comprehensive income for the financial year (Restated*)	–	–	8,523	–	(1,662)	6,861
Transactions with owners:						
Share awards scheme compensation expense for the financial year	–	–	–	1,725	–	1,725
Exercise of share awards	57	3,220	–	(3,277)	–	–
	57	3,220	–	(1,552)	–	1,725
Balance at 30 June 2018 (Restated*)	17,428	225,504	(14,006)	2,167	(20,926)	210,167

* Refer to Note 34.

The annexed Notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2019

	Note	2019 USD'000	2018 (Restated*) USD'000
Cash flows from operating activities			
Loss before taxation		(72,243)	(3,446)
Adjustments for:			
Amortisation of prepaid land lease payments	10	101	162
Amortisation of deferred income		(101)	(73)
Amortisation of intangible assets	8	2,606	1,554
Depreciation of property, plant and equipment	9	8,178	8,311
Interest expense		7,183	6,070
Amortisation of borrowing transaction cost		2,386	1,170
Fair value loss on interest rate swaps		1,446	–
Interest income		(215)	(116)
Gain on disposal of property, plant and equipment		(7)	(1)
Gain on disposal of prepaid land lease		(134)	–
Share-based payment expense	21	2,291	1,725
Compensation of termination on R&D project	27	(5,500)	–
Write off of intangible assets	8	2,500	6
Impairment of leaf development	8	13,919	–
Impairment of product development	8	1,760	–
Inventories written off		816	224
Inventories written back		–	(25)
Write down of inventories to net realisable value	12	19,668	–
Provision for slow moving inventory	12	14,807	–
Provision for inventory obsolescence		29	(31)
Unrealised foreign exchange loss/(gain)		1,692	(3,006)
Share of (gain)/loss in joint venture	7	(80)	14
Property, plant and equipment write-off		–	27
Other receivables written off		–	519
Provision for doubtful debts		–	381
Specific provision on trade receivables	27	1,834	–
Expected credit loss on trade receivables	27	892	–
Expected credit loss on other receivables	27	3,807	–
Operating cash flow before working capital changes		7,635	13,465
Increase in inventories		(9,075)	(10,427)
Decrease in trade and other receivables		4,289	7,791
Increase in trade and other payables		17,563	5,097
Net cash from operations		20,412	15,926
Interest received		215	116
Interest paid		(7,282)	(6,133)
Tax paid		(1,919)	(491)
Tax refund		44	–
Transaction cost paid for loan arrangement		(220)	(6,577)
Net cash generated from operating activities		11,250	2,841

* Refer to Note 34.

	Note	2019 USD'000	2018 (Restated*) USD'000
Cash flows from investing activities			
Increase in investment in joint venture	7	(204)	(342)
Addition of intangible assets	8	(5,877)	(7,029)
Purchase of property, plant and equipment		(5,629)	(16,054)
Proceeds from disposal of property, plant and equipment		51	13
Proceeds from disposal of prepaid land lease		530	–
Proceeds from government grant		–	460
Compensation received from a R&D partner	27	1,830	–
Acquisition of financial assets at fair value through profit or loss	17	(1,748)	–
Net cash used in investing activities		(11,047)	(22,952)
Cash flows from financing activities			
Drawdown of borrowings		10,000	208,726
Repayment of borrowings		(40,000)	(202,320)
Proceeds from issuance of shares		33,144	–
(Increase)/Decrease in restricted cash		(163)	200
Net cash generated from financing activities		2,981	6,606
Net increase/(decrease) in cash and cash equivalents		3,184	(13,505)
Effects of foreign exchange rate changes on cash and cash equivalents		(1,659)	4,696
Cash and cash equivalents at beginning of the financial year		23,935	32,744
Cash and cash equivalents at end of the financial year	16	25,460	23,935

* Refer to Note 34.

The net cash outflow for the purchases of property, plant and equipment during the financial year is as follows:

	2019 USD'000	2018 USD'000
Additions for the financial year	5,710	13,593
Payment made for additions in the prior year	420	3,207
Amount not yet due for payment	(371)	(420)
Interest expense categorised in capital work in progress	(130)	(326)
Total cash payments during the financial year	5,629	16,054

Reconciliation of bank borrowings arising from financing activities:

	2019 USD'000	2018 USD'000
As at 1 July	122,092	117,735
Cash Impact:		
Drawdown	10,000	208,726
Principal	(40,000)	(202,320)
Transaction cost	(379)	(6,577)
Non-cash impact:		
Amortisation of transaction costs	2,386	1,170
Foreign exchange movement	172	3,358
As at 30 June	94,271	122,092

Additions in intangible assets during 2018 included consideration of USD970,000 for the purchase of intellectual property and USD763,000 incurred in relation to development costs. During 2019, no such costs were incurred.

The annexed Notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2019

1 GENERAL INFORMATION

The Company was incorporated and registered as a private limited Company in Bermuda, under the Companies (Bermuda) Law 1981. The registered office and principal place of business are as follows:

Registered office:	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
Principal place of business:	200 West Jackson Blvd. 8th Floor Chicago, IL 60606

The Company's shares are publicly traded on the Main Market of the London Stock Exchange.

In the financial statements, "Company" refers to PureCircle Ltd. and "Group" refers to PureCircle Ltd and its subsidiaries.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 31 March 2020.

The prior period financial position and comprehensive income have been restated to correct errors with respect of revenue, inventory and cost of goods sold. The restatement had a related impact to other payables, tax expense and deferred tax. Although there was no impact to our actual cash generation, the Group has restated the statement of cash flows to reflect the impact of these changes on profit and other relevant financial statement line items. Please refer to Note 34 for additional details.

2 PRINCIPAL ACTIVITIES

The Group is engaged principally in the business of production, marketing and distribution of natural ingredients including sweeteners and flavours.

There are no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiaries and joint venture are set out in Note 7 of the consolidated financial statements and Note 3 of the Company financial statements.

3 BASIS OF PREPARATION

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations. The financial statements have been prepared on the going concern basis under the historical cost convention, land and buildings and financial assets and financial liabilities (including derivative instruments) are measured at fair value through profit or loss.

The Group's strategy to market innovative stevia products has required significant upfront investment in research and development, along with production facilities, which have been funded via a mix of equity and a senior debt facility consisting of a term loan and revolving credit facility. Sales have not however grown in line with expectations following the completion of the refinery expansion, with gearing levels rising as leaf continued to be purchased, processed and held on the balance sheet.

Throughout the 2019 financial year, the Group held significant levels of cash and additional liquidity was available via the revolving credit facility. Nonetheless the Directors closely monitored the covenants under the facility and took proactive necessary action to reset the covenants in September 2018 and May 2019 to ensure the Group remained in compliance during the relevant periods. In May 2019 further equity was raised to allow the Group to accelerate its capital expenditure project plans. However, the amounts raised were not sufficient to fund the full extent of the plans and much of the proceeds were used to pay down the term loan.

During 2019, a sales shortfall, together with lower than expected margins, led to a deterioration in EBITDA and a non-compliance with the facilities' covenant tests as at the 30 June 2019 covenant test. As set out in the Chairman's Report, the subsequent identification of an issue in the inventory cost allocation methodology, along with the incorrect recording of sales over year ends, lead to the Group's profitability being reassessed downwards and the prior year results also being restated. Accordingly, as at 30 June 2019 while the Group had cash on hand and sufficient liquidity to meet its immediate needs, the Group was in default on the senior debt facility and the available undrawn committed facility was no longer available to be drawn down.

Owing to the breach in covenants in both FY19 and FY18, the term loan and the revolving credit facility have been reclassified as current debt accordance with terms in the facility agreement.

On 18 February 2020, the Group secured an approval from its lenders for Waivers and Amendments to its Senior Facility Agreement ("Waivers and Amendments") that provides a waiver for all past breaches of covenants up to and including 31 December 2019. In addition, all lenders have also agreed to amend the covenants for the year period 31 March 2020 and 30 June 2020 respectively.

As a show of continued support, certain substantial shareholders also made available USD8,600,000 via an unsecured subordinated loan which provided additional immediate liquidity to cover ongoing expenses and settle unplanned punitive consultancy professional fees.

Under the terms of the Waivers and Amendments the Group will be able to have access to the revolving credit facility following the receipt of the audited Financial Statements. The Group did not satisfy all of the conditions of the agreement but this was subsequently waived on 27 March 2020. The facility also contains certain other conditions and potential events of default. The Directors are making every effort to lift the suspension of shares of the Group but there is a risk this may not occur by 30 April 2020 as required under the amended facility covenant. Additionally, the Directors projections indicate that the reset June 2020 covenants are likely to be breached.

While the transition to new higher yielding stevia leaf varieties and a delay in securing new customers for its higher margin products remains a constraint, the Directors believe the underlying operating business is profitable and will be able to generate positive operating cashflows. Notwithstanding this, the Directors note the inherent difficulty in forecasting sales in a rapidly evolving marketplace, against the backdrop of the impact of COVID-19 on demand and global supply chains, and the impact of any further quarantine measures on the Group's facilities. Accordingly there is a risk that the Group will not be able to maintain sufficient cash balances throughout the period.

The Directors have considered the risks associated with upcoming repayment obligations for the Group's senior debt facility. The facility will mature on 30 November 2020. The Directors are actively exploring and considering various refinancing options, including securing a definitive new equity infusion, full debt refinancing or sale and leaseback of the refinery plant facilities as alternatives to raise cash to fund the business and operations. Bearing in mind that in the absence of any committed external funds over the next eight months, there is a risk that that Group may not be able to repay the facility at maturity.

There are therefore significant risks that the Group will not be able to maintain access to its lending facility and otherwise meet its obligations as they fall due. Together, these matters indicate the existence of a material uncertainty with which may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

(a) New accounting standards, amendments and interpretations

The Group has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time for the financial year beginning on 1 July 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described in Note 33.

The Group has early adopted the amendments to IFRS 9 'Financial Instruments,' which relates to interbank offered rates (IBORs) reform and was endorsed by the EU on 6 January 2020. The Group has assessed the exposure and maturity profile of its financial instruments that are exposed to IBOR. Based on the impact assessment, the IBOR reform is not applicable to the Group's derivative financial instruments as the Group has no hedge accounting. Group has considered the IBOR transition plan. This transition project will include changes to processes, risk and valuation models, as well as managing related tax and accounting implications wherever applicable. Group currently anticipates that the areas of greatest change will be amendments to the contractual terms of loans which are LIBOR linked however as IBOR reform is expected to develop further during 2020, Group will continue to monitor this and will have the necessary arrangements in place through its financial institutions.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been adopted earlier by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(b) Standard that has been issued and is applicable to the Group but is not yet effective:

The Group will apply the new standard in the following period:

(i) Financial year beginning on 1 July 2019

IFRS 16 Leases

IFRS 16 "Leases" supersedes IAS 17 "Leases" and the related interpretations. IFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. IFRS 16 introduces a single accounting model, requiring the lessee to recognise the "right-of-use" of the underlying asset and the lease liability reflecting future lease payment liabilities in the statement of financial position. The right-of-use asset is depreciated in accordance with the principles in IAS 16 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the statement of comprehensive income.

The Group will adopt IFRS 16 retrospectively from 1 July 2019, via the simplified transition approach and will therefore not restate the comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules will therefore be recognised in the opening consolidated statement of financial position on 1 July 2019.

Key judgements and estimates made in calculating the initial impact of adoption include assessing whether arrangements contain a lease, determining the lease term, and calculating the discount rate. The lessee's incremental borrowing rate to be applied to the lease liabilities on 1 July 2019 will be a range of 4.0% to 12.1%.

On adoption of IFRS 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments.

On a lease-by-lease basis, the Group measures the associated right-of-use asset on a retrospective basis either at its carrying amount as if the new rules had always been applied or at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

3 BASIS OF PREPARATION

(b) Standard that has been issued and is applicable to the Group but is not yet effective continued:

(i) Financial year beginning on 1 July 2019 continued

IFRS 16 Leases continued

In applying IFRS 16 for the first time, the Group will apply the following practical expedients:

a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) Reliance on previous assessments on whether leases are onerous;

c) The accounting for operating leases with remaining lease terms of less than 12 months as short term leases as at the date of initial application;

d) The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

e) The use of hindsight in determining the lease terms where the contracts contain options to extend or terminate the leases. The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

The Group will recognise new assets and liabilities for its operating leases of warehouses, offices, apartments, gas tanks, laptops, and photocopiers. Based on the information currently available, the Group estimates that it will recognise right of use assets equal to the lease liabilities of USD 5,408,138 upon initial adoption as follows:

	2019 USD'000
Operating lease commitments disclosed as at 30 June 2019	5,534
Less: Discounted using the lessee's incremental borrowing rate of at the date of initial application	(1,429)
Less: short-term leases recognised on a straight-line basis as expense	(43)
Add: adjustments as a result of a different treatment of extension options	1,346
Lease liabilities recognised as at 1 July 2019	5,408

In light of the impairment recorded during the year, the Group has considered the recoverable amount of the CGU that retains the right of use ("ROU") assets and has concluded that there is no impairment required on the ROU assets.

	2019 USD'000
Of which are:	
Current lease liabilities	1,325
Non-current lease liabilities	4,083
	5,408

Upon the adoption of IFRS 16, there will be an immaterial benefit to operating profit and a corresponding increase in finance expense from the presentation of a portion of lease costs as interest costs. Profit before tax and earnings per share are not expected to be significantly impacted. The adoption of IFRS 16 will have no impact on the Group's cash flows except to present principal lease cash outflows as financing, instead of operating.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

Financial Risk Management Framework

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Credit risk

Credit risk is the risk that arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables if a customer or counter party to a financial instrument fails to meet its contractual obligations.

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(ii) Security

For some trade receivables, the Group may obtain security in the form of guarantees, deeds of undertakings or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The Group's trade receivables for sales of inventory are valued using the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 (see Note 33), the identified impairment loss was immaterial. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss after recovery if there is a default) and the exposure at default (i.e. the asset's carrying amount). Probabilities of default derived from historical, current and future-looking market data are assigned by credit risk rating with a loss given default based on historical experience and relevant market and academic research applied by exposure type. Experienced credit judgement is applied to ensure probabilities of default are reflective of the credit risk associated with the Group's exposures.

Trade receivables

The Group applies the IFRS 9 simplified approach and records lifetime expected credit losses for all trade receivables. The carrying value of all trade receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Credit risk is being managed by verifying a customer's creditworthiness and financial strength both before commencing trade and during the business relationship. Credit losses on receivables due from global key accounts are not significant as these customers are mainly large and financially strong customers and therefore there is a lower risk of default. The default rates are computed based on historical loss experience. There has been no significant change in our customer base and customer profile.

The expected credit loss rates are measured using historical cash collected data for a period of 24 months from 1 July 2017 to 30 June 2019. The historical loss rates are adjusted where macroeconomic factors, for example changes in interest rates or unemployment rates, or other commercial factors are expected to have a significant impact when determining the future expected credit loss rate.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

4 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Credit risk continued

Trade receivables continued

The expected credit loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.6%	5.7%	11.7%	72.0%	
Trade receivables					
– Carrying amount	38,289	1,272	667	1,467	41,695
– Loss allowance	223	72	78	1,056	1,429
– Net carrying amount	38,066	1,200	589	411	40,266

1 July 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.2%	2.3%	14.8%	21.3%	
Trade receivables					
– Carrying amount	43,860	845	1,322	2,485	48,512
– Loss allowance	87	20	196	530	833
– Net carrying amount	43,773	825	1,126	1,955	47,679

The closing loss allowance for trade receivables as at 30 June 2019 reconciles to the opening loss allowances as follows:

	2019 USD'000	2018 USD'000
30 June – calculated under IAS39	510	1,365
Amounts restated through opening retained earnings	323	–
Opening loss allowances as at 1 July 2018 – calculated under IFRS 9	833	1,365
Increase in loss allowance recognised in profit or loss during the year	892	381
Write off provision on trade receivables against trade receivables	(296)	(1,236)
At 30 June	1,429	510

Trade receivables are written off when there is no reasonable expectation of recovery. The Group considers that there is evidence that receivables should be written off if any of the following indicators are present:

- the failure of a debtor to engage in a repayment plan;
- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 360 days overdue).

Expected credit losses on trade receivables are presented as net expected credit losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In addition to the above, there was USD1,834,000 in specific provisions due to disputes with customers in which management believes the outstanding receivables may not be recoverable.

Sensitivity to changes in assumptions

The Group has considered whether past performance will be reflective of future performance and determined that no significant change in the payment profile or recovery rates within each identified group of receivables is expected. The Group reviews and updates default rate by trade receivables grouping of global key accounts and regional key accounts, on a regular basis to ensure they incorporate the most up to date assumptions along with forward-looking information where available and relevant. The Group has determined that the industrial production index is the most closely correlated indicator of our business.

This approach is considered appropriate as the Group's outstanding trade receivable balance is mainly comprised of reputable customers with strong credit ratings. expected credit losses on trade receivables are also sensitive to macroeconomic events. In order to test sensitivity to changes in the debt profile, the Group has considered the impact of further credit deterioration of these balances and determined that if half of the unprovided for debts with more than 120 days overdue were to remain unpaid, the additional credit loss recognisable by the Group would be up to USD273,000.

Previous accounting policy for impairment of trade receivables

In the prior year, the expected credit loss on trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Receivables for which an expected credit loss provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(b) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available and therefore includes an element of cash flow risk in that the Group may not be able to meet future debt covenants while also meeting its operational requirements. The Group's approach to managing liquidity is to ensure that it maintains sufficient cash and has funding available through an adequate amount of committed credit facilities to meet obligations when due.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (Note 6(iv)) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 USD'000	2018 USD'000
Expiring within one year (revolving credit facility)	65,000	65,000

Given that the Group was in breach of covenants as at 30 June 2019, the undrawn amounts would not have been readily available for future drawdown. The same would have been true for the period ended 30 June 2018 had the Group been aware of the prior period adjustments discussed in Note 34. Before considering these breaches, the bank loan facilities had an average maturity of 1.49 years (2018: 2.9 years). The revolving credit facility, of which USD35 million is currently drawn, comes due in November 2020.

(ii) Maturities of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) All non-derivative financial instruments, and

(b) Net and gross settled derivative financial instruments for which the contractual maturities are essential for understanding the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

4 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk continued

(ii) Maturities of financial liabilities (continued)

	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000	More than 5 years USD'000
At 30 June 2019						
Financial liabilities:						
Trade and other payables (exclude deferred income)	56,438	56,438	56,438	–	–	–
Borrowings*	94,271	94,271	94,271	–	–	–
Derivative financial instrument	1,446	1,469	635	654	180	–
At 30 June 2018						
Financial liabilities:						
Trade and other payables (exclude deferred income)	38,759	38,759	38,759	–	–	–
Borrowings*	122,092	122,092	122,092	–	–	–

* Due to the breach in covenants in both FY19 and FY18, the term loan and the revolving credit facility have been reclassified as current borrowings in accordance with terms in the facility agreement.

(c) Market risk

Market risk is the risk that changes in market prices – e.g. raw material price, foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Risk in raw materials relate to the leaf price which the Group is managing through a range of contractual prices set with the farmers.

The major components of market risk are foreign currency exchange risk and interest rate risk, each of which is discussed below.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

The Group faces the following two risks. Mitigation strategies are described in Note 4(d) below:

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when the Company and its subsidiaries enter into transactions that are not denominated in their functional currencies. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings at variable rate were mainly denominated in US dollars.

Instruments used by the Group

The fixed interest rates of the swaps range between 2.74% and 2.78% and the variable rates of the loans are LIBOR plus margin of 2.35% and 2.85%. The variable rate of the LIBOR was between 2.07% to 2.52% (2018: 1.32% to 2.69%). The swap contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The Group's activities are exposed to a variety of financial risks including foreign currency risk, interest rate risk, credit risk, liquidity and cash flow risk, and capital risk management. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(d) Financial risk management policies

(i) Foreign currency risk

The Group manages its foreign exchange exposure by taking advantage of any natural offsets of the Group's foreign exchange revenue and expenses and from time to time enters into foreign exchange forward contracts for a portion of the remaining exposure relating to these forecast transactions when deemed appropriate.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in foreign currencies exchange rates, with all other variables held constant of the Group's result:

	Changes in exchange rate %	Effect on profit/loss after taxation USD'000
2019		
Ringgit Malaysia against United States Dollar	10%	477
Chinese Renminbi against United States Dollar	10%	154
Pound Sterling against United States Dollar	10%	1,977
Euro against United States Dollar	10%	26
Mexican Peso against United States Dollar	10%	700
Pound Sterling against Euro	10%	123
2018 (*Restated)		
Ringgit Malaysia against United States Dollar	10%	169
Chinese Renminbi against United States Dollar	10%	5
Pound Sterling against United States Dollar	10%	1,229
Euro against United States Dollar	10%	2
Mexican Peso against United States Dollar	10%	821
Pound Sterling against Euro	10%	693

The above represents favourable effects on the results of the Group should the respective currencies strengthen against the functional currencies of the entities within the Group, whilst weakening of the above currencies would have an equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

The foreign currency exposure profile represents the carrying amounts arising from currencies other than the functional currency of the respective entities in the Group. The foreign currency exposure profile of the Group at the reporting date was as follows:

	2019					2018				
	United States Dollar USD USD'000	Ringgit Malaysia MYR USD'000	Chinese Renminbi RMB USD'000	Euro EUR USD'000	Pound Sterling GBP USD'000	United States Dollar USD USD'000	Ringgit Malaysia MYR USD'000	Chinese Renminbi RMB USD'000	Euro EUR USD'000	Pound Sterling GBP USD'000
Cash and cash equivalents	1,475	167	3,024	275	916	2,223	2,612	206	293	24
Trade receivables	18,951	452	–	897	–	19,854	174	–	7,371	–
Trade payables	1,940	–	–	–	–	93	121	–	–	–
Other receivables, deposits and prepayments	382	1,074	12	45	–	1,020	2,570	–	395	8
Other payables and accruals	206	604	–	576	5,679	38	734	–	243	–

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

4 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Financial risk management policies continued

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from interest-bearing borrowings at floating rates. The Group's interest rate profile is set out below:

	2019 Effective interest rate (%)	2018 Effective interest rate (%)	2019 USD'000	2018 USD'000
Term loan	5.39	4.65	94,271	122,092

Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. USD55,740,000 (2018: USD82,500,000) from term loan have been swapped under such an arrangement. Refer Note 4(c)(ii) for more details on interest rate risk.

As at balance sheet date, if interest rates on borrowings are 1% higher/lower for a year with all other variables held constant, post-tax profit for the financial year would be USD942,710 lower/higher (2018: USD1,220,920 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowing.

(e) Derivatives

The Group has the following derivative financial instruments:

	2019 USD'000	2018* USD'000
Non-current liabilities		
Interest rate swaps ("IRS")	1,446	–

* IRS was entered on 29 June 2018 and the fair value was immaterial to be disclosed as at 30 June 2018

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for derivative financial instruments is set out in Note 5(aa). Further information about the derivatives used by the Group is provided in Note 32.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to Note 4(g).

(iii) Amounts recognised in profit or loss

During the year, the following amounts were recognised in profit or loss in relation to changes in fair value of interest rate swaps.

	2019 USD'000	2018 USD'000
Profit or loss:		
Amount recognised in finance costs	1,446	–

(f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, share premium, reserves and retained earnings.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity.

The gearing ratio at the financial year end was as follows:

	2019 USD'000	2018 (Restated*) USD'000
Borrowings (i)	94,271	122,092
Less: Gross cash (ii)	(25,675)	(23,987)
Net debt (iii)	68,596	98,105
Equity (iv)	159,477	210,167
Net debt to equity ratio	43%	47%

(i) Borrowings is disclosed in Note 22 to the financial statements.

(ii) Gross cash includes restricted cash and cash and cash equivalents disclosed in Note 16 to the financial statements.

(iii) Net debt is calculated as total borrowings including current and non-current borrowings in the consolidated statement of financial position less gross cash.

(iv) Equity includes all capital and reserves of the Group attributable to the equity holders of the Company.

* Equity related to 2018 was restated. Refer to Note 34.

(g) Fair value estimation

Fair value is defined as the amount at which the assets/liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation. This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The financial instruments carried at fair value are categorised into different levels of the fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on unadjusted quoted market prices at the end of the reporting period. As at 30 June 2019, the Group does not hold any Level 1 securities.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). As at 30 June 2019, the Group does not hold any Level 3 financial instruments.

Specific valuation techniques used to value financial instruments include:

- Interest rate swaps were valued using the present value of the estimated future cash flows based on observable yield curves; and
- Other financial assets recognised at fair value through profit and loss were short term in nature (30 day investments) and therefore cost was assumed to approximate the fair value.

All of the resulting fair value estimates are included in Level 2.

	2019 USD'000 Level 2	2018 USD'000 Level 2
Financial asset		
Financial assets at fair value through profit and loss	1,748	–

	2019 USD'000 Level 2	2018* USD'000 Level 2
Financial liability		
Interest rate swaps ("IRS")	1,446	–

* IRS was entered on 29 June 2018 and the fair value was immaterial to be disclosed as at 30 June 2018.

There were no transfers between Level 1, Level 2 or Level 3 during the financial year (2018: Nil).

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Financial instruments

(i) Financial assets

Accounting policies applied from 1 July 2018

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

- **Classification**

  From 1 July 2018, the Group classifies its financial assets as amortised cost or at fair value through profit and loss ('FVTPL').

- **Recognition and derecognition**

  Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

- **Measurement**

  At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

  Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

  There are two measurement categories into which the Group classifies its debt instruments:

  (i) Amortised cost

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

  (ii) FVTPL

  Assets that do not meet the criteria for amortised cost are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within other expenses in the period which it arises.

- **Recognition and Measurement of Expected Credit Loss**

  For financial assets not measured at fair value, the Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

  The Group has three types of financial instruments that are subject to the ECL model:

  – Trade receivables
  – Other receivables and deposits
  – Amounts owed from related companies

  While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

  ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

  The measurement of ECL reflects:

  - an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - the time value of money; and
  - reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

  Expected credit losses are calculated using one or two approaches.

  (i) **General 3-stage approach for other receivables and amounts owing from related companies**

  At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

  (ii) **Simplified approach for trade receivables**

  The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

- **Write-off**

  (i) Trade receivables

  Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments (more than 360 days overdue).

  Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

  (ii) Other receivables, deposits and amounts owing from related companies

  The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity.

Accounting policies applied until 30 June 2018

- **Classification**

  The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

  Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables and deposits (excluding prepayments and GST recoverable)', 'amounts owed from subsidiaries', 'amounts owed from related companies', 'short term deposits with licensed banks' and 'cash and bank balances' in the statement of financial position.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(a) Financial instruments continued

(i) Financial assets continued

Accounting policies applied until 30 June 2018 continued

- **Recognition and initial measurement**

  Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

- **Subsequent measurement**

  Loans and receivable are subsequently carried at amortised cost using the effective interest method.

- **Impairment**

  Assets carried at amortised cost

  The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

  Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

  The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

  When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

- **Derecognition**

  Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(b) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings, and derivative financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a. **Financial liabilities at fair value through profit or loss**

   Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

   Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group does not have any non-derivative financial instruments designated at fair value through profit or loss.

b. Financial liabilities carried at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortisation is included as finance costs in the statement of profit or loss.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(d) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the entities operate. The functional currency of the Parent Company is USD.

The consolidated financial statements are presented in United States dollar ("USD") which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation (where items are remeasured). Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Transactions in foreign currency are measured in the respective functional currencies of the Group's entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities at the reporting date are translated at the rates ruling as of that date. Exchange differences arising from the translation of monetary assets and liabilities are recognised in the profit or loss. All exchange gains and losses are presented in the income statement within "Other income/expenses."

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income or statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, after considering any goodwill. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred for the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised profits and losses are also eliminated on consolidation. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Joint ventures

The Group's interest in a joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group recognise the further losses to the extent of its incurred obligations.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Goodwill on consolidation

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill that arises upon acquisition of subsidiaries is included in intangible assets. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. Impairment losses on goodwill are recognised immediately in the profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent year. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transaction.

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(i) Intellectual property

Technology know-how relates to the extraction and refinery intellectual property and it forms the basis of all-natural sweeteners. Technology know-how is subject to estimated useful life of no more than 20 years. The Directors will continue to reassess the basis of that useful life of the technology know how on an annual basis. Technology know how is stated at cost less amortisation costs and impairment losses. Technology know how is tested for impairment annually or more frequently when indicators of impairment are identified.

Patents and trademarks are subject to estimated useful life of no more than 20 years and amortised on straight line basis starting from the financial year when the product is first viable for commercial use.

(ii) Development costs

All research costs are recognised in the profit or loss as incurred.

Development costs consist of fees charged by external research and development companies, material cost, payroll cost, legal and professional fees incurred on product development and leaf development projects.

Expenditure incurred on these projects is capitalised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditures which do not meet these criteria are recognised in the profit or loss when incurred.

Product development costs are amortised on a straight line basis over their estimated useful life of no more than 20 years starting from the financial year when the product is first viable for commercial use.

Leaf development costs are amortised on a straight line basis over their estimated useful life of no more than 20 years starting from the financial year when stevia plant demonstrates capability of producing high yielding strains of stevia leaf at reasonable consistency on a volume production basis.

(h) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Buildings	2.5%
Extraction and refinery plant	5%
Office equipment, furniture and fittings and motor vehicles	20%
Capital work-in-progress	Nil

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and they are recognised within "Other income/ expenses" in the income statement.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the reporting date. Capital work-in-progress is stated at cost and will be transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Impairment of non-financial assets

Intangible assets that have indefinite useful life intangible assets not ready in use are subject to amortisation and tested annually for impairment.

Assets that have an indefinite useful life, which is comprised of only goodwill, are not subject to amortisation but are tested annually for impairment. The Group assigned useful lives to all intangible assets, other than goodwill, during the year. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal of the impairment at each reporting date. The impairment is charged to profit or loss. Impairment of goodwill is not reversed. Any subsequent increase in recoverable amount is recognised in profit or loss.

The Group has changed certain of its intangible assets that have indefinite useful life to definite useful life in 2019. The intangible assets represent the technology know-how which is classified as intellectual property rights. The change of indefinite useful life to definite useful life for the intangible assets is a change in estimate in which the Group has amortised the intangible assets with effect from 1 July 2018.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials is determined based on the weighted average basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and production overheads. Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(k) Current and deferred tax

Income taxes for the year comprise current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the applicable tax rates that have been enacted or substantively enacted at the reporting date in each of the jurisdictions in which the Group operates.

Deferred tax is provided in full, using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the statement of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

(l) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when declared.

(m) Restricted cash

Restricted cash is comprised of cash balances held in an account solely for the purpose of utilising credit card facility provided by a licensed financial institution.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with licensed banks with maturities of three month or less, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude restricted cash.

(o) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as 'Other payables and accruals' in the statement of financial position.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans. The Group has no defined benefit plan.

(p) Share-based payment

The Group operates a long-term incentive programme which is an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share awards) of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense over the vesting period. The total amount to be expensed is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions and the number of shares expected to vest. Non-market vesting conditions are included in assumptions about the number of share awards that are expected to become exercisable.

When the share awards are exercised, the Company issues new shares. The cost of issuance of shares net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share awards are exercised.

(q) Provisions

A provision is recognised if, as a result of past events, the Group has a present legal and constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(r) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges.

The corresponding rental obligations, net of finance charges, are included as borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Plant and equipment acquired under a finance lease is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The prepaid land lease payments represent the Group's right to use the land for 20 years. Accordingly, the amortisation of the prepaid land lease payments is on a straight-line basis over 20 years.

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (i.e. the Chief Executive Officer ("CEO")). The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments.

(t) Revenue recognition

(i) Revenue from contracts with customers

The Group adopted IFRS 15 in the current year. Refer to Note 33 for additional details on adoption, which did not cause a significant change to the way in which the Group recognises revenue. There have been no changes to revenue recognition as a result of the adoption of IFRS 15. The Group receives revenue for supply of goods to external customers against orders received. The majority of contracts that the Group enters into relate to sales orders containing single performance obligations for the delivery of stevia products. The average duration of a sales order is less than 12 months and the average invoice terms are 60 days. The Group does not therefore have significant financing components to revenue.

(ii) Sale of goods – sale of stevia products

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to a specified location (usually the carrier of the port of departure or when the products have left the Group's manufacturing facility or warehouse, as determined in the sales arrangement with the respective customers). Revenue from sale of goods is recognised at a point in time. Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates.

The stevia products are often sold with discounts based on aggregate sales volumes over a 12-month period. Revenue from these sales is recognised throughout the year based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with credit term ranging from 30 to 120 days, which is consistent with market practice. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

(u) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the receivable.

(v) Interest income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(x) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(y) Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

(z) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(aa) Derivative financial instruments

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured at their fair value through profit and loss.

The fair values of derivative instruments are disclosed in Note 32. The full fair value is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Group's financial statements, management has made judgements and used estimates and assumptions in establishing the reported amounts of assets, liabilities, income and expense under the Group's accounting policies. Judgements are based on the best evidence available to management. Estimates are based on factors including historical experience and expectations of future events, corroborated with external information where possible. Judgements and estimates and their underlying assumptions are evaluated by the Directors and management based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies and information about the accounting estimates and judgements made in applying these accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below:

(i) Goodwill and other assets carrying values

(This accounting policy principally applies to Goodwill and other intangible assets; and Property, plant and equipment – see Notes 8 and 9)

Property, plant and equipment represents costs expended to acquire and maintain fixed assets that support the future of the business operations such as buildings, refinery equipment and office buildings. In accordance with IAS 36 Impairment of Assets, an assessment for potential impairment triggering events is conducted every reporting period. No such triggers were identified in the current year.

Intangible assets represent costs expended to maintain competitive advantage through intellectual property, develop new products or types of stevia leaf to support future innovation, and other costs either related to acquired technological know-how or other non-financial assets. The largest classification of intangible assets has historically been related to costs of the Group to develop new products and new leaf varietals or leaf growing sites ("development costs").

The Group carries out leaf, product and application development. New and improved stevia leaf variants, for example StarLeaf™ which contains more steviol glycoside than standard stevia leaf varieties, are examples of leaf development. Leaf development was being carried out in different geographic regions, namely Latin America, Africa and North America to diversify from the current major source of supply in China. The Group has commercial leaf development facilities in Africa, Latin America and China and in-process facilities in North America and Africa.

Product development includes cost incurred to develop existing product by innovating new formulae to produce better quality products or to improve the efficiency of the current processes of production. The Group enters into agreements with third party research & development ("R&D") companies to assist in the product development process. In addition, there are product development R&D activities conducted in-house by our R&D team in Malaysia. Costs incurred also relate to development activities focused on improving the taste of stevia products via formulae created to deliver great-tasting products. The Group undertakes these activities by employing a dedicated team to do the relevant procedures required to taste the sweeteners produced and modify the taste to suit market preference. The Group continues to heavily invest in innovation and protection of its respective intellectual property rights. As a result, the classification of assets that were most heavily capitalised in FY2019 were patent assets and product development assets.

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for the financial year ended 30 June 2019

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(i) Goodwill and other assets carrying values continued

Given that the intangible assets (other than Goodwill) are definite lived, in accordance with IAS 36 Impairment of Assets, an assessment for potential impairment triggering events is conducted every reporting period. Whenever it is determined that events or changes in circumstances indicate that carrying amounts may not be recoverable, an indication of impairment is determined to exist. If such an indication exists, the recoverable amount of the asset is estimated.

Goodwill arises from a business combination and represents the excess of the aggregate of the fair value of the consideration transferred compared to the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. Given that the asset is indefinite-lived, in accordance with IAS 36, an annual impairment assessment is conducted to determine the recoverable value.

The Group is a multinational organisation with sales on multiple continents but managed as one unified global organisation using a single extraction and refinery facility in China and Malaysia respectively. Subsidiaries within the Group are designed to operate in such a way that their cash flows are tied to the Group's principal business. Hence management considers the Group to be a single operating segment whose activities are producing, marketing and selling of natural sweeteners and flavours. For the purpose of impairment testing, assets are grouped together into the smallest group of assets which have cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the Group's single CGU identified accordingly to be its only operating segment given that assets are fundamentally dependent on the Group's business of exploiting and selling natural high intensity sweeteners in the global market.

Each individual tangible and intangible asset is also separately considered, in the case of an identified trigger event, for purposes of the annual impairment assessment. Impairment testing has been applied in the order set out by IAS 36.98: assets within a CGU first, where there is indication of impairment, then the CGUs to which Goodwill has been allocated.

An asset or CGU is impaired to the extent that its carrying amount exceeds its recoverable amount. The recoverable amount represents the higher of the benefit which the entity expects to derive from the asset or CGU over its life, discounted to present value (value in use) and the net price for which the entity can sell the asset or CGU in the open market (fair value less costs of disposal). In order to determine whether impairments are required, the Group estimates the recoverable amount of the asset or CGU based upon projecting future cash flows over a five-year period and using a long-term value to incorporate expectations of growth thereafter until the end of the asset's remaining useful life, consistent with IAS 36. As Goodwill is indefinite-lived, a terminal value is utilised to incorporate expectations of growth thereafter the five-year projection period, consistent with IAS 36. The discount rate used for the VIU calculation for all impairment assessments is a pre-tax rate that reflects the risks specific to the Group.

The discount rate is impacted by estimates of interest rates, equity returns and market and country related risks. The Group's weighted average cost of capital is reviewed on a regular basis. The weighted average cost of capital is calculated considering the risk-free rate of interest based upon a 10-year US government bond, the Group's cost of debt, a market risk premium, the Group's capital structure and a risk adjustment (beta). The pre-tax discount rate used is 8% per annum for all individual assets tested as well as the Group's sole CGU. It is considered appropriate to utilise the Group discount rate for each individual asset tested given that the Group has incorporated into each respective asset's cash flows any asset-specific or territory-specific risk.

If the cash flow or discount rate assumptions were to change because of market conditions, the recoverable amount of any asset or CGU tested could be different and could result in an asset or CGU being impaired at a future date.

Impairment losses are recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in previous periods for assets other than Goodwill are reversed if there has been an improvement in the estimates used to determine the asset's recoverable amount. Asset impairments have the potential to significantly impact operating profit.

A key source of estimation uncertainty lies in the future cash flows for impairment VIU calculations, which are calculated based upon management's expectations of future volumes, product mix and margins based on plans and best estimates of the productivity of the assets or CGU in their current condition. Sales are largely order-based rather than contract-based which adds to the uncertainty modelled in the calculations. Each significant assumption and significant judgement inherently include an element of estimation uncertainty. It is noted that future cash flow does not include any benefits from major expansion projects nor future capital expenditure. Critical assumptions employed in each respective VIU model are described below.

(a) Definite-lived intangible assets

a. Key areas of judgement arising related to definite-lived intangible assets include:

   i. Determination of an asset's progress towards commercialisation;
   As discussed in Note 5(g) above, all costs are reviewed for eligibility prior to capitalisation. Assets are recognised at cost once eligibility is assessed. Management has considered whether any assets in-development should be considered as commercialised.

   Development activities continued in North America and Africa during FY2019, which focused on expanding the volume and quality of the leaf produced in these regions as well as trials of StarLeaf. Management developed benchmarks as a matter of internal guidance used to assess whether the leaf quantities and stevia content were sufficient for sites to be considered as commercialised. During FY2019, no costs were incurred related to the development of legacy PC1 leaf cultivation in Africa and internal benchmarks were reassessed based upon quantities of leaf purchased from this site during the year. As a matter of management judgement, it was concluded that the PC1 leaf development project in Africa should be considered as commercialised. As a result, amortisation commenced on 1 January 2019.

ii. Assignment and annual review of an asset's economic useful life ("EUL");
Management follows an internal policy when applying the EUL to a newly capitalised or newly commercialised asset. Generally, assets are estimated to provide economic value to the Group for an amount of time equal to, but never greater than, the asset's legal life. During the year, a reassessment of the lives of indefinite lived intangible assets was performed and these assets were reclassified as definite lived assets and amortisation commenced over their expected useful lives. The useful life assigned was consistent with Group accounting policy. As part of the annual assessment of the valuation of intangible assets, management reviewed the remaining economic useful life of each asset class.

In order to determine whether assets are still recoverable over the remaining EUL of each respective asset, management performed an assessment at the asset classification level and the product level. Management's assessment considered the FY2019 deterioration in performance and expected future shifts in customer preference toward more innovative product categories. Ultimately, management determined that although certain legacy assets are becoming less of a priority to the Group, they continue to hold commercial value as there are no plans to abandon any product lines, facilities or locations. Further, holding certain assets such as intellectual property, allow the Group to protect its innovations and prevent others from gaining the Group's building-block assets that can foster further innovations. Therefore, as a result of management's assessment, the remaining EUL for each asset and asset class was determined to be appropriate in the circumstances as at 30 June 2019.

iii. Consideration of whether an asset experienced a triggering event;
As part of management's assessment of recoverability, it was identified that (1) certain products had a history of declining sales or declining margins, (2) certain projects would be terminated or a change in commercial strategy was noted, (3) certain trade restrictions imposed on the Latin American region are not likely to be lifted in the short term and (4) changes in commercial strategy.

(1) Intangible assets across all classes of assets, which relate to specifically identifiable products, were grouped together in order to consider whether there was any indication of impairment. Management performed a high level calculation on a number of products where there was a clear trend of declining sales or margins were noted, therefore, to determine whether an event occurred that would call into question the recoverability of the assets associated with each product. The calculation considered historical and projected future sales against quantity of inventory on hand and ultimately the carrying value of the assets associated with each product.

During the financial year ended 30 June 2019, there was an impairment indicator on the carrying value of intellectual property and product development projects in relation to a product with negative margins, as discussed above.

As a result of the product's negative margin and declining forecasted sales, management concluded that the carrying value of the associated intellectual property and product development costs would not be recoverable, which resulted in a full impairment of USD1,760,000 during the year (2018: NIL).

For the remaining products, a further stress test was performed to confirm whether these products were supportable by future sales. The stress test indicated that if the current downward trends were projected into the future, this may imply that the economic benefits from these products could phase out more quickly than the remaining EUL, but any impact of this was not calculated to be significant.

Based upon the assessment of these products for potential triggering events, an impairment was identified. Refer to the discussion below.

(2) At 30 June 2018, USD2.5 million was capitalised as product development costs relating to payments made to a third party for an R&D project supported by the achievement of two historical milestones. After the third party communicated to management that the project should be terminated due to a subsequent milestone failure, a Collaboration Termination Agreement was signed on 6 December 2018 with a total compensation to the Group of USD5.5 million recognised in Other Income (see Note 27). Of the USD5.5 million corresponding other receivable, USD1.8 million has been received in cash whilst the remaining amount has been reserved against other receivables. As a result of the milestone failure, which is considered a triggering event, the Group wrote off the entire USD2.5 million product development intangible asset related to this collaboration agreement.

(3) During the financial year ended 30 June 2019, there was an impairment indicator on the carrying value of leaf development cost in Latin America due to certain trade restrictions imposed on Paraguay and strategic decisions made by the Company in response to these ongoing trade restrictions.

Although the trade restrictions are not new in the current year, it became clear that they were not going to be lifted in the near term and given the uncertainty in obtaining another route to market, in FY19 management reassessed the commercial strategy for Latin America, resulting in a full impairment made of its leaf development cost of USD13.9 million (2018: NIL).

The carrying value of the leaf development costs were reviewed for impairment and the Group calculated the VIU of the carrying amount of the leaf development costs based on the net cash flow to be generated from the geographical location, which was assessed as zero as no further leaf purchases are now planned. During the year the Group arranged an alternative route to market for the leaf in South America. However, processing the leaf via an alternative third party toll treatment increases the costs of production and given that the impact of the trade restrictions are now seen as more permanent in nature, this caused a reassessment of the expected future volumes from Paraguay.

(4) During the financial year ended 30 June 2019, there was an impairment indicator on the carrying value of leaf development costs in North Carolina due to shift in business strategy, which impacted the expected development of leaf from North Carolina.

As a result of the shift in business strategy, management concluded that the commercial viability of the North Carolina facility had changed, resulting in a full impairment on the related leaf development costs of USD603,000 (2018: NIL).

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6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(i) Goodwill and other assets carrying values continued

(b) Goodwill

In accordance with the Group's accounting policies, goodwill is tested annually for impairment at year end. The Goodwill is tested for impairment based on the recoverable amount of the Group given the Directors have determined there is a single CGU.

In assessing whether an impairment is required, the carrying value of the CGU is compared with its recoverable amount.

The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU).

The Group has prepared a VIU calculation which is subject to a number of estimates and uncertainties with regard to future sales, margins and costs and the future rate of growth. The Group has also considered the FVLCD of the Group. While information on the fair value of an asset or CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place, as set out in note 3 the Directors have been considering equity and other fundraising opportunities as part of the refinancing initiatives. Based on valuations prepared by the Directors and their advisers as part of these activities, the Directors determined that the FVLCD of the Group is in excess of the carrying value of the net assets. Accordingly, the carrying value of goodwill is supported and no impairment is required. The Directors have also considered whether any reasonable possible changes could give rise to an impairment and concluded they would not.

(ii) Inventories

Inventories are stated at the lower of cost or net realisable value. Management determines the valuation of its inventory cost by comparing its expected future selling price against its inventory cost.

(a) Key sources of estimation uncertainty

In valuing inventories at the lower of cost or net realisable value, the Group makes estimates in determining the net realisable value by assessing the market prices for finished goods.

The Group assesses the net realisable value of the raw materials, by-products, work-in-progress and finished goods based on management's sales and consumption plans. The net realisable value of work-in-progress which will be sold to external parties will be assessed based on the selling prices of the work-in-progress. Similarly, the net realisable value of by-products will be assessed based on selling prices to external parties or consumed in production of finished goods depending on management's plans.

In determining the net realisable value of the inventories which will be consumed by the Group, the Group estimates the incremental processing costs required to convert the raw materials and work-in-progress into finished goods and estimates the profit margin that the Group will make from the sale of the finished goods.

The Group assesses slow-moving inventory based on management's forecasted sales and consumption plans. The work-in-progress which will be used in production will be assessed based on its production rate against its consumption rate. When the consumption rate is lower than the production, a provision for slow moving inventory will be provided for.

(b) Significant judgements

Areas of judgement that have the most significant effect on the inventory valuation are as follows:

(i) Expected pricing of the product

(ii) Expected processing costs of individual product

(iii) Future sales and consumption plans of the product

(c) Key assumptions used in the net realisable value test

(i) Market price of products
Management has performed a bottom-up forecast analysis of future sales and margins by product.

(ii) Product cost
Management estimated the cost of completion and the costs necessary to make the sale to determine the future product costs based on past results and expectations of future changes in the market.

(d) Sensitivity test

Refer to Note 12. The net realisable value of finished goods assessed based on selling prices to external parties or consumed in production of finished goods had resulted in a write down of net realisable value of USD3.4 million (2018: NIL).

Write-down of by-products amounting to USD10.9 million (2018: NIL) to its net realisable value was included as cost of sales in profit or loss. No such expenses were provided for in prior year.

As set out above, the export restriction in Paraguay has impacted the net realisable value ("NRV") of leaf already purchased and ready for shipment. Due to the increased cost of toll treating the leaf in a third-party facility, USD5.3 million (2018: NIL) has been reserved on the write down of raw material leaf to its net realisable value. The amount has been included in the cost of sales in profit or loss.

Management has assessed the future sales forecasts by product and made provision on slow moving inventory on work-in-progress and finished goods of USD10.4 million (2018: NIL) and USD4.4 million (2018: NIL) respectively during the year. The amount is recognised as an expense during the year and included in cost of sales in profit or loss.

The table below shows the impact of NRV on the write down of finished goods in the changes of key assumptions within the underlying analysis:

	Percentage change in key assumption %	NRV USD'000
Market price reduced by 2%	-2%	168
Cost per unit increased by 2%	-2%	171
Market price reduced by 2% and cost per unit increased by 2%	-2% and -2%	339

(iii) Financial covenants

Under the terms of the loan facility, the Group is required to comply with financial covenants. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.

As at 30 June 2019 and 30 June 2018, the Group has not complied with the financial covenants of its borrowings which total to USD94 million and USD122 million respectively. Subsequent to the reporting date of 30 June 2019, the Group has successfully obtained waivers from the relevant financial institutions. In accordance with IAS 1, the portion of the non-current liabilities of the borrowings of USD77 million have been reclassified as current liabilities as at 30 June 2019 (2018: USD113 million).

(a) Key assumptions which involve estimation uncertainty

The Group's forecasted operating cash inflows and capital expenditure outflows for the foreseeable future includes estimates as follows:

- Sales;
- Gross margin;
- Leaf purchases to meet production needs;
- General and administrative expenses to be incurred consistent with historical trend; and
- Manageable non-discretionary capital expenditure.

(b) Key assumptions which involve critical accounting judgement

Areas of judgement that have the most significant effect on the cash flows forecast are:

- Higher sales of breakthrough products with higher gross profit margin;
- Expansion into new geographical market such as Canada and India;
- Improvement in receivables turnover days; and
- Manageable payables turnover and cost cutting initiatives.

Although there are a number of material uncertainties due to the requirement to refinance by November 2020 and covenant breaches as highlighted above, the Group has a number of options and mitigating actions that they are pursuing that will allow the Group to refinance.

(c) Other key matters

Contingent liability

Management has also considered the impact of uncertainties from contingent liability which is a key estimate that the Group is unable to estimate on its impact. Please refer to Note 35 for more details on the assessment of possibility of arising of a contingent liability.

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7 INVESTMENT IN JOINT VENTURE

The Group has invested in a joint venture with Nordic Sugar Holding incorporated as NP Sweet AS, being a Company incorporated in Denmark. The Group holds an equity interest of 50% in NP Sweet AS. The following sets out the financial statements of the joint venture entity and the Group's 50% ownership.

Details of joint venture are as follows:

		Effective Equity Interest		
Name of Company	**Country of Incorporation**	**2019**	**2018**	**Principal Activities**
NP Sweet AS ('NPS')	Denmark	50%	50%	Production, marketing and distribution of natural sweeteners (Liquidated on 23 July 2019)

	2019 USD'000	2018 USD'000
At 1 July	(165)	(493)
Share of gain/(loss)	80	(14)
Additional investment	204	342
At 30 June	119	(165)
Analysed as follows:		
Other receivables (current)	119	–
Other payables (non-current)	–	(165)
At 30 June	119	(165)

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised statement of financial position

	2019 USD'000	2018 USD'000
Current		
Cash and cash equivalents	270	498
Other current assets (excluding cash)	24	1,072
Total current assets	294	1,570
Other current liabilities (including trade payables)	(57)	(1,594)
Total current liabilities	(57)	(1,594)
Non-current		
Assets	–	9
Net assets / (liabilities)	237	(15)

Details of joint venture are as follows:

Summarised statement of comprehensive income

	2019 USD'000	2018 USD'000
Revenue	693	3,505
Interest expense	(5)	(8)
Loss before taxation	(163)	(623)
Income tax	3	9
Loss after taxation	(160)	(614)
Total comprehensive loss	(160)	(614)

Reconciliation of summarised financial information

	2019 USD'000	2018 USD'000
Opening net assets - 1 July	(15)	(86)
Loss for the year	(160)	(614)
Additional investment	408	685
Foreign exchange translation	4	–
Closing net assets/(liabilities) - 30 June	237	(15)
Interest in joint venture	50%	50%
Share of net assets/(liabilities)	119	(7)
Cumulative unrealised loss	–	(158)
Carrying value	119	(165)

On 30 November 2018, the Group agreed to voluntarily liquidate its investment in joint venture, NP Sweet AS. PureCircle (UK) Limited received the final net cash balance of USD127,000 from the completion of the voluntary liquidation on 28 August 2019.

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8 INTANGIBLE ASSETS

Group	Intellectual property rights USD'000	Development costs USD'000	Goodwill USD'000	Total USD'000
Cost				
At 1 July 2018	16,268	48,752	1,806	66,826
Additions	1,096	4,781	–	5,877
Written-off***	–	(2,500)	–	(2,500)
Foreign exchange translation difference	(371)	(1,159)	–	(1,530)
At 30 June 2019	16,993	49,874	1,806	68,673
Accumulated amortisation				
At 1 July 2018	514	2,180	–	2,694
Charge for the financial year*	845	1,761	–	2,606
Impairment**	951	14,727	–	15,678
Foreign exchange translation difference	(18)	149	–	131
At 30 June 2019	2,292	18,817	–	21,109
Net carrying amount				
At 30 June 2019	14,701	31,057	1,806	47,564

* During the year, the Group has begun amortising the leaf development project in Africa amounting to USD237,000 (2018: NIL) on a straight-line basis over its useful life of 20 years given that at 1 January 2019 the leaf under development demonstrated the capability of producing high yielding strains of stevia leaf at reasonable consistency on a volume production basis.

** During the year, the Group has provided an impairment of USD13,919,000 (2018: NIL) for its leaf development project in Latin America and North America due to unfavourable developments in the region. In addition, the Group has provided an impairment of USD1,760,000 (2018: NIL) for its intellectual property and product development projects in relation to a product where a triggering event was observed.

*** Refer to Note 6(i)(a)(iii) for additional details on this write off.

Group	Intellectual property rights USD'000	Development costs USD'000	Goodwill USD'000	Total USD'000
Cost				
At 1 July 2017	14,174	39,824	1,806	55,804
Additions	1,662	7,100	–	8,762
Impairment	(3)	(3)	–	(6)
Foreign exchange translation difference	435	1,831	–	2,266
At 30 June 2018	16,268	48,752	1,806	66,826
Accumulated amortisation				
At 1 July 2017	378	716	–	1,094
Charge for the financial year	113	1,441	–	1,554
Foreign exchange translation difference	23	23	–	46
At 30 June 2018	514	2,180	–	2,694
Net carrying amount				
At 30 June 2018	15,754	46,572	1,806	64,132

Intellectual property rights comprise the patents, trademark, technology know how and all intellectual and industrial property rights in connection therewith on the production of natural sweetener related products and derivatives of bio-organic and physiologically active compounds.

Technology know how relates to extraction and refinery intellectual property, which management has amortised the cost over its useful life of 19 to 20 years from 1 July 2018. As at 30 June 2019, the carrying value of technology know how is USD9,316,591 (2018: USD10,751,825). The change in value was due to foreign currency translation differences and amortisation charges.

Goodwill is allocated to the Group's single CGU identified according to its only operating segment.

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land USD'000	Buildings USD'000	Extraction and refinery plants USD'000	Office equipment, furniture, fittings and motor vehicles USD'000	Capital work-in-progress USD'000	Total USD'000
Group						
Cost						
At 1 July 2018	1,465	41,447	93,046	13,018	2,644	151,620
Additions	–	1,229	1,783	1,363	1,335	5,710
Disposals	–	–	(514)	(471)	–	(985)
Transfer	–	693	–	102	(795)	–
Foreign exchange translation reserve	(25)	(394)	(3,062)	(222)	(182)	(3,885)
At 30 June 2019	1,440	42,975	91,253	13,790	3,002	152,460
Accumulated depreciation						
At 1 July 2018	–	8,796	35,522	7,187	–	51,505
Charge for the financial year	–	1,356	4,842	1,980	–	8,178
Disposals/write-offs	–	–	(499)	(444)	–	(943)
Foreign exchange translation reserve	–	(268)	(1,167)	(139)	–	(1,574)
At 30 June 2019	–	9,884	38,698	8,584	–	57,166
Net carrying amount						
At 30 June 2019	1,440	33,091	52,555	5,206	3,002	95,294

	Freehold land USD'000	Buildings USD'000	Extraction and refinery plants USD'000	Office equipment, furniture, fittings and motor vehicles USD'000	Capital work-in-progress USD'000	Total USD'000
Group						
Cost						
At 1 July 2017	1,407	39,711	80,242	10,109	1,796	133,265
Additions	–	–	2,897	2,536	8,160	13,593
Disposals	–	–	(411)	(167)	–	(578)
Transfer	–	–	7,108	168	(7,276)	–
Foreign exchange translation reserve	58	1,736	3,210	372	(36)	5,340
At 30 June 2018	1,465	41,447	93,046	13,018	2,644	151,620
Accumulated depreciation						
At 1 July 2017	–	6,672	30,507	5,459	–	42,638
Charge for the financial year	–	1,870	4,709	1,732	–	8,311
Disposals/write-offs	–	–	(389)	(150)	–	(539)
Foreign exchange translation reserve	–	254	695	146	–	1,095
At 30 June 2018	–	8,796	35,522	7,187	–	51,505
Net carrying amount						
At 30 June 2018	1,465	32,651	57,524	5,831	2,644	100,115

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9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

The carrying values of property, plant and equipment charged to financial institutions to secure banking facilities granted to the Group are as follows:

	2019 USD'000	2018 USD'000
Freehold land	843	998
Buildings	19,372	20,919
Extraction and refinery plants	41,881	42,919
Office equipment, furniture and fittings	1,539	2,216
	63,635	67,052

10 PREPAID LAND LEASE PAYMENTS

	2019 USD'000	2018 USD'000
At 1 July	2,408	2,439
Disposal	(393)	–
Amortisation for the financial year	(101)	(162)
Foreign exchange translation reserve	(120)	131
At 30 June	1,794	2,408
Cost	3,649	3,649
Disposal	(393)	–
Accumulated amortisation	(1,294)	(1,193)
Foreign exchange translation reserve	(168)	(48)
At 30 June	1,794	2,408

11 DEFERRED TAX

	2019 USD'000	2018 (Restated*) USD'000
Deferred tax assets		
At 1 July	10,223	10,464
(Charge)/credit to profit or loss (Note 25)	(8,052)	(208)
Foreign exchange translation reserve	50	(33)
At 30 June	2,221	10,223
Deferred tax liabilities		
At 1 July	1,102	3,574
Charge to profit or loss (Note 25)	(1,060)	(2,472)
Foreign exchange translation reserve	(39)	–
At 30 June	3	1,102
Represented by:		
Deferred tax assets		
Tax losses	4,158	13,643
Capital allowance	4,023	2,901
Others	864	166
	9,045	16,710
Offsetting	(6,824)	(6,487)
	2,221	10,223
Deferred tax liabilities		
Property, plant and equipment	6,380	5,712
Intangible assets	447	570
Unrealised loss on foreign exchange	–	1,307
Offsetting	(6,824)	(6,487)
	3	1,102

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future tax profit is probable based on projections and forecasts prepared by management and taking into consideration the expiry dates of carry forward losses.

During the year, USD9.4 million was impaired. In addition, the Group elected not to recognise USD3.2 million in deferred tax assets attributable to 2019 losses.

* Refer to Note 34 for additional information.

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11 DEFERRED TAX CONTINUED

	2019 USD'000	2018 (Restated*) USD'000
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	–	–
Deferred tax assets to be recovered after more than 12 months	2,221	10,223
	2,221	10,223
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	–	(1,100)
Deferred tax liabilities to be settled after more than 12 months	(3)	(2)
	(3)	(1,102)

An analysis of tax losses with expiry dates for which deferred tax assets have been recognised is as follows:

	2019 USD'000
FY2021	1,905
Indefinite	15,966
Total	17,871

	2018 USD'000
FY2021	1,905
FY2029 to FY2038	36,693
Indefinite**	16,283
Total	54,881

* Refer to Note 34 for additional information.

** The tax losses which have indefinite expiry date related to a Malaysian entity which was not disclosed in the prior year.

12 INVENTORIES

	2019 USD'000	2018 (Restated*) USD'000	2017 (Restated*) USD'000
Raw materials	12,755	17,700	6,233
Work-in-progress	69,991	52,513	52,817
Finished goods	40,971	45,274	46,178
Gross	123,717	115,487	105,228
Less: Provision on Net Realisable Value			
Raw materials	(5,320)	–	–
Work-in-progress	(10,938)	–	–
Finished goods	(3,410)	–	–
	(19,668)	–	–
Less: Provision on slow moving inventory			
Work-in-progress	(10,453)	–	–
Finished goods	(4,354)	–	–
	(14,807)	–	–
Raw materials	7,435	17,700	6,233
Work-in-progress	48,600	52,513	52,817
Finished goods	33,207	45,274	46,178
Net carrying value	89,242	115,487	105,228

* Refer to Note 34 for additional information.

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to USD62 million (2018: USD79 million).

During the year, it was identified that the Group's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead those costs remained capitalised in inventory. As such, historical inventory was overstated, and historical cost of sales was understated. The amounts above have been restated to properly reflect inventory on hand at 30 June 2019 and 2018 and 2017 respectively.

There was a write down of inventories to net realisable value amounting to USD24,170,000 in December 2018, largely relating to a manufactured by-product which is classified under work-in-progress. An alternative internal use for the by-product was identified subsequent to the half year and the inventory write down was reversed. However, during the second half of the year, the Group determined that internal consumption was too costly and therefore wrote-down the remaining cost of the by-product of USD3,788,000 (2018: NIL) to zero value.

Following a change in leaf strategy and shift in production process, it was determined that the remaining of the by-products were building up. Management is assessing possible internal uses or opportunities to sell externally. Management has assessed the estimated output by the consumption of the by-product based on the manufacturing conversion rate and its estimated cost and selling price. An impairment of USD7,150,000 (2018: NIL) has been provided against two of its by products which is classified under work-in-progress.

Additionally, given the trade restriction discussed above between Paraguay and China, and given the uncertainty of our identified route to market in terms of timing extract quality, the Group has considered whether the cost of Paraguay leaf is impaired. Although we see a viable route to market and intend to utilise this route described in Note 6(ii) if proven reliable and of adequate quality, at this time not enough information is available and thus we have fully provided for the leaf purchased from Paraguay that has not yet been sent for processing by the third party. This amounted to USD5.3 million.

There was a provision for inventory net realisable value on finished goods of USD3.4 million (2018: NIL) in which the expense is included in the profit and loss. The total provision for inventory net realisable value at 30 June 2019 resulted in an inventory write down of USD19.7 million (2018: NIL). No such expense was incurred in the financial year ended 2018.

There was a provision of slow-moving inventory on work-in-progress and finished goods of USD10.4 million (2018: NIL) and USD4.4 million (2018: NIL) respectively. These amounts have been included as cost of sales in profit or loss during the year.

The carrying value of inventories charged to financial institutions to secure banking facilities granted to the Group is USD40,642,000 (2018: USD62,974,000).

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13 TRADE RECEIVABLES

	2019 USD'000	2018 (*Restated) USD'000
Current		
Third party trade receivables	43,529	46,587
Specific provision	(1,834)	(510)
Expected credit loss (Note 4)	(1,429)	–
	40,266	46,077
Joint venture	–	1,924
	–	1,924
	40,266	48,001

* Refer to Note 34 for additional information.

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current. The average debtor turnover days during the year is 130 days (2018: 142 days). Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 4(a).

As of 30 June 2018, trade receivables amounting to USD7,672,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of the trade receivables that are past due but not impaired is as follows:

	2018 USD'000
Past due but not impaired:	
Up to 3 months	5,570
3 to 6 months	919
6 to 12 months	734
12 months and above	449
	7,672

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Notes 4(a) and 4(d). There is no concertation of credit risk.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 USD'000	2018 USD'000
Non-current		
Other receivables	1,840	410
Specific provision	(1,840)	–
As at 30 June	–	410
Current		
Other receivables	6,865	3,879
Prepayments	1,920	3,479
Deposits	662	716
Specific provision*	(2,554)	–
As at 30 June	6,893	8,074

Note that the Group has fully provided against a current and non-current receivable each worth USD1,830,000 and USD1,840,000 respectively related to one counterparty for which a product development project was terminated. The Company received the first of the three instalments, however, subsequent liquidity issues with the counterparty were identified leading to the identification that the credit risk for this receivable had increased significantly since initial recognition. This led management to change the basis of its calculation to a lifetime expected credit loss. It was assessed that the expected credit loss was substantially the full value of the receivable therefore the full value has been provided for. Management has taken legal action in an effort to recover monies owed.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above, although certain of the above are prepayments and therefore represent no credit risk. These amounts are not past due.

* There is specific provision for farmers' receivables in Kenya and Paraguay of USD724,000 included in the specific provision. This provision has been separately represented in 2019 based on its calculation to a lifetime expected credit loss.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2019 USD'000	2018 (Restated*) USD'000
Financial assets at amortised cost			
Trade receivables	13	40,266	48,001
Other receivables and deposits (excluding prepayments and VAT recoverable)		1,470	2,352
Cash and cash equivalents	16	25,675	23,987
		67,411	74,340
Financial asset carried at fair value through profit or loss			
Financial assets at fair value through profit or loss	17	1,748	–
		69,159	74,340
Financial liabilities carried at amortised cost			
Borrowings	22	94,271	122,092
Trade payables	23	33,190	20,529
Other payables and accruals (excluding deferred income)	24	23,285	18,167
		150,746	160,788

	Note	2019 USD'000	2018 ("Restated*) USD'000
Financial liability carried at fair value through profit or loss			
Derivative financial instrument	32	(1,446)	–*
		(1,446)	–

*IRS was entered on 29 June 2018 and the fair value was immaterial to be disclosed as at 30 June 2018.

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16 CASH AND CASH EQUIVALENTS

	2019 USD'000	2018 USD'000
Short term deposits with licensed banks	17,868	11,858
Cash at bank and on hand	7,807	12,129
Deposits, cash and bank balances	25,675	23,987
Restricted cash	(215)	(52)
Cash and cash equivalents	25,460	23,935

Cash deposits of USD215,000 (2018: USD52,000) are pledged as security for bank guarantee and credit card facility.

The weighted average interest rates of the short-term deposits at the reporting date was 2.1% (2018: 1.6%) per annum. The short-term deposits have weighted maturity period of 5 days (2018: 7 days).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 USD'000	2018 USD'000
Financial assets at fair value through profit or loss	1,748	–

The fair value of the financial assets held at fair value through profit and loss was determined to be equal to the nominal value deposited with the financial institution on 28 June 2019. As at 30 June 2019, management had determined that there was no material change to the fair value of the financial instrument, which is a money market fund, since the date of initial recognition as the deposit was placed with the financial institution at a date close to the reporting date.

18 SHARE CAPITAL

The movements in the authorised and paid-up share capital are as follows:

		2019		2018	
	Par value USD	Number of shares ('000)	USD ('000)	Number of shares ('000)	USD ('000)
Authorised					
At 30 June	0.10	250,000	25,000	250,000	25,000
Issued and fully paid-up					
At 1 July	0.10	174,276	17,428	173,699	17,371
Issuance of shares	0.10	9,500	950	–	–
Exercise of share awards	0.10	580	58	577	57
At 30 June	0.10	184,356	18,436	174,276	17,428

19 SHARE PREMIUM

	2019 USD'000	2018 USD'000
At 1 July	225,504	222,284
Issuance of shares	32,919	–
Transaction costs	(725)	–
Exercise of share awards	2,301	3,220
At 30 June	259,999	225,504

20 FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of the foreign operations to the Group's presentation currency of USD. The foreign exchange translation reserve balance was USD 20,135,000 (2018: USD 14,006,000).

21 SHARE-BASED PAYMENT RESERVE

The expense arising from equity-settled share-based payment transaction recognised for employee services received during the year is as shown below:

	2019 USD'000	2018 USD'000
Expense arising from equity-settled share-based payment transactions	2,291	1,725

Reconciliation of movement in share-based payment reserve:

	2019 USD'000	2018 USD'000
At 1 July	2,167	3,719
Share awards scheme compensation expense	2,291	1,725
	4,458	5,444
Transfer to share capital and share premium upon exercise of share awards	(2,359)	(3,277)
At 30 June	2,099	2,167

The Company maintains a Long-Term Incentive Plan ("LTIP"). The principal terms include a restriction on the Company issuing (or granting rights to issue) no more than 10% of its issued ordinary share capital under the LTIP (and any other employee share plan) in any 10 calendar year period. It is currently intended that, other than in exceptional circumstances, such as senior executive recruitment, all awards will be subject to performance conditions and that, the performance conditions will be linked principally to the Group's sales growth, or remain as an employee on vesting date, which is three years after grant date. The awards are conditional on employment service requirements.

The LTIP recognises the fast growth and changing nature of the Company and the need to recruit and retain executives in different employment markets around the world. Accordingly, the LTIP allows for the Remuneration Committee to exercise significant discretion in exceptional cases where the Committee considers executives will bring particular value to shareholders.

The fair value of share awards granted is estimated at the date of the grant, taking into account the terms and conditions upon which the LTIPs were granted.

	2019 Number of LTIPs ('000)	2018 Number of LTIPs ('000)
At 1 July	1,562	1,493
Granted	1,642	995
Exercised	(579)	(577)
Lapsed	(1,542)	(349)
At 30 June	1,083	1,562

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21 SHARE-BASED PAYMENT RESERVE CONTINUED

Details of share awards granted that are outstanding as at 30 June 2019 are as follows:

	Number of LTIPs Outstanding '000	Weighted average fair value at grant date (pound sterling)	Vesting requirements
Grant-vest			
Award 9			
20 January 2017 – 30 June 2020	201	2.86	Three years' service
Award 9			
20 January 2017 – 30 September 2020	300	2.86	Sales target
Award 10			
13 March 2017 – 31 March 2020	10	3.00	Three years' service
Award 11			
29 September 2017 – 30 September 2020	554	4.93	Three years' service
Award 12			
7 March 2018 – 15 March 2021	8	4.28	Three years' service
Award 13			
29 June 2018 – 16 April 2021	10	3.90	Three years' service
Total	1,083		

Subsequent to the year end, 417,174 units of LTIP is lapsed with the resignation of the Executive Directors who entitled to the LTIP.

22 BORROWINGS

	2019 USD'000	2018 (Restated*) USD'000
Current portion:		
– Term loans (a)	61,006	89,729
– Revolving credit facility (b)	33,265	32,363
Total borrowings	94,271	122,092

The carrying amounts are current and therefore are considered to approximate their fair value. The nominal amounts of the Group's outstanding borrowings are USD97,500,000 (2018: USD127,500,000).

During the year, the Group has capitalised borrowing costs of USD129,810 (2018: USD342,433) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 0.5% in the financial year ended 2019 (2018: 0.4%).

(a) Term loans

The term loans bore a weighted average effective interest rate of 5.39% (2018: 4.65%) per annum at the reporting date. These term loans bear floating rates (base rate plus a margin as imposed by the bank) that fluctuate because of changes in market interest rates.

Term loan and revolving loan (noted in b) is secured as follows:

(i) a fixed and floating charge over present and future assets; and

(ii) corporate guarantee by the Company.

(b) Revolving credit facility

The revolving credit facility borne a weighted average effective interest rate of 4.93% (2018: 4.18%) per annum at the reporting date. The revolving loan bears floating rates (base rate plus a margin as imposed by the bank) that fluctuates because of changes in market interest rates.

Owing to the breach in covenants in both FY19 and FY18, the term loan and the revolving credit facility have been reclassified as current debt as in accordance with terms in the facility agreement.

23 TRADE PAYABLES

The trade credit terms granted to the Group range from 0 to 90 days (2018: 0 to 90 days). The Group has obtained approval from its major leaf suppliers to defer the payment of its overdue debts to 180 days from the due date, which was a practice that continued throughout 2019.

	2019 USD'000	2018 USD'000
Current		
Trade payables	33,190	20,529

24 OTHER PAYABLES AND ACCRUALS

	2019 USD'000	2018 USD'000
Non-current		
Other payables	–	165
Deferred income	403	433
	403	598
Current		
Other payables	10,936	10,024
Deferred income	36	102
Accruals	12,313	8,041
	23,285	18,167

Deferred income as at the reporting date represents a form of regional government financial assistance for the purchase of high technology plant equipment. The deferred income will be amortised over the useful life of 20 years.

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25 TAXATION

	2019 USD'000	2018 (Restated*) USD'000
Current tax:		
Current tax on loss for the year	(994)	(475)
(Under)/ Over provision in respect of prior years	557	–
	(437)	(475)
Deferred tax:		
Origination and reversal of temporary differences**	(6,993)	2,259
	(7,430)	1,784

The Company was granted a tax assurance certificate dated 1 February 2012 under the Exempted Undertakings Tax Protection Act, 1966 pursuant to which it is exempted from any Bermuda taxes (other than local property taxes) until 31 March 2035.

The subsidiary, PureCircle Sdn. Bhd. ("PCSB"), has been granted the Bio-Nexus Status by the Malaysian Biotechnology Corporation Sdn. Bhd. in which PCSB is entitled to a 100% income tax exemption for a period of 10 years on its first statutory income commencing in year of assessment (YA) 2008. The 10-year incentive period expired in (YA) 2017. Subject to the Ministry of Finances (MOF) approval, PCSB will be entitled to a concessionary tax rate of 20% on income derived from qualifying activities for a further period of 10 years from (YA) 2018. However, given that the approval from the MOF is still pending, PCSB adopted the normal corporate tax rate at 24% (2018: 24%) on the income derived from the qualifying activities for the financial year end 30 June 2019.

Another subsidiary, PureCircle Trading Sdn. Bhd. ("PCT") has been granted the Principal Hub Status by the Malaysian Investment Development Authority in which PCT is entitled to a 100% income tax exemption for a period of 10 years on its statutory income commencing from YA 2017.

Another subsidiary of the Group, PureCircle (Jiangxi) Co. Ltd. ("PCJX"), has also been granted a 10% exemption on corporate tax from 1 January 2013 to 31 December 2020 by Ganzhou State Tax Revenue Department under the Western Ganzhou State Development program.

The tax rates applicable to the respective countries where the Group has operations are as bellows:

	2019 %	2018 %
United Kingdom (UK)	19	19
United States of America (US)	26	26
Malaysia	24	24
China	15	15

* Refer to Note 34.

** The Group has fully reversed a subsidiary's deferred tax assets of USD9,448,000 during the year (2018: NIL) which relates to carried forward tax losses. Refer to Note 6(iii) for more details.

A reconciliation of income tax expense applicable to the profit before taxation at the applicable tax rate to income tax expense at the effective tax rate of the Group is as follows:

	2019 USD'000	2018 (Restated*) USD'000
Loss before taxation	(72,243)	(3,446)
Tax at the applicable tax rates in the respective countries	(12,304)	(2,696)
Tax effects of:		
Non-deductible expenses	7,587	1,053
Non-taxable income	(3,688)	(361)
Over provision of taxation	(485)	(782)
Tax losses not recognised	4,028	140
Impact of difference in tax rate	–	2,081
Tax losses previously not recognised, now recognised**	–	(1,460)
Over recognition of prior year deferred tax asset***	9,448	241
Deferred tax assets not recognised during the financial year on temporary differences and unutilised tax losses	2,854	–
Income tax expense/(credit)	7,430	(1,784)

* Refer to Note 34.

** Being deferred tax assets recognised on tax losses not recognised as deferred tax assets in the previous year. The Group is of the opinion that such deferred tax assets are able to be recovered through future taxable profits generated.

*** The Group has fully reversed a subsidiary's deferred tax assets of USD9,448,000 during the year (2018: NIL) which relates to carried forward tax losses.

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26 LOSS BEFORE TAXATION

Included in the loss before taxation are the following charges and credits:

	2019 USD'000	2018 (Restated*) USD'000
Charges:		
Depreciation	8,178	8,311
Amortisation	2,755	1,715
Directors' remuneration	2,400	1,899
Share-based payment expense	2,291	1,725
Interest expenses	11,015	7,355
Direct cost of materials expensed	61,826	78,990
Write down of inventories to net realisable value	19,668	–
Provision of slow-moving inventory	14,807	–
Inventories written off	816	224
Wages and salaries	18,978	20,369
Defined contribution retirement plan	1,968	2,158
Operating lease	1,219	905
Research expenses**	714	956
Incremental professional costs	6,773	–
Credits:		
Amortisation of deferred income	101	73
Interest income	215	116

* Refer Note 34.

** Research expenses in relation to research activities are charged to the profit or loss.

27 OTHER INCOME AND OTHER EXPENSES

This note provides a breakdown of the items included in "other income", "other expenses", "finance income" and "finance costs' and an analysis of expenses by nature. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

(a) Other income

	2019 USD'000	2018 USD'000
Compensation on termination of R&D project	5,500	–
Gain on foreign exchange rate difference	–	1,363
Others	165	1,022
	5,665	2,385

The Group wrote off intangible assets which amounted to USD2.5 million because the joint collaboration partner had terminated the project (Note 6(a)). The partner agreed to pay a compensation amount to USD5.5 million recorded in other income. The Group received USD1,830,000 from the collaboration partner in FY19. However, an amount of USD1,830,000, which was due on 1 September 2019 was not received. Hence, the Group has provided a provision of bad debt on the remaining outstanding balance as at 30 June 2019 of USD3,670,000 (both current and non-current portions) and commenced legal action to recover the amounts owed.

(b) Other expenses

	Note	2019 USD'000	2018 USD'000
Write off of intangible asset	8	2,500	–
Restructuring costs		837	1,001
Incremental professional costs		6,773	–
Legal fees arising from lawsuits		897	–
Write off of trade receivables		–	34
Other		737	1,011
		11,744	2,046

The Group classifies its expenses according to function which include cost of sales, administrative expenses, finance costs and other expenses. The Group uses the by function method to distinguish its costs of sales from other expenses.

(c) Impairment on leaf development

The Group has provided an impairment of USD13,919,000 (2018: NIL) for its leaf development project in Latin America and North America due to unfavourable developments in the region. The impairment is classified as other expense function. Refer to Note 6.

(d) Impairment on product development

The Group has provided an impairment of USD1,760,000 (2018: NIL) for its intellectual property and product development projects in relation to a product with negative gross margin. The impairment is classified as other expense function. Refer to Note 6.

(e) Specific provision on trade receivables

The Group has provided a specific provision of USD1,834,000 (2018: NIL) for its specific customers with dispute over its overdue debts. The specific provision is classified as other expense function.

(f) Expected credit loss on trade receivables

The Group has provided an impairment of USD892,000 (2018: NIL) for its expected credit loss allowance on trade receivables. The expected credit loss is classified as other expense function. Refer Note 4(a) for details.

(g) Expected credit loss on other receivables

The Group has provided an impairment of USD3,670,000 (2018: NIL) for its expected credit loss allowance on its product development project with a counterparty. In addition, the Group has provided an additional impairment of USD137,000 (2018: NIL) for its expected credit loss allowance on its farmers' receivables. The expected credit loss is classified as other expense function. Refer Note 14 for more details.

(h) Finance income and costs

	2019 USD'000	2018 USD'000
Finance income		
Interest income from financial assets held for cash management purpose	215	116
Finance costs		
Interest expense on borrowing	7,183	6,070
Amortisation of transaction costs	2,386	1,285
Fair value movement on interest rate swaps*	1,446	–
Interest and finance charges paid/payable for financial	11,015	7,355

* In 2019, the amount was recognised in profit or loss in relation to change in fair value of interest rate swaps.

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28 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue:

	2019	2018 (Restated*)
Loss attributable to equity holders of the Company (USD'000)	(79,673)	(1,662)
Weighted average number of ordinary shares in issue ('000)	175,783	174,238
Impact of share awards outstanding ('000)	1,083	1,562
Diluted weighted average number of ordinary shares ('000)	176,866	175,800
Basic loss per share (US Cents)	(45.32)	(0.95)
Diluted loss per share (US Cents)	(45.32)	(0.95)

* Refer to Note 34.

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

The Group has related party relationships with:

(i) its subsidiaries and a joint venture; and

(ii) the Directors who are the key management personnel

(b) In addition to the information detailed elsewhere in the financial statements, details of the Group's transactions and balances with related parties during the financial year are set out below:

	2019 USD'000	2018 USD'000
(i) Related party		
Gross sales of goods to joint venture	116	1,081
Gross stock returns from joint venture	(476)	–
Rental expense*	(226)	(232)

* Rent is payable to a significant shareholder that is controlled by a Director who became a Director after year end. Refer to the post balance sheet events in Note 35.

(c) (i) Key management personnel compensation

Key management personnel are Executive Directors of the Group. The compensation paid or payable to key management for employee services is shown as below:

	2019 USD'000	2018 USD'000
Remuneration	1,540	1,297
Share-based payment expense	214	231
	1,754	1,528

30 SEGMENTAL REPORTING

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Management considers the Group to be a single operating segment whose activities are the production, marketing and distribution of natural sweeteners and flavours. Management determined the Group has one operating segment based on the criteria used by the Chief Executive Officer (CEO) for making strategic decisions.

Each subsidiary of the Group contributes to the overall operation of the Group. For example, leaf development activities are conducted in a variety of subsidiaries whilst the extraction of the leaf is conducted by a Chinese subsidiary and refining of the extract is conducted in a Malaysian subsidiary. From that perspective, the respective subsidiaries within the Group are designed to operate in such a way that their cash flows are tied to the Group's principal business - as described above – and are not therefore discrete. The existence of transfer pricing mechanism at subsidiary level for tax planning purposes does not preclude the fact these entities all jointly operate to fulfil the Group's primary activity of producing and selling Stevia-based high intensity sweeteners in the global market.

From a geographical perspective, the Group is a multinational with operations located on all continents but managed as one unified global organisation using a single extraction and refinery facility in China and Malaysia, respectively. The Group's markets and its supply chain are based in the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

	2019 USD'000	2018 (Restated*) USD'000
Trading		
Revenue from contracts with customers**	124,003	126,601
Cost of sales	(122,758)	(88,320)
Gross profit	1,245	38,281
Gross margin %	1.0%	30.2%
Other income****	5,875	1,138
Administrative expenses****	(34,477)	(34,813)
Operating (loss)/profit	(27,357)	4,606
Other expenses****	(33,955)	(2,046)
Foreign exchange gain	4	1,363
Finance costs	(11,015)	(7,355)
Share of gain/(loss) in joint venture	80	(14)
Taxation	(7,430)	1,784
Loss for the financial year	(79,673)	(1,662)
Adjusted EBITDA*****	(29,603)	14,724
Reconciliation of earnings to adjusted EBITDA:		
Loss for the financial year	(79,673)	(1,662)
Depreciation and amortisation	10,933	10,026
Finance costs	11,015	7,355
Taxation	7,430	(1,784)
Exceptional items***	20,692	789
Adjusted EBITDA	(29,603)	14,724

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30 SEGMENTAL REPORTING CONTINUED

	2019 USD'000	2018 (Restated*) USD'000
Gross borrowings	94,271	122,092
Less: Gross cash	(25,675)	(23,987)
Net debt	68,596	98,105
Gross cash	25,675	23,987

* Refer to Note 34.

** Under segmental reporting, revenues of approximately USD73 million (2018*: USD73 million) which consist of more than 60% (2018*: 58%) of total revenue are derived from five external customers. These revenues are attributable to the customers in the United States.

*** Exceptional items are one-off in nature and are not expected to recur. During the year, management has impaired the leaf development in Latin America and North America amounted to USD13,919,000. In addition, there are incremental professional costs of USD6,773,000 (2018: NIL) in relation to the provision of audit, legal and advisory services from professionals arising from the review of the Group's inventory cost allocation methodology and debt covenants. The main components of the exceptional costs are as follows:

	2019 USD'000	2018 (*Restated) USD'000
U.S. Customs and Border Protection issue	–	157
Other	–	632
Impairment of leaf development costs	13,919	–
Incremental professional costs	6,773	–
Total exceptional items	20,692	789

Excluding the exceptional items, the diluted loss per share was USD33.55 per share (2018: USD0.50 per share) and calculated based on the net loss excluded exceptional items during the year of USD58,981,000 (2018: USD873,000) divided by the weighted average number of ordinary shares in issue at the reporting date of 175,783,000 (2018: 174,276,000).

**** Other income and other expenses in the table above exclude foreign exchange gains and losses which are reported separately, and include finance income of USD215,000 (2018: USD116,000). USD2.3m (2018: USD2.3m) of costs associated with the Group's LTIP scheme and bonus scheme have been reclassified from administrative expenses to other expenses.

***** Adjusted EBITDA is defined as EBITDA with other expenses (principally the charge of the Group's exceptional items, depreciation and amortisation, taxation and finance cost) added back.

Geographical information

	Asia USD'000	Europe** USD'000	Americas USD'000	Goodwill USD'000	Total USD'000
30 June 2019					
External revenue	20,266	37,790	65,947	–	124,003
Non-current assets	133,798	1,390	9,879	1,806	146,873
Current assets	115,973	18,412	30,951	–	165,336
30 June 2018					
External revenue (Restated*)	16,049	47,218	63,334	–	126,601
Non-current assets (Restated*)	154,898	1,531	19,053	1,806	177,288
Current assets (Restated*)	138,398	25,021	32,383	–	195,802

Basis of attributing sales by geographical region is based on location of sales. All sales are recognised at a point in time.

The primary performance indicators used by the Group are revenues, gross margin %, Adjusted EBITDA, net cash from operations, gross cash and borrowings. Management consider these alternative performance measures helpful in understanding the performance of the business.

The net assets per share is USD0.91 per share (2018: USD1.21 per share) and calculated based on the net assets book value at the reporting date of USD159,477,000 (2018*: USD210,167,000) divided by the weighted average number of ordinary shares in issue at the reporting date of 175,783,000 (2018: 174,276,000).

The entity is domiciled in Bermuda. The entity's non-current assets are located in countries other than Bermuda. There is no revenue from Bermuda.

* Refer to Note 34.

** The Europe segment includes results and sales to the Group's European joint venture, which was in liquidation at the balance sheet date.

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2019 USD'000	2018 USD'000
Authorised capital expenditure contracted for		
– Property, plant and equipment	2,651	269
Authorised capital expenditure not contracted for	1,568	6,401

(b) Operating lease commitments

The Group also leases corporate office under non-cancellable operating lease agreements. The lease expenditure charged to the profit or loss during the year is disclosed in Note 26

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 USD'000	2018 USD'000
The present value of operating lease is as follows:		
– No later than 1 year	1,324	800
– Later than 1 year and no later than 5 years	2,740	3,725
– More than 5 years	1,470	1,715
	5,534	6,240

32 DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018*	
	Assets USD'000	Liabilities USD'000	Assets USD'000	Liabilities USD'000
30 June 2019				
Non-current liabilities:				
Interest rate swaps	–	1,446	–	–

* IRS was entered on 29 June 2018 and the fair value was immaterial to be disclosed as at 30 June 2018

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33 CHANGES IN ACCOUNTING POLICIES

This Note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group applied IFRS 9 retrospectively, with certain permitted exceptions. Comparative figures have not been restated.

(i) Classification and measurement

The adoption of IFRS 9 did not result in any changes in the measurement or classification of financial instruments. All classes of financial assets and financial liabilities will continue to be measured on the same basis under IFRS 9. The effect of adopting IFRS9 on the carrying amounts of financial assets and liabilities relates solely to the new impairment requirements as explained in Note 5 (a) and (b), all other carrying values remained the same.

Below is the original and new classification and measurement of financial instruments:

	Original	New
Financial assets		
Cash and cash equivalents	Loan and receivables – amortised cost	Financial assets at amortised costs
Money market fund	Available for sales – fair value	Fair value through profit or loss
Trade receivables	Loans and receivables – amortised cost	Financial assets at amortised cost
Other receivables, deposits and prepayments	Loans and receivables – amortised cost	Financial assets at amortised cost
Financial liabilities		
Trade payables	Other liabilities – amortised costs	Other financial liabilities – amortised costs
Bank loans and overdrafts	Other liabilities – amortised costs	Other financial liabilities – amortised costs
Derivative financial instruments	Held for trading – fair value	Fair value through profit or loss

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Consistent with note 4(a), the Group revised its impairment methodology for trade receivables by applying the simplified approach to provide for expected credit losses prescribed by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has determined that the application of IFRS 9's impairment requirements at 1 July 2018 results in an additional allowance for impairment as follows.

	USD'000
Loss allowance at 30 June 2018 under IAS 39	510
Additional impairment recognised at 1 July 2018 on:	
Trade receivables	323
Loss allowance at 1 July 2018 under IFRS 9	833

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires entities to recognise revenue to depict the satisfaction of a performance obligation in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the related goods or services. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. As discussed in Note 5(t), the amount of revenue recognised is recorded net of any sales allowances as the nature of the arrangements with customers are such that the Group must arrange for a third party to provide a specified good to the customer.

Transfer of control is not the same as transfer of risks and rewards as previously considered for revenue recognition. The Group recognises revenue when it satisfies a performance obligation by transferring control of a promised good to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer service to a customer). Based upon the Group's operations, performance obligations are all recognised at a point in time for distinct promised goods under a standard ship-and-bill model. In certain cases the Group may enter into less straightforward contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. As a result, the Group has implemented an up-front review of contracts and amendments to ensure compliance with IFRS 15.

The Group applied IFRS 15 using a modified retrospective approach, with the date of initial application of 1 July 2018. The adoption did not have a material impact on the Group's financial statements, as the application of the new standard does not result in differences with the existing accounting principles of the Group, other than certain changes in the disclosure requirements. The timing of the recognition of product sales and the basis for the estimates of sales deductions under IAS 18 are consistent with those adopted under IFRS 15. Accordingly, no adjustment was made to the opening balance of accumulated losses as at 1 July 2018.

34 PRIOR YEAR ADJUSTMENTS

During the year, it was identified that the Group's revenue was not appropriately recorded in the prior period due to recognition of a non-commercial linked transaction and cut off errors. As a result, historical revenue was overstated.

During the year, it was identified that the Group's costing methodology was not appropriately allocating the full cost of inventory sold to comprehensive income, but instead, certain costs remained capitalised in inventory. As such, historical inventory was overstated and historical cost of sales was understated.

As a result of the above restatements to prior period revenue and cost of sales, the Group did not comply with certain of their debt covenants as at 30 June 2018 and therefore debt was reclassified to current for this period.

Revenue, receivables, inventory, and cost of sales for the financial year then ended 30 June 2018 as well as the opening balance in retained earnings as at 1 July 2017 was restated and the related tax impact was considered. Additionally, as a result of covenant breaches in FY18 and FY19, borrowings have been reclassified to current from noncurrent.

Accordingly, the comparative financial information has now been restated as follows:

	As previously reported USD'000	Prior year adjustments Revenue USD'000	Inventory USD'000	Borrowing USD'000	IFRS9 USD'000	As restated USD'000
(a) Impact on the statement of comprehensive income:						
For the financial year ended 30 June 2018						
Revenue	131,066	(4,465)	–	–	–	126,601
Cost of sales	(81,824)	798	(7,294)	–	–	(88,320)
Profit/(Loss) before taxation	7,514	(3,666)	(7,294)	–	–	(3,446)
Taxation	1,183	19	582	–	–	1,784
Profit/(Loss) for the financial year	8,697	(3,647)	(6,712)	–	–	(1,662)

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34 PRIOR YEAR ADJUSTMENTS CONTINUED

	As previously reported USD'000	Prior year adjustments Revenue USD'000	Inventory USD'000	Borrowing USD'000	IFRS9 USD'000	As restated USD'000
(b) Impact on the statement of financial position:						
As at 1 July 2017						
Current assets:						
Inventories	106,007	3,707	(4,486)	–	–	105,228
Trade receivables	58,019	(5,094)	–	–	–	52,925
Current liabilities:						
Other payables and accruals	24,637	(116)	–	–	–	24,521
Non-current liabilities:						
Deferred tax liabilities	3,264	–	310	–	–	3,574
Equity:						
Foreign exchange translation reserve	(22,531)	2	–	–	–	(22,529)
Accumulated losses	(13,195)	(1,503)	(4,566)	–	–	(19,264)
As at 30 June 2018						
Current assets:						
Inventories	122,538	4,505	(11,556)	–	–	115,487
Trade receivable	57,496	(9,495)	–	–	–	48,001
Non-current liabilities:						
Deferred tax liabilities	1,365	19	(282)	–	–	1,102
Long-term borrowings	112,903	–	–	(112,903)	–	–
Current liabilities:						
Short-term borrowings	9,189	–	–	112,903	–	122,092
Other payables and accruals	18,171	(4)	–	–	–	18,167
Equity:						
Foreign exchange translation reserve	(14,155)	149	–	–	–	(14,006)
Accumulated losses	(4,498)	(5,009)	(11,419)	–	–	(20,926)
(c) Impact on the statement of changes in equity:						
As at 1 July 2017						
Foreign exchange translation reserve	(22,531)	2	–	–	–	(22,529)
Accumulated losses	(13,195)	(1,503)	(4,566)	–	–	(19,264)
As at 30 June 2018						
Foreign exchange translation reserve	(14,155)	149	–	–	–	(14,006)
Accumulated losses	(4,498)	(5,009)	(11,419)	–	(323)*	(21,249)

* The adjustment relates to application of IFRS 9's impairment requirements at 1 July 2018 results in an additional allowance for impairment. Refer Note 33(a) for more details.

	As previously reported USD'000	Revenue USD'000	Prior year adjustments Inventory USD'000	Borrowing USD'000	IFRS9 USD'000	As restated USD'000
(d) Impact on the statement of cash flows:						
Profit/(Loss) before taxation	7,514	(3,666)	(7,294)	–	–	(3,446)
Operating cash flow before working capital changes	24,425	(3,666)	(7,294)	–	–	13,465
Increase in inventories	(16,700)	(4,505)	10,778	–	–	(10,427)
Decrease in trade and other receivables	3,390	4,401	–	–	–	7,791
Net cash from operations	16,100	(174)	–	–	–	15,926
Net cash generated from operating activities	3,015	(174)	–	–	–	2,841
Net decrease in cash and cash equivalents	(13,331)	(175)	–	–	–	(13,506)
Effects of foreign exchange rate	4,522	175	–	–	–	4,697

Given that the Group's key performance indicators include non-GAAP measures, a schedule below is included to provide detail on the impact to earnings per share (EPS), gross margins, and earnings before profit, taxes, depreciation and amortisation (EBITDA).

Key Financial Metrics	As previously reported	Prior year Adjustment	As restated
Financial year ended 30 June 2018			
Earnings/(Loss) per share (US cents)			
– Basic	4.99	(5.94)	(0.95)
– Diluted	4.95	(5.90)	(0.95)
Gross Margin %	37.6%	(7.4%)	30.2%
Adjusted EBITDA (USD'000)	28,836	(14,112)	14,724

35 POST BALANCE SHEET EVENTS

Events after the period end comprise:

(a) On 11 November 2019, Wan Azmi Wan Hamzah, Tan Sri was appointed as a Non-Independent Non-Executive Director of the Company. He has a total combined interest of 11.2% of the share capital of the Company through two family investment vehicles, namely Halfmoon Bay Capital Limited and Alwaha Fund Limited, both of which are significant shareholders. A subsidiary of the Group, PureCircle Trading Sdn Bhd ("PCT") entered into an office rental agreement with an entity controlled by Wan Azmi Wan Hamzah, Tan Sri on 26 October 2015 for a fixed term of 6 years and a renewal term of 4 years commenced from 1 July 2015 at monthly rental ranging from USD18,000 to USD20,000.00. The rental agreement was made at arm's length.

(b) On 14 November 2019, Mr. Magomet Malsagov voluntarily agreed to stand aside on a temporary basis as Group CEO and as a Director of the Company and its subsidiaries. He subsequently resigned on 17 December 2019.

(c) On 22 November 2019, Mr. Rakesh Sinha resigned as the Director of the Company and its subsidiaries. He subsequently resigned as Chief Financial Officer on 12 December 2019.

(d) On 19 December 2019, the Department of Homeland Security U.S. Customs and Border Protection's ("CBP") issued the Group with 20 Notices of Penalty or Liquidated Damages Incurred and Demand for Payment seeking payment of USD 8,377,920.00 in penalties for shipments from December 4, 2014 to February 4, 2016, that CBP asserts may have included Stevia that derived from convict or forced labor from the Baoanzhao region of China. As at the date of signing of the financial statements, management is of the view that the contingent liability of USD8,377,920 is very unlikely to be a liability as CBP has not provided any proof of its claims. No provision should be made as at 30 June 2019.

(e) On 23 December 2019, one of the Group's subsidiary, PureCircle Sendirian Berhad ("PCSB") received a letter of notification from the Royal Malaysian Customs Department of Selangor ("Customs") claiming back-payment of import duties of USD8,800,000 on the import of ethanol between March 2017 and April 2019 because imported ethanol purity levels did not agree with the approved exemption letter from the Malaysian Investment Development Authority ("MIDA"). On 31 January 2020, PCSB subsequently obtained a new exemption letter from MIDA on the import of ethanol without specification of the purity level for import from January 2020 to December 2020. An appeal letter has been issued to MIDA to obtain waiver on the import duties of the past transactions. As at the date of signing of the financial statements, the Directors are unable to reliably estimate the cost to settle any potential claim with respect to this matter as no demand has yet to be received. Accordingly, no provision has been made in the financial statements.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

for the financial year ended 30 June 2019

35 POST BALANCE SHEET EVENTS CONTINUED

(f) On 16 January 2020, the Group has obtained a subordinated term facility from certain shareholders and related parties of the Group of USD8,600,000. The term facility is unsecured with interest rate at 7.85% per annum plus LIBOR for an interest period of 6 months which was made at arm's length.

(g) On 10 February 2020, Lai Hock Meng (Peter) was appointed as the Chief Executive Officer and an Executive Director of the Company. He holds 280,000 ordinary shares in the Company, representing 0.15% of the ordinary share capital of the Company.

(h) On 10 February 2020, Olivier Maes was appointed as an Independent Non-Executive Director of the Company. He holds a total of 513,821 ordinary shares in the Company, representing 0.28% of the ordinary share capital of the Company, of which 375,420 ordinary shares are held directly and 138,401 ordinary shares are jointly held with his children.

(i) The Company has secured approval from its lenders of a Waivers and Amendments to its Senior Facility Agreement which became fully effective on 18 February 2020.

(j) The Company has secured an approval from its lenders of a waiver to submit a proposed forecast set of certain financial ratios as at 31 March 2020 by the required deadline and have obtained an extension of time to finalise and publish its FY2019 audited financial statements by 31 March 2020 and approval waiver on failing to provide a fortnightly update on the Group's financial and operational performance to lenders by the required deadline.

(k) In light of COVID-19 pandemic, operations at the Group's extraction plant in China was suspended from 31 January 2020 to 18 February 2020 to adhere to the authority's measure to contain the outbreak. In addition, operations of the Group's refinery factory located in Malaysia has been suspended since 18 March 2020 to comply with the Malaysian government's movement control order. However, we expect to resume operations immediately, following approval by the authorities of our application to reopen and restart production.

Parent Company Statement of Financial Position

as at 30 June 2019

	Note	2019 USD'000	2018 USD'000
Assets			
Non-current assets			
Investment in subsidiaries	3	209,469	142,409
Intangible assets	4	449	473
Property, plant and equipment		111	232
		210,029	143,114
Current assets			
Other receivables, deposits and prepayments	5	375	275
Amount owed by subsidiaries	6	1,833	49,507
Cash and cash equivalents	7	5,238	2,781
		7,446	52,563
Total assets		217,475	195,677
Equity and liability			
Equity			
Share capital	8	18,436	17,428
Share premium	9	259,999	225,504
Share-based payment reserve	10	2,099	2,167
Accumulated losses		(108,204)	(54,506)
Total equity		172,330	190,593
Current liability			
Amount due to subsidiaries	6	35,861	2,975
Amount due to a related Company		3	–
Other payables and accruals	11	9,281	2,109
Total liability		45,145	5,084
Total equity and liability		217,475	195,677

The annexed Notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

Parent Company Statement of Comprehensive Income

for the financial year ended 30 June 2019

	Note	2019 USD'000	2018 USD'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses	12	(2,798)	(3,635)
Other expenses	13	(6,809)	(293)
Impairment losses on investment in subsidiaries	3	(39,560)	–
Write off on amount owed by subsidiaries	6	(604)	–
Expected credit loss on amount owed by subsidiaries	6	(3,448)	–
Expected credit loss on other receivables	5	(3,670)	–
Other income	14	3,143	–
Finance income		48	8
Finance costs		–	(17)
Loss before taxation	15	(53,698)	(3,937)
Taxation		–	–
Loss for the financial year and total comprehensive expense		(53,698)	(3,937)

The annexed Notes form an integral part of these financial statements.

Parent Company Statement of Changes in Equity

for the financial year ended 30 June 2019

	Attributable to owners of the Company				
	Share capital USD'000	Share premium USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
As at 01 July 2018	17,428	225,504	2,167	(54,506)	190,593
Loss for the financial year	–	–	–	(53,698)	(53,698)
Transactions with owners:					
Issuance of share capital	950	32,919	–	–	33,869
Transaction costs	–	(725)	–	–	(725)
Share awards scheme compensation expense for the financial year	–	–	2,291	–	2,291
Exercise of share awards	58	2,301	(2,359)	–	–
	1,008	34,495	(68)	–	35,435
As at 30 June 2019	18,436	259,999	2,099	(108,204)	172,330
As at 01 July 2017	17,371	222,284	3,719	(50,569)	192,805
Loss for the financial year	–	–	–	(3,937)	(3,937)
Transactions with owners:					
Share awards scheme compensation expense for the financial year	–	–	1,725	–	1,725
Exercise of share awards	57	3,220	(3,277)	–	–
	57	3,220	(1,552)	–	1,725
As at 30 June 2018	17,428	225,504	2,167	(54,506)	190,593

* Refer Note 16

FINANCIAL STATEMENTS

Parent Company Statement of Cash Flows

for the financial year ended 30 June 2019

	Note	2019 USD'000	2018 (Restated) USD'000
Cash flows from operating activities			
Loss before taxation		(53,698)	(3,937)
Adjustments for:			
Amortisation of intangible assets		24	–
Depreciation of property, plant and equipment		121	142
Interest expense		–	17
Interest income		(48)	(8)
Share-based payment		2,291	1,725
Impairment loss on investment in subsidiaries		39,560	–
Write off on amounts owed by subsidiaries		604	–
Expected credit loss on amounts owed by subsidiaries		3,448	–
Expected credit loss on other receivables		3,670	–
Liquidation of a subsidiary		–	133
Unrealised foreign exchange loss/(gain)		7	(34)
Operating cash flow before working capital changes		(4,021)	(1,962)
(Increase)/Decrease in trade and other receivables		(3,770)	643
Increase/(Decrease) in trade and other payables		7,164	(3,660)
Net cash used in operations		(627)	(4,979)
Interest received		48	8
Net cash used in operating activities		(579)	(4,971)
Cash flows from investing activities			
Increase in investment in a subsidiary		(743)	(496)
Advances to subsidiaries		(29,367)	(4,107)
Repayment from subsidiaries		–	10,710
Net cash (used in)/generated from investing activities		(30,110)	6,107
Cash flows from financing activities			
Proceeds from issuance of shares		33,869	–
Transaction costs paid		(725)	–
Net cash generated from financing activities		33,144	–
Net increase in cash and cash equivalents		2,455	1,136
Effects of foreign exchange rate changes on cash and cash equivalents		2	14
Cash and cash equivalents at beginning of the financial year		2,781	1,631
Cash and cash equivalents at end of the financial year	7	5,238	2,781

The annexed Notes form an integral part of these financial statements.

Notes to the Parent Company Financial Statements

for the financial year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') as issued by the Financial Reporting Council and with the Bermuda Companies Act 1981.

FRS 101 requires the financial statements to be prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), whilst allowing for a number of reduced disclosure exemptions as highlighted below.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the going concern basis of accounting under the historical cost convention.

As explained in the Group's section that there are significant risks that the Group will not be able to maintain access to its lending facility and otherwise meet its obligations as they fall due, same applies to the Company. Together, these matters indicate the existence of a material uncertainty with which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-based payment" (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, "Financial Instruments: Disclosures."
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, "Presentation of financial statements" comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 "Presentation of Financial Statements";
  - (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
  - (iii) paragraph 118(e) of IAS 38 "Intangible Assets" (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - (i) paragraph 16 (statement of compliance with all IFRS);
  - (ii) paragraph 134-136 (capital management disclosures) of IAS 1, "Presentation of Financial Statements."
- Paragraph 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, "Related Party Disclosures" (key management compensation)
- The requirements in IAS 24, "Related Party Disclosures" to disclose related party transactions entered into between two or more wholly owned members of a group.

After reviewing the Company's annual budget, plans and financing arrangements for at least the next 12 months, the Directors consider that the Company has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing its financial statements.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

FINANCIAL STATEMENTS

Notes to the Parent Company Financial Statements continued

for the financial year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(a) Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Company is United States Dollar ("USD").

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment in the statement of financial position of the Company. The carrying amounts of the investments in subsidiaries are assessed for impairment and written down immediately to their recoverable amount if there are events or changes in circumstances that indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the profit or loss. The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

Investment in subsidiaries includes amount owing by subsidiaries which are treated as an extension to its investment and are classified as equity. These amounts relate to payments made on behalf of subsidiaries that the Company has confirmed, to the subsidiary in writing, are not required to be repaid and should be considered an extension of the investment it made. As such these are considered capital contributions and treated as investments in subsidiaries. The carrying amount of such investments are assessed for impairment and written down immediately to their recoverable amount if there are events or changes in circumstances that indicate that their carrying value may not be recoverable.

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The intellectual property consists of the internal investment and external acquisition costs of the trademarks in connection with the production of natural sweeteners, pharmaceutical products and chemical derivatives of bio-organic and physiologically active compounds. The acquisition cost is capitalised as an intangible asset as it is able to generate future economic benefits to the Company.

Trademarks are subject to estimated useful life of no more than 20 years and are amortised starting from the financial year when the product is first viable for commercial use. The Directors will continue to reassess the basis of that useful life of the trademarks on an annual basis. Intellectual property is stated at cost less amortisation costs and impairment losses. Intellectual property is tested for impairment annually or more frequently when indicators of impairment are identified.

(d) Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Office equipment, furniture and fittings and renovations	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(e) Impairment of non-financial assets

Intangible assets are subject to amortisation. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal of the impairment at each reporting date. The impairment is charged to profit or loss. Any subsequent increase in recoverable amount is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, short-term deposits with licensed banks with maturities of three month or less, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude restricted cash.

(g) Financial assets

IFRS 9 Financial Instruments has been adopted from 1 July 2018 and resulted in changes in accounting policies. The new accounting policies are set out below. There is no impact from the adoption of IFRS 9 to the Company and hence comparative figures have not been restated.

All of the Company's financial assets are measured at amortised cost as they are held within a business model whose objective is to collect the contractual cash flows and the contractual terms are such that the cash flows are solely payments of principle and interest.

Financial assets are recognised on the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its transaction price plus any transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses.

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses are presented as a separate line item in the profit or loss.

For trade receivables and amounts owed by subsidiaries, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Where there is no reasonable expectation of recovery, a receivable is written off and presented in a separate line in the profit or loss under 'Impairment Loss'.

The amounts owed by subsidiaries represents payments made on behalf of the Company which are unsecured, interest-free and repayable on demand.

(h) Amounts owed to subsidiaries

Amounts owed to subsidiaries represents liabilities for payments made on behalf to the Company for services by subsidiaries. Amounts owed to subsidiaries are classified as current liabilities as the payment is due within 12 months after the reporting period.

(i) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

The Company's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans. The Company has no defined benefit plan.

(j) Share-based payment

The Company operates a long term incentive programme which is an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share awards) of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense over the vesting period. The total amount to be expensed is determined by reference to the fair value of the shares granted excluding the impact of any non-market vesting conditions and the number of shares expected to vest. Non-market vesting conditions are included in assumptions about the number of share awards that are expected to become exercisable.

When the share awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share awards are exercised.

The grant by the Company of share awards over its equity instruments to the employees of subsidiary undertakings in the Parent is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

FINANCIAL STATEMENTS

Notes to the Parent Company Financial Statements continued

for the financial year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal and constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(l) Revenue

The Company has applied IFRS 15 Revenue from Contracts with Customers for the first time for the financial year beginning on 1 July 2018. There is no impact from the adoption of IFRS 15 to the Company as the Company does not generate revenue from contracts with customers.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Investment in subsidiaries carrying value

Investment in subsidiaries represents costs expended in obtaining control of the subsidiaries, plus any consideration paid for the additional interest at fair value.

In accordance with IAS 36 Impairment of Assets, an annual assessment for potential impairment triggering events is conducted. Whenever it is determined that events or changes in circumstances indicate that carrying amounts may not be recoverable, an indication of impairment is determined to exist. If such an indication exists, the recoverable amount of the asset is estimated.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount. The recoverable amounts of each respective investment in subsidiaries is determined based on the higher of the value in use and fair value less costs of disposal. The respective values in use are determined based on the discounted cash flows to be generated by the subsidiaries over a five-year period, taking into consideration the terminal growth of the subsidiaries. The pre-tax discount rate used is 8% per annum for all individual subsidiaries tested for impairment. It is considered appropriate to utilise the Group discount rate for each individual subsidiary tested given that the Group has incorporated into each respective subsidiary's cash flows any subsidiary-specific or territory-specific risk.

As there are no readily available market prices for the unquoted investments in the subsidiaries, the fair value less costs to disposal are determined by measuring the fair value of the individual assets and liabilities recognised in the respective subsidiary's statement of financial position as well as the fair value of any unrecognised assets and liabilities at the measurement date, less any costs to sell. Management determined the fair value of each subsidiary's net assets based on liquidated assets which are readily convertible to cash.

Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in previous periods are reversed if there has been an improvement in the estimates used to determine the asset's recoverable amount and net book values. There have been no such indications in FY2019. Asset impairments have the potential to significantly impact operating profit.

As at 30 June 2019, there were impairment indicators on investments in certain subsidiaries of the Company and therefore management performed an impairment assessment on the respective investments in subsidiaries and impairment losses amounting to USD39,560,000 (2018: NIL) were recognised on the carrying amounts of the investments in subsidiaries.

Details of the impairment for the investments in subsidiaries during the financial year ended 30 June 2019 are as follows:

(i) Investment in PureCircle USA Inc. ("PCUSA")

PCUSA is principally engaged in the sales and marketing of stevia related products to customers in the North American region. The subsidiary was in an operating loss position in FY2019 due to the lower demand of stevia related products by customers in the region and the increase in operating expenses. During the financial year ended 30 June 2019, PCUSA did not meet its budgeted sales targets and additionally management shifted its strategy which was previously expected to restructure PCUSA to reduce operating expenses and increase profitability. As a result, the latest forecast suggests that PCUSA will continue to incur operating losses in the next 5 years and accordingly. As a result, the Parent Company's investment in PCUSA of USD14.5million has been fully impaired based on the 5-year discounted cashflow forecast assessment done in FY19. Changes to any critical assumptions utilised to assess recoverability would not change the amount impaired.

(ii) Investment in PureCircle South America Sociedad Anonima ("PCSAM")

PCSAM is principally engaged in the supply and development of stevia leaf in Paraguay. Leaf supply from Paraguay is shipped for further processing to the Group's extraction plant in China, before they can be produced into finished goods. The trade restrictions imposed by China on imports from Paraguay resulted in leaf inventory overhang in Paraguay. As the trade restrictions are not expected to be lifted in the near term and given the uncertainty in obtaining another route to market, the recoverable amount per the Company's VIU assessment is below the carrying amount of the investment in PCSAM and an impairment of USD12.724 million was recognised.

(iii) Investment in PureCircle Africa Limited ("PCA")

In the prior financial years, PCA purchased stevia leaf from local farmers in Africa and subsequently sold these leaves to PureCircle Trading Sdn Bhd ("PCT") on a gross margin basis. During the financial year ended 30 June 2019, there was a change in the leaf supply chain arrangement in Africa and PCT now purchases the stevia leaf directly from the African farmers. As a result of the change in the leaf supply chain arrangement, PCA's business operations will be limited to managing the Group's leaf cultivation in Kenya and Zambia and will no longer generate operating profit. At 30 June 2019 PCA still has readily convertible net assets which are considered to represent the fair value less cost to dispose of the investment. An impairment loss of USD761,000 has been recognised to reduce the investment to its recoverable amount.

(iv) Investment in PureCircle USA Holdings Inc. ("PCUSAH")

The Company has fully impaired the carrying amount of the investment in its subsidiary, PCUSAH of USD700,000 (2018: NIL). PCUSAH has become dormant on 1 July 2018 with no continuing business operations. Hence, management does not expect PCUSAH to generate future cash inflows for the Company to recover its costs of investment in PCUSAH.

(v) Investment in PureCircle (UK) Limited. ("PCUK")

PCUK is principally engaged in the sales and marketing of stevia related products to customers in the Europe and Middle East region. The subsidiary was in an operating loss position in FY2019 due to the lower demand of stevia related products by customers in the region and the increase in operating expenses, hence an indication of impairment. An impairment of USD10.875 million was recognised during the year based on value in use calculation using cash flow projections. Assuming the long term growth rate reduced to 0%, a further impairment of USD3.16 million would have to recognise against the carrying amount.

3 INVESTMENT IN SUBSIDIARIES

	2019 USD'000	2018 (Restated) USD'000
Investment in subsidiaries	77,731	77,731
Add: Additions	743	–
Less: Impairment losses	(25,951)	–
	52,523	77,731
Gross amount owed by subsidiaries	64,678	64,678
Add: Additions*	105,877	–
Less: Impairment losses	(13,609)	–
At 30 June	209,469	142,409

During the year, the Company has recognised impairment losses amounting to USD25,951,000 (2018: NIL) arising from the carrying amount of investment in subsidiaries exceeding the estimated recoverable amount of the subsidiaries. Refer Note 2 (a) for details.

Amounts owed by subsidiaries are treated as an extension of investments in subsidiaries. See Note 1(a) for details. During the year, the Company has recognised impairment amounting to USD13,609,000 (2018: NIL) arising from the carrying amount of amount owed by subsidiary exceeding the estimated recoverable amount of the subsidiary.

* During the year, there was additional amount owed by its subsidiaries of USD105,877,000 (2018: NIL) that was confirmed as non repayable and has been treated as capital contribution by the Company.

FINANCIAL STATEMENTS

Notes to the Parent Company Financial Statements continued

for the financial year ended 30 June 2019

3 INVESTMENT IN SUBSIDIARIES CONTINUED

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2019	Effective Equity Interest 2018	Principal Activities
Held directly by PureCircle Limited "PCL"				
PureCircle Sdn. Bhd. ("PCSB")	Malaysia	100%	100%	Production and distribution of natural sweeteners and flavours.
PureCircle Mexico S.A. de C.V. ("PCMEX")*	Mexico	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle S.A. ("PCSA")*****	Switzerland	-	100%	Investment holding and sales and marketing of natural sweeteners and flavours.
PureCircle Australia Pty. Ltd. ("PCAU")	Australia	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle USA Holdings Inc. ("PCUSAH")	United States of America ("USA")	100%	100%	Investment holding.
PureCircle (UK) Limited ("PCUK")	England and Wales	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Africa Limited ("PCA") ******	Kenya	100%	100%	Supply and development of stevia agronomy.
PureCircle South America Sociedad Anonima ("PCSAM")	Paraguay	100%	100%	Supply and development of stevia agronomy.
PureCircle (China) Limited ("PCC")	Hong Kong	100%	100%	Investment holding.
PureCircle USA Inc. ("PCUSA")	United States of America ("USA")	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle (S.E.A) Sdn. Bhd. (formerly known as PureCircle Stevia Sdn. Bhd.) ("PCSEA")	Malaysia	–	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Trading Sdn. Bhd. ("PCT")	Malaysia	100%	100%	Sales, marketing and distribution of natural sweeteners and flavours.
PureCircle Natural Ingredient India Private Limited ("PCI")**	India	100%	100%	Sales and marketing of natural sweeteners and flavours.
Held by PCMEX				
PCM PureCircle De Mexico S.A. de C.V. ("PCMSPV") ***	Mexico	100%	100%	Receivable financing for its immediate holding company.
PureCircle Company LLC ("PCUSSPV")	United States of America ("USA")	100%	100%	Receivable financing for its immediate holding Company.
Held by PCUK				
PureCircle Company (UK) Ltd ("PCUKSPV")	England and Wales	100%	100%	Receivable financing for its immediate holding Company.
Held by PCSB				
PureCircle (Jiangxi) Co Ltd ("PCJX")	The People's Republic of China ("The PRC")	100%	100%	Supply chain, production and distribution of natural sweeteners and flavours.
PureCircle (Shanghai) Co. Ltd. ("PCSH")	The People's Republic of China ("The PRC")	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Servicios Mexico S.A. de C.V. ("PCMSA")	Mexico	100%	100%	Dormant.
PureCircle Do Brasil Promocao e Marketing Ltda ("PCBR") ****	Brazil	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle (S.E.A) Sdn. Bhd. (formerly known as PureCircle Stevia Sdn. Bhd.) ("PCSEA")	Malaysia	100%	–	Sales and marketing of natural sweeteners and flavours.
Held by PCC				
PureCircle China Agriculture Development Co. Ltd ("PCAD")	The People's Republic of China ("The PRC")	100%	100%	Supply and development of stevia agronomy.

* 99% held directly by the Company and 1% held through PCUSAH

** 99% held directly by the Company and 1% held through PCT

*** 1% held directly by the Company and 99% held through PCMEX

**** 1% held directly by the Company and 99% held through PCSB

***** Liquidation of investment in subsidiary, PureCircle S.A.

******PureCircle Africa Limited, formerly known as PureCircle Kenya Limited changed its name on 19 July 2018.

4 INTANGIBLE ASSETS

	Intellectual property rights USD'000
Cost	
At 1 July 2018	473
Additions	–
At 30 June 2019	473
Accumulated amortisation	
At 1 July 2018	–
Charge for the financial year	24
At 30 June 2019	24
Net carrying amount	
At 30 June 2019	449
Cost	
At 1 July 2017	473
Additions	–
At 30 June 2018	473
Accumulated amortisation	
At 1 July 2017	–
Charge for the financial year	–
At 30 June 2018	–
Net carrying amount	
At 30 June 2018	473

5 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 USD'000	2018 USD'000
Non-current		
Other receivables	1,840	–
Expected credit loss	(1,840)	–
	–	–
Current		
Other receivables	2,143	86
Expected credit loss	(1,830)	–
Prepayments	62	189
	375	275
Total other receivables, deposits and prepayments	375	275

The non-current other receivable amounting to USD1,840,000 (2018: NIL) relates to a compensation income from a R&D supplier for termination of R&D project. The Company has fully provided against a current and non-current portion of this receivable. The Company received the first of the three instalments, however, subsequent liquidity issues with the counterparty were identified leading to the identification that the credit risk for this receivable had increased significantly since initial recognition. It was assessed that the expected credit loss was substantially the full value of the receivable therefore the full value has been provided for. Management has taken legal action in an effort to recover monies owed.

FINANCIAL STATEMENTS

Notes to the Parent Company Financial Statements continued

for the financial year ended 30 June 2019

6 AMOUNT OWED BY / DUE TO SUBSIDIARIES

Amounts owed by subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Given the amounts are repayable on demand the period over which the expected credit loss is measured is 1 day.

	2019 USD'000	2018 USD'000
Gross amount owed by subsidiaries	5,885	49,507
Less: Expected credit loss	(3,448)	–
Less: Written off	(604)	–
Amount owed by subsidiaries	1,833	49,507
Amount due to subsidiaries	35,861	2,975

An expected credit loss of USD3,448,000 (2018: NIL) on amounts owed by subsidiaries has been recorded. The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates.

Management has considered the ability of subsidiaries to repay under different strategies and concluded that the expected credit loss and write off for the amounts due from PureCircle USA Inc. ("PCUSA") and PureCircle Australia Pty. Ltd. ("PCAU"). Details can be found below:

(i) Amount due from PureCircle USA Inc. ("PCUSA")

PCUSA is in an operating loss position during the year due to the lower demand of stevia related products by customers in the region and the increase in operating expenses. During the financial year ended 30 June 2019, an expected credit loss of USD3.5 million (2018: NIL) has been recorded for the amount due to the Company.

(ii) Amount due from PureCircle Australia Pty. Ltd. ("PCAU")

The Company has written off the amount due from its subsidiary, PCAU of USD604,000 (2018: NIL). PCAU has become dormant on 1 July 2018 with no continuing business operations during the year. Hence, there is no reasonable expectation that PCAU will generate future cash inflows for the Company to recover its amount due from PCAU.

Amount due to subsidiaries included loan paid on the Company's behalf by a subsidiary during the year.

7 CASH AND CASH EQUIVALENTS

	2019 USD'000	2018 USD'000
Short term deposits with licensed banks	2,995	2,002
Cash at bank and on hand	2,243	779
Cash and cash equivalents	5,238	2,781

The short-term deposit held with a licensed bank bore an interest rate of 2.19% (2018: 1.78%) with a maturity period of 7 days (2018: 8 days).

8 SHARE CAPITAL

The movements in the authorised and paid-up share capital are as follows:

		2019		2018	
	Par value USD	Number of shares ('000)	USD ('000)	Number of shares ('000)	USD ('000)
Authorised					
At 1 July/30 June	0.10	250,000	25,000	250,000	25,000
Issued and fully paid-up					
At 1 July	0.10	174,276	17,428	173,699	17,371
Issuance of shares	0.10	9,500	950	–	–
Exercise of share awards	0.10	580	58	577	57
At 30 June	0.10	184,356	18,436	174,276	17,428

9 SHARE PREMIUM

	2019 USD'000	2018 USD'000
At 1 July	225,504	222,284
Issuance of shares	32,919	–
Transaction costs	(725)	–
Exercise of share awards	2,301	3,220
At 30 June	259,999	225,504

10 SHARE-BASED PAYMENT RESERVE

The expense arising from equity-settled share-based payment transaction recognised for employee services received during the year is as shown below:

	2019 USD'000	2018 USD'000
Expense arising from equity-settled share-based payment transactions	2,291	1,725

Reconciliation of movement in share-based payment reserve:

	2019 USD'000	2018 USD'000
At 1 July	2,167	3,719
Share awards scheme compensation expense	2,291	1,725
	4,458	5,444
Transfer to share capital and share premium upon exercise of share awards	(2,359)	(3,277)
At 30 June	2,099	2,167

The Company maintains a Long-Term Incentive Plan ("LTIP"). The principal terms include a restriction on the Company issuing (or granting rights to issue) no more than 10% of its issued ordinary share capital under the LTIP (and any other employee share plan) in any 10 calendar year period. It is currently intended that, other than in exceptional circumstances, such as senior executive recruitment, all awards will be subject to performance conditions and that, the performance conditions will be linked principally to the Group's sales growth, or remain as an employee on vesting date, which is three years after grant date. The awards are conditional on employment service requirements.

The LTIP recognises the fast growth and changing nature of the Company and the need to recruit and retain executives in different employment markets around the world. Accordingly, the LTIP allows for the Remuneration Committee to exercise significant discretion in exceptional cases where the Committee considers executives will bring particular value to shareholders.

The fair value of share awards granted is estimated at the date of the grant, taking into account the terms and conditions upon which the LTIPs were granted.

FINANCIAL STATEMENTS

Notes to the Parent Company Financial Statements continued

for the financial year ended 30 June 2019

10 SHARE-BASED PAYMENT RESERVE CONTINUED

	2019 Number of LTIPs ('000)	2018 Number of LTIPs ('000)
At 1 July	1,562	1,493
Granted	1,642	995
Exercised	(579)	(577)
Lapsed	(1,542)	(349)
At 30 June	1,083	1,562

Details of share awards granted that are outstanding as at 30 June 2019 are as follows:

	Number of LTIPs Outstanding '000	Weighted average fair value at grant date (Sterling pound)	Vesting requirements
Grant-vest			
Award 9			
20 January 2017 – 30 Jun 2020	201	2.86	Three years' service
Award 9			
20 January 2017 – 30 September 2020	300	2.86	Sales target
Award 10			
13 March 2017 – 31 March 2020	10	3.00	Three years' service
Award 11			
29 September 2017 – 30 September 2020	554	4.93	Three years' service
Award 12			
7 March 2018 – 15 March 2021	8	4.28	Three years' service
Award 13			
29 June 2018 – 16 April 2021	10	3.90	Three years' service
Total	1,083		

11 OTHER PAYABLES AND ACCRUALS

	2019 USD'000	2018 USD'000
Current		
Other payables	1,910	1,334
Accruals	7,371	775
	9,281	2,109

12 ADMINISTRATIVE EXPENSES

	2019 USD'000	2018 USD'000
Professional fees	1,154	1,652
Directors' remuneration	574	528
Others	1,070	1,455
	2,798	3,635

13 OTHER EXPENSES

	2019 USD'000	2018 USD'000
Professional fees	6,809	247
Foreign exchange loss	–	46
	6,809	293

14 OTHER INCOME

Other income includes gain on foreign exchange of USD143,000 (2018: NIL) and compensation income of USD3,000,000 (2018: NIL) of termination on R&D project from a R&D supplier. The compensation income is not treated as an exceptional item in deriving the Group's EBITDA because the research and development joint collaboration with R&D suppliers is considered as part of the Group's continuous innovation in the research and development activities to meet the demand of evolving market.

15 LOSS BEFORE TAXATION

Included in the loss from ordinary activities before taxation are the following charges and credits:

	2019 USD'000	2018 USD'000
Charges:		
Depreciation and amortisation	145	142
Directors' remuneration	574	528
Share-based payment expense	556	180
Impairment loss on investment in subsidiaries	39,560	–
Write off on amounts owed by subsidiaries	604	–
Expected credit loss on amounts owed by subsidiaries	3,448	–
Expected credit loss on other receivables	3,670	–
Interest expenses	–	17
Wages and salaries	–	436
Defined contribution retirement plan	–	53
Credits:		
Interest income	48	8
Compensation of termination on R&D project	3,000	–

COMPANY INFORMATION

Company Information

Ticker Symbol

PureCircle Ltd's Ordinary Shares have a Premium Listing on the Main Market of the London Stock Exchange under the symbol: "PURE"

Websites

PureCircle Group operates these websites which are updated regularly to cater for different information needs:

Investors and corporate stakeholders
www.purecircle.com

Health professionals, customers, policy makers, consumers
https://www.purecirclesteviainstitute.com/

Investor Relations

Requests for further copies of the annual report or other investor relations matters should be addressed to:

ir@purecircle.com

AGM

The 2019 Annual General Meeting (AGM) was held on 10 February 2020. Details of the results of AGM is published by the Company on its website https://purecircle.com/shareholder-and-constitutional-documents/.

At the 2019 AGM, Ordinary resolution number 1 which concerned the adoption of the Annual Report and Accounts, together with Directors' report, Auditors' report and related matters on a date no later than 90 days from 10 February 2020, as set out in the Notice, was put to shareholders for a vote as a matter of good governance even though the provisions of Section 84(3) of the Bermuda Companies Act 1981 entitled the Chairman to adjourn the Meeting for up to 90 days without the need for a shareholder resolution. Now that the Company's audited accounts has been finalised and the Annual Report produced, the adjourned AGM will be reconvened in Kuala Lumpur, Malaysia, on 7 May 2020 at 4pm (GMT+8) to approve and adopt the Company's accounts, together with the Directors' report and auditors' report thereon, for the financial period ended 30 June 2019, as well as to approve all related matters. Details of the Adjourned AGM will be set out in the notice of meeting. In the event that the regulatory curfew/lock-down remains due to COVID-19, the Company would hold the Adjourned AGM by electronic means.

See pages 68-69 of the Directors' Report for more information.

2019 Financial Year and Corporate Calendar

Half year end	31 December 2019
Half year results	9 April 2020
Financial year end	30 June 2020
Full year results	15 September 2020

Results release date might change. Actual results release date will be published by the Company on its website and on London Stock Exchange's announcement platform.

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