Date: 31 March 2020

PURECIRCLE LIMITED (“PureCircle” or “the Company” or “the Group”)

Final Audited Results 2019

PureCircle (LSE: PURE), the world's leading producer and innovator of great-tasting stevia sweeteners for the global food and beverage industry, today announces its final audited results for the financial year ended 30 June 2019 (“FY19”).

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 retained opening retained earnings as at 1 July 2017.

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 $15.7m and a further $6.8m one-off cost has been incurred in professional fees during the investigation.

FINANCIAL OVERVIEW

Financial year ended 30 June	**FY19** **USD’ m**	**FY18** ***Restated**** **USD’ m**
Sales	124.0	126.6
Gross profit	1.2	38.3
Operating (loss)/ profit*	(27.4)	4.6
Net loss after tax	(79.7)	(1.7)
Adjusted EBITDA*	(29.6)	14.7
Loss per share (US$ cents)	(45.32)	(0.95)
Fully diluted (loss) per share (US$ cents)	(45.32)	(0.95)
Operating cash flow before working capital changes	7.64	13.47
Net debt*	(68.6)	(98.1)
Net assets	159.5	210.2

* Net debt, 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 4(b) and note 30 for more details.

- **Restatements**

  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 also overstated due to non-commercial transactions and further, revenue was not recorded in the appropriate period, which has resulted in a restatement of FY18 revenue and the opening retained earnings.

OPERATIONAL OVERVIEW

- 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: $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 $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 and 27.

- 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.

Commenting on the FY19 results, PureCircle Chairman Dato' Robert Cheim, said:

"This has been a difficult time for PureCircle. The Company's systems and governance have been found wanting and whilst I have only recently taken over as Chairman I would like to apologise to shareholders."

"Over the last six months PureCircle changed its management team, refreshed the Board and started to put in place the controls necessary to ensure that similar errors do not occur in the future. We have agreed with our lenders for a full waiver of all previous defaults and secured an additional $8.6m liquidity into the business by way of an unsecured subordinated loan from shareholders."

"Notwithstanding this, the Board is actively considering various refinancing options namely securing definitive new equity infusion, full debt refinancing or sale and leaseback of the refinery plant facilities as alternative to raise cash to fund the business and operations."

"PureCircle has a market leading range of products and continues to innovate, working closely with our customers. The market for our products which makes food and beverage taste great 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".

Chairman's Review

PureCircle faced many difficult challenges in finalising our FY19 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 during this period 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 FY19 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 FY19 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.

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.

Further details are provided in Note 4 Financial Risk Management and Note 22 Borrowings, 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. All of the changes to the Board have already been included in our public disclosures and therefore I would keep this section brief.

The Board is comprised of the following 2 Executive Directors - Peter Lai as Group Chief Executive; and Jimmy Lim as Chief Financial Officer. In addition to my role as Non-Executive Chairman, the Board is comprised of 4 Independent Directors and 1 Non-Independent Director. Independent Directors are Datuk Ali Abdul Kadir as Senior Independent Director; Sridhar Krishnan; Olivier

Maes; and Guy Wollaert, whereas Tan Sri Wan Azmi Wan Hamzah is our Non-Independent Non-Executive Director.

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 FY19 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 has been suspended since 18 March 2020 following the government's movement control order to stop Covid-19's 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 FY19, 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

Chief Executive Officer Review

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.

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 years' 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 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 recurrence 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.

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 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 maximize 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 their different markets around the globe.

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 which 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-calories 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 key area of focus, other categories in food, such as dairy from yogurts 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.

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 have on the environment and global caloric intake. Since 2011, we have provided the equivalent amount of stevia to eliminate 7 trillion calories from global diets.

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

OUTLOOK

PureCircle has a market leading range of products and continues to innovate, working closely with our customers. The market for our products which provide great tasting food without the calorific value of sugar is expected to grow 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 will continue to widen, providing PureCircle with a platform for healthy 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 3 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.

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

Peter Lai
Chief Executive Officer

31 March 2020

Disclaimer
This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating profit, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to PureCircle as of the date of the statement. All written or oral forward-looking statements attributable to PureCircle are qualified by this caution. PureCircle does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances.

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Notes to Editors

About PureCircle

- PureCircle is the only company that combines advanced R&D with full vertical integration from farm to high-quality, great-tasting innovative stevia sweeteners.
- The Company collaborates with farmers who grow the stevia plants and with food and beverage companies which seek to improve their low- and no-calorie formulations using a sweetener from plants.
- PureCircle will continue to: lead in research, development and innovation; produce a growing supply of multiple varieties of stevia sweeteners with sugar-like taste, using all necessary and appropriate methods of production; and be a resource and innovation partner for food and beverage companies.
- PureCircle stevia flavor modifiers work in synergy with sweeteners to improve the taste, mouthfeel and calorie profile, and enhance the cost effectiveness, of beverage and food products.
- Founded in 2002, PureCircle is continually investing in breakthrough research and development and it has been granted over 214 stevia-related patents with more than 300 applied for patents pending.
- PureCircle has offices around the world with the global headquarters in Chicago, Illinois.
- To meet growing demand for stevia sweeteners, PureCircle is rapidly ramping up its supply capability. It completed expansion of its Malaysian stevia extract facility in March 2017, increasing its capacity to rapidly supply the newer and great-tasting specialty stevia sweeteners and helping provide ever-increasing value to its customers.
- PureCircle's shares are listed on the main market of the London Stock Exchange.
- For more information, visit: www.purecircle.com

About stevia

- Given the growing global concerns about obesity and diabetes, beverage and food companies are working responsibly to reduce sugar and calories in their products, responding to both consumers and health and wellness advocates. Sweeteners from the stevia plant offer sugar-like taste and are becoming an increasingly important tool for these companies.
- Like sugar, stevia sweeteners are from plants. But unlike sugar, they enable low-calorie and zero-calorie formulations of beverages and foods.
- Stevia leaf extract is a natural-based, zero calorie, high-intensity sweetener, used by global food and beverage companies as a great-tasting zero-calorie alternative to sugar and artificial sweeteners.
- Stevia is a naturally sweet plant native to South America; today, it is grown around the world, notably in Kenya, China and the US.
- The sweet-tasting parts of the stevia leaf are up to 350 times sweeter than sugar: stevia's high-intensity sweetness means it requires far less water and land than sugar.
- Research has shown that the molecules of the stevia leaf are present and unchanged in the dried stevia leaf, through the commercial extraction and purification process, and in the final stevia leaf extract product. All major global regulatory organisations, across 65 countries, have approved the use of high-purity stevia leaf extracts in food and beverages.
- For more information on the science of stevia, please visit https://www.purecirclesteviainstitute.com/

Group Financial Review

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.

Set out below is an extract from the audited FY19 financial statements. The complete financial statements and the accompanying notes are in the Appendix.

	FY19 USD'000	FY18 USD'000 (Restated*)
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 Per Share (US$ cents per share)	(45.32)	(0.95)
Fully diluted Loss 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	(29,603)	14,724

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 costs, 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).

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

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.

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.

In view of the tight liquidity situation and the upcoming revolving credit facility 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 its revolving credit facility 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 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.

RISKS AND UNCERTAINTIES

During the year, our Board has reviewed the risks facing the Group. The level of risk arising from Long-Term Funding, Working Capital and Inventory Management increased significantly following breach of debt covenants, inventory costing and valuation issues, which has impacted the Company's financial position and reputation. In addition, the Board has identified Culture and Internal Control Environment as new risks. In view of the scale and magnitude of impact from these issues, the Board has acknowledged the urgent need for a robust review and revamp of senior management leadership team, culture, systems and processes in order to reduce and manage risks to an acceptable level.

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 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 the customers will continue to place sales orders but it is difficult to estimate the impact of COVID-19 on future sales order 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 3 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.

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.

Our Board of Directors and Risk Committee believe that there have been no new emerging risks other than the 10 broad key risk areas outlined below; and that identified mitigation actions remain appropriate to manage these identified 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.

Our principal risks are listed as follows. However, these are not intended to be an exhaustive analysis of all risks currently facing the Group.

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 and conditions. The Group needs to maintain sufficient liquidity to balance operating requirements with financial obligations and covenants.

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 reset covenants. The Group is exploring alternative financing options to refinance its existing term loan before it matures in November 2020.

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 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.

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 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.

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.

4. Culture and internal control environment

PureCircle is an entrepreneurial company operating in a new 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.

Weak awareness of controls and culture may give rise to failure in corporate governance and non-compliance with internal controls.

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.

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.

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.

We have implemented and scaled up gradually sourcing supply of leaf from other overseas locations, ex-China, principally from Zambia. This strategy to balance the supply of leaf from outside China is important for risk diversification in leaf supply as well as to maintain shorter cash-to-cash cycle of our working capital.

During the year, the Group exited its leaf development project in Latin America and North America due to unfavourable developments in those regions, and provided for impaired the associated costs in its financial statements.

Going forward, the Group's leaf sourcing strategy will comprise of 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 ton of processed leaf.

8. Intellectual property and innovation

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.

9. Manufacturing capacity

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 customer's requirements at specified volumes.

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 65% to 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.

10. Managing quality

PureCircle is committed towards manufacturing safe products that meets legal and regulatory compliance.

PureCircle sites are committed towards continuous improvement of quality objectives.

Directors’ responsibility statement

The consolidated financial statements included in this preliminary announcement have been extracted from the Annual Report for the year ended 30 June 2019. The Annual Report contains a responsibility statement in the following form:

Each of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that is 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'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's auditors are aware of that information.

On behalf of the Board

Lai Hock Meng
Chief Executive Officer

Lim Kian Thong
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30.06.2019	30.06.2018	Group 01.07.2017
			(Restated*)	(Restated*)
		USD'000	USD'000	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

* Refer to Note 34.

	Note	30.06.2019	30.06.2018	01.07.2017
			(Restated*)	(Restated*)
		USD'000	USD'000	USD'000
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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019	2018 (Restated*)
		USD'000	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		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 income (net of tax):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on 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)
Total comprehensive (loss)/income Attributable to:			
Owners of the company		(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

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 01.07.2018	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 01.07.2018 (Restated*)	17,428	225,504	(14,006)	2,167	(20,926)	210,167
Adjustment on adoption of IFRS9**	-	-	-	-	(323)	(323)
Balance at 01.07.2018 (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)
Change in fair value of derivative	-	-	-	-	-	-
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 30.06.2019	18,436	259,999	(20,135)	2,099	(100,922)	159,477

* Refer to Note 34.
** Refer to Note 33

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to owners of the Company					
	Share capital	Share premium	Foreign exchange translation reserve	Share-based payment reserve	Accumulated losses	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group						
Balance at 01.07.2017 (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 01.07.2017 (Restated*)	17,371	222,284	(22,529)	3,719	(19,264)	201,581
Loss for the financial year	-	-	-	-	(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 30.06.2018 (Restated*)	17,428	225,504	(14,006)	2,167	(20,926)	210,167

* Refer to Note 34.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019	2018
			(Restated*)
		USD'000	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		19,668	-
Provision for slow-moving inventory		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 written 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

* Refer to Note 34.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019	2018
			(Restated*)
		USD'000	USD'000
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
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	9	(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		1,830	-
Placement with 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 private placement		33,144	-
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 is as follows:

		Group
	2019	2018
	USD'000	USD'000
Additions for the financial year	5,710	13,593
Payment made for previous year additions	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:		Group
	2019	2018
	USD'000	USD'000
As at 1 July	122,092	117,735
Cash impact		
Drawdown	10,000	208,726
Principal and interest payment	(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.

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 consolidated financial statements included in this preliminary announcement have been extracted from the Annual Report, including the audited financial statements for the year ended 30 June 2019. The report of the auditor on those Group Financial Statements was qualified and did contain an emphasis of matter paragraph with respect to going concern. These consolidated financial statements do not constitute statutory accounts within the meaning of the Bermuda Companies Act 1981.

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations. The accounting policies are consistent with those described in the Annual Report and Group financial statements 2019.

The financial information contained in this preliminary announcement has been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the Financial Review and below.

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 Review, 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 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 8 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 IFRS 116 "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 2018 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.

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 lease liabilities equal to the 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.

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 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.

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 allowances	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 allowances	87	20	196	530	833
- Net carrying amount	43,773	825	1,126	1,955	47,679

The closing loss allowanced 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 allowance 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)
As at 30 June	1,429	510

Trade receivables are written off when there is no reasonable expectation of recovery. The Group considered 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, which USD65 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.

	Carrying amount USD'000	Total contractual undiscounted cash flows USD'000	Within 1 year or on demand USD'000	More than 1 but less than 2 years USD'000	More than 2 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	-	-	-
Derivatives financial liabilities	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 rates 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.

(d) Financial risk management policies

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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(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
Sterling Pound 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 Dollars	Ringgit Malaysia	Chinese Renminbi	Euro	Pound Sterling	United States Dollars	Ringgit Malaysia	Chinese Renminbi	Euro	Pound Sterling
	USD	MYR	RMB	EUR	GBP	USD	MYR	RMB	EUR	GBP
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group										
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	-

(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 loans	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	2018
	USD'000	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	2018
		(Restated*)
	USD'000	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 are calculated as total borrowings including current and non-current borrowings are 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 assets		
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).

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 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.

  <u>Loans and receivables</u>

  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.

- 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.

(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.

(iv) 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 company, 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.

(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, associates 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 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.

(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.

(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 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.

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 twelve-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 annual 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 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 is 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.

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 the 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) Intangibles 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).

(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 and work-in-progress 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 plan.

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

Area of judgements 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;
- Manageable non-discretionary capital expenditure

(b) Key assumptions which involve critical accounting judgement

Area of judgements 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. Please refer to Note 35 for more details on the assessment of possibility of arising of a contingent liability.

7 INVESTMENT IN JOINT VENTURE

The Group has invested in a joint venture with Nordic Sugar Holding incorporated as in 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:-

Name of Company	Country of Incorporation	Effective Equity Interest 2019	Effective Equity Interest 2018	Principal Activities
NP Sweet AS ("NPS")	Denmark	50%	50%	Production, marketing and distribution of natural Sweeteners (Liquidated on 23 July 2019)

	Group 2019 USD'000	Group 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 joint venture which is accounted for using the equity method:

Summarised statements 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)
<u>Non-current</u>		
Assets	-	9
Net assets/(liabilities)	237	(15)

Summarised statements 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 liabilities	119	(7)
Cumulative unrealized loss	-	(158)
Carrying value	119	(165)

On 30 November 2018, the Group agreed to voluntarily liquidate its investment in joint venture, NP Sweet A/S. PureCircle (UK) Limited received the final net cash balance of USD127,000 from the completion of the voluntary liquidation on 28 August 2019.

8 INTANGIBLE ASSETS

Group	Intellectual property rights	Development costs	Goodwill	Total
	USD'000	USD'000	USD'000	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 triggering event was observed.

***Refer to Note 6(i)(a)(iii) for additional details on this write-off.

Group	Intellectual property rights	Development costs	Goodwill	Total
	USD'000	USD'000	USD'000	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 and 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	-	-	(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

Group	Freehold land USD'000	Buildings USD'000	Extraction and refinery plants USD'000	Office equipment, furniture and fittings and motor vehicles USD'000	Capital work-in progress USD'000	Total USD'000
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	-	-	(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

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
Building	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		
Disposal	1,102	3,574
(Charge)/Credit 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.

	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	2018 (Restated*)	2017 (Restated*)
	USD'000	USD'000	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

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.

* Refer to Note 34 for additional information.

Following a change in leaf strategy and shift in production process, it was determined that the remaining of the by-product were building up. Management is assessing possible internal uses or opportunities to sell externally. The 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 are 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).

13 TRADE RECEIVABLES

	2019	2018 (*Restated)
	USD'000	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 value 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 concentration of credit risk.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	USD'000	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 receivables mentioned above, although certain of the above are prepayments or deposits 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 USD'000
Financial assets at amortised cost			
Trade receivables	13	40,266	48,001
Other receivables and deposits (excluding prepayments)		1,470	2,352
Cash and bank equivalents	16	25,675	23,987
		67,411	74,340
Financial assets 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
Financial liabilities carried at fair value through profit or loss			
Derivative financial instrument	31	(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.

16 CASH AND CASH EQUIVALENTS

	2019 USD'000	2018 USD'000
Short term deposits with licensed bank	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 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:

			Group 2019		Group 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 per cent of its issued ordinary share capital under the LTIP (and any other employee share plan) in any ten 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

Details of share awards granted that are outstanding as at 30 June 2019 are as follows:

Grant-vest	Number of LTIPs Outstanding '000	Weighted average fair value at grant date (Sterling pound)	Vesting requirements
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	2018
	USD'000	USD'000
Current		
Trade payables	33,190	20,529

24 OTHER PAYABLES AND ACCRUALS

	2019	2018
	USD'000	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.

25 TAXATION

	2019	2018 (Restated*)
	USD'000	USD'000
Current tax:		
Current tax on profits for the years	(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	2018 (Restated*)
	USD'000	USD'000
(Loss)/Profit 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	2,844	-
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.

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
Charges:		
Compensation of termination on 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
Charges:			
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
Others		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 on transaction costs	2,386	1,285
Fair value movement on interest rate swaps*	1,446	-
Interest and finance charges paid/payable for financial year	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.

28 LOSS PER SHARE

The basic earnings per share is calculated by dividing the earnings 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 and/the Company have related party relationships with:-

(i) its subsidiaries and 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 party during the financial year are set out below:

(i) Related party

	2019 USD'000	2018 USD'000
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.

(ii) Key management personnel compensation

Key management personnel are executive directors of the Company. 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 segments 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	2018 (Restated*)
	USD'000	USD'000
Trading		
Revenue from contracts with customers**	124,003	126,601
Cost of sales	(122,758)	(88,320)
Gross margin	1,245	38,281
Gross margin %	1.0%	30.2%
Other income****	5,875	1,138
Administrative expenses****	(34,477)	(34,813)
Operating 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
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 5 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 USD'000
U.S. Customs and Border Protection issue	-	157
Others	-	632
Impairment of leaf development	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 share-based payment expenses, 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*	16,049	47,218	63,334	-	126,601
Non-current assets	154,898	1,531	19,053	1,806	177,288
Current assets*	138,398	25,021	32,383	-	195,802

* Restated

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 lease is as follows:

	2019 USD'000	2018 USD'000
The present value of operating lease is as follows:		
- No later than one 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 INSTRUMENT

		2019		2018*
	Assets USD'000	Liabilities USD'000	Assets USD'000	Liabilities USD'000
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.

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) IFRS9 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:

Financial assets	Original	New
Cash and cash equivalents	Loan and receivables – amortised costs	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 cost	Other financial liabilities – amortised cost
Bank loans and overdraft	Other liabilities – amortised cost	Other financial liabilities – amortised cost
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 30 June 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	Prior year adjustments				As restated
		Revenue	Inventory	Borrowings	IFRS 9	
	USD'000	USD'000	USD'000	USD'000	USD'000	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)

	As previously reported	Prior year adjustments Revenue	Inventory	Borrowings	IFRS 9	As restated
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000

(b) Impact on the statement of financial position:

	As previously reported	Revenue	Inventory	Borrowings	IFRS 9	As restated
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 receivables	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)

	As previously reported	Prior year adjustments Revenue	Inventory	Borrowings	IFRS 9	As restated
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000

(c) Impact on the statement of changes in equity:

	As previously reported	Revenue	Inventory	Borrowings	IFRS 9	As restated
As at 1 July 2017						
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						
Equity:						
Foreign exchange translation reserve	(14,155)	149	-	-	-	(14,006)
Accumulated losses	(4,498)	(5,009)	(11,419)	-	(323)*	(21,249)

(d) Impact on the statement of cash flows:

	As previously reported	Revenue	Inventory	Borrowings	IFRS 9	As restated
For the financial year ended 30 June 2018						
Profit/(Loss) before taxation	7,514	(3,666)	(7,294)	-	-	(3,446)
Operating cash flow before working capital	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

*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.

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 Metric	As previously reported	Prior year adjustment	As restated
Financial year ended 30 June 2018			
Earnings 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 USD18,000.00 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 twenty (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 become 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 9 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.

(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 ("Waivers and Amendments") 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 the 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.