PureCircle

Annual Report 2018

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

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

INTRODUCTION

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

HIGHLIGHTS

$131.1m
in sales

$28.8m
adjusted EBITDA*

$8.7m
net profit

117
granted patents

11 years
as a public listed company

5 billion+
consumers with access to PureCircle stevia products

1,135
employees

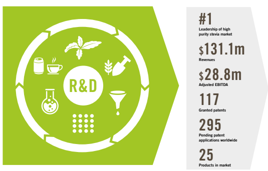
64 countries
sales in

>17,000
food and beverage products containing stevia accessible around the world

* Adjusted EBITDA is an alternative performance measure which the Directors believe is helpful in understanding the performance of the business. Refer to Note 28 – Segmental Reporting (pages 98 and 99) for definitions of alternative performance measures.

SIGNIFICANT INVESTMENTS IN OUR FUTURE

For more information see the Chairman's Introduction on page 11



Scalable, vertically integrated model, see pages 14 and 15

SALES UP

For full set of financial and non-financial KPIs see pages 18 and 19

INSIDE CONSUMER AND MACRO TRENDS

With consumers increasingly following a health and wellness agenda, driven by growing global concerns about obesity and diabetes, as well as government involvement and levies on sugar, many global food and beverage companies have committed to reduce sugar quantities. So, demand for natural-origin, zero-calorie stevia sweeteners and flavours has grown and grown.

PureCircle is dedicated to helping food and beverage companies quickly develop products that retain the great taste that consumers love, whilst reducing sugar content and overall calories.

DRIVEN BY GROWING GLOBAL CONCERNS ABOUT OBESITY & DIABETES

THE EVOLUTION OF GREAT TASTE

Our stevia experts are dedicated to understanding all parts of the stevia leaf and how they impact taste. This knowledge and drive for the next taste breakthrough has led to the development of a range of products that provide a sugar-like taste and deep calorie reductions, which have allowed the global stevia market to move away from Reb A 97.

We work alongside our customers as innovation partners to deliver stevia solutions best suited to each unique product – be they off-the-shelf solutions, such as those from the sigma family, or custom formulations – often combining stevia ingredients to get the best results.

With the largest extraction facilities in the world, we can deliver innovative stevia products at a scale that services the demands of the global food and beverage industry.

117 GRANTED STEVIA-RELATED PATENTS AND 295 PATENTS PENDING

FROM LEAF TO PRODUCT

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

StarLeaf™ stevia contains 20% more steviol glycoside content than standard leaf varieties; its extract offers food and beverage developers a plant-based, zero-calorie sugar alternative that delivers more upfront sweetness, no bitter linger and that much sought-after sugar-like taste.

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

STARLEAF™ STEVIA CONTAINS 20% MORE STEVIOL GLYCOSIDE CONTENT THAN STANDARD LEAF VARIETIES

AT A GLANCE

Our market is growing and dynamic, fueled by consumer demand

Our Mission

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

Investment Case

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

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

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

Our intellectual property is protected through 117 patents granted and 295 patents pending.

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

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

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

We have a high calibre Board and management team with extensive relevant, global expertise.

Our Portfolio

PureCircle's portfolio of stevia ingredients focuses on highlighting the best tasting stevia ingredients which work well with a wide range of products for food and beverage companies. The Company's success in cultivating the proprietary Starleaf™ stevia, which has 20x the amount of the most-sugar like sweeteners; and in scaling the Company's supply of Reb M through Starleaf™ stevia and its patented process to produce Reb M from other stevia sweeteners in the plant, provides further access to the best tasting stevia ingredients for the food and beverage companies.

PureCircle SWEETENERS

High-purity stevia sweeteners to naturally reduce calories.

- SG95
- Reb A
- Alpha®
- Starleaf™ Ingredients

PureCircle FLAVORS

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

- NSF Family

PureCircle SIGMA SOLUTIONS

Category Solutions that maximise calorie reduction in specific applications.

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

Our Commitment is to...

...growth
in our business in all regions of the world;

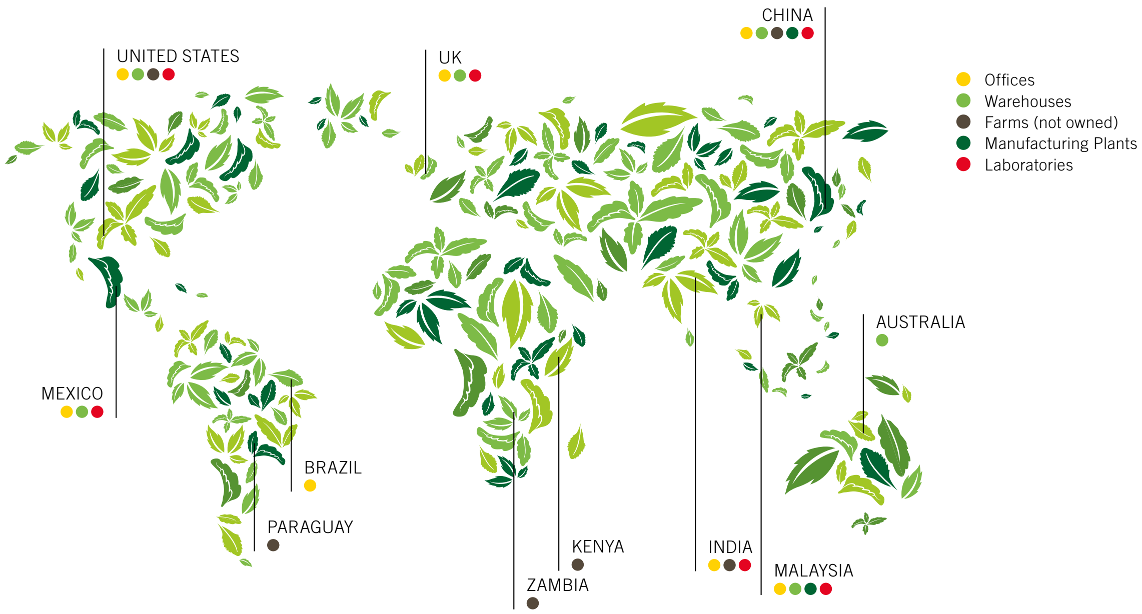
...penetration
of stevia into all major food and beverage categories;

...expansion
of our production capacity to support demand;

...diversification
of leaf supply outside of China; and

...investment
in our people, our systems and our organisation.

Our Geographic Footprint



Our Key Priorities and Challenges

MANAGING GROWTH

It is well known that growth brings new challenges. PureCircle is no different to other companies in this respect. Management's key priority is to ensure successful sustainable execution in everything we do; this touches all activities of our business and will remain our primary challenge for many years to come.

COPING WITH VOLATILITY

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

COMPETITION

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

STARLEAF™ STEVIA

PureCircle's proprietary stevia variety provides 20x more Reb M than conventional stevia leaf varieties. Enables food and beverage companies to produce great tasting, zero added sugar products.

To extend our taste breakthroughs, PureCircle went all the way back to the beginning and started to explore new stevia varieties. Through traditional cross-breeding techniques, we focused on the most sugar-like parts of the leaf.

Starleaf™ stevia is PureCircle's newest proprietary variety which produces a superior taste to Reb A. Extracts from Starleaf™ enable companies to have a taste advantage and the ability to produce zero added sugar products with a plant-based, non-GMO ingredient.

This year PureCircle announced increases in Starleaf™ stevia plants with third party farmers planting nearly 16,000 tons, an increase of about 200% over the prior year. The Company will be significantly ramping up its Starleaf™ stevia production over the next two years. Expanding the planting and use of its proprietary Starleaf™ stevia leaf will enable the company to meet the increasing demand of food and beverage industries for the best-tasting – and most sugar-like – zero-calorie, stevia sweeteners like Reb M.

PureCircle utilises a wide and expanding global agricultural network for its stevia supply, sourcing it from an increasing number of countries around the world. Part of the increase in Starleaf™ stevia planting this year is the result of our new farming partnerships in North Carolina and Zambia. Some farmers there – working with PureCircle – are starting to use land that once grew tobacco, to grow Starleaf™ plants. Planting stevia enables them to grow and sell a highly-sought after crop, the demand for which is growing, and to productively use their farming acreage.

PureCircle produces Reb M both directly from the Starleaf™ stevia plant, as well as from other stevia sweeteners in the plant. In the latter case, PureCircle starts with purified stevia leaf extract with low Reb M content and by adding an enzyme, the maturation to Reb M is completed, just as the leaf does naturally. Enzymes play a similar role in various products including baby food, cheese, other dairy products and chocolate.

The Reb M produced from the two processes are both from the stevia leaf and are identical in great taste. All of PureCircle's stevia sweeteners – produced using either of the above-cited processes – are non-GMO.

These innovations in expanding capacity as well as the Company's array of stevia-related patents enable PureCircle to supply significantly more Reb M to global food and beverage companies. Using beverage sweetening as an equivalised example, PureCircle can now supply enough Reb M to sweeten about 500 million cases of zero-calorie carbonated soft drinks. PureCircle is continuing to optimise production capacity, and it estimates that three years from now, it could supply enough Reb M to sweeten 1 billion cases of zero-calorie carbonated soft drinks or the equivalent in beverages and foods using Reb M as the sweetener.

PureCircle further estimates that, depending on amounts purchased and terms of purchase, companies buying Reb M from PureCircle will find the cost of using it to sweeten a beverage or food, equivalent to their cost of using sugar to achieve the same level of sweetening.

A number of food and beverage companies are already using PureCircle's Reb M in their products. PureCircle's expansion in production of Reb M will help food and beverage companies obtain supplies of an ingredient they need, as they continue to respond to their consumers' desires for more zero- and low-calorie products using plant-based sweeteners.

Starleaf™ Stevia variety contains more than

20X

the sugar-like content compared to conventional stevia varieties

CHAIRMAN'S INTRODUCTION

'Today our turnover exceeds US$130 million, we have a range of products to suit most of the world's food and beverage companies.'

RETURN TO GROWTH

I am delighted that, for my final financial year as Chairman, our results show a return to growth in both revenue and net profit to US$131.1m (2017: $118.9m) and US$8.7m (2017: $7.2m) respectively despite continued challenging market conditions. Adjusted EBITDA increased by 6.3% to $28.8m, translating into fully diluted earnings per share of US 4.95 cents (2017: US4.13 cents). I believe that this bodes well for PureCircle's future.

BACKGROUND

PureCircle was listed on the AIM market in 2007 and our first 12 months financial report covering the period from 1 July 2007 to 30 June 2008 showed revenue (proforma) of just US$33 million, we had one product and one customer. Initial regulatory approvals for the use of stevia as a food and beverage ingredient were secured in 2008. Since that time we have made available to millions of consumers a great tasting healthy alternative to sugar and artificial sweeteners.

Today our turnover exceeds US$130 million, we have a range of products to suit most of the world's food and beverage companies requirements for a great tasting, natural zero-calorie sweetener. Our customers now include most of the world's leading food and beverage manufacturers. On the regulatory front, most major agencies have approved the use of stevia-led sweeteners.

MANAGEMENT AND BOARD

This has not been achieved without a great deal of hard work from our entire team of over 1,000 people to whom on behalf of the Board I express our gratitude for their commitment. There have been plenty of challenges to which our team ably led by our CEO Magomet Malsagov have always risen. We have an experienced and diversified board to which I particularly welcome Ms. Rosemarie S. Andolino and Ms. Ann Marie Scichili who I am confident will make a valuable contribution to our deliberations. As already announced, the Board has asked John Slosar to take the chair following my retirement at the 2018 Annual General Meeting to be held on 30th November. John brings with him a great deal of ability and valuable experience. I wish him every success as he leads the Board of this exciting Company into the next phase of its growth. I am sure he will enjoy a tenure as fulfilling and satisfying as mine has been.

CONCLUSION

Finally, my thanks to everybody from our factory and refinery to the boardroom for all the support and fellowship I have received from them all over the past eleven years. With confidence I wish the Company every success in the years to come.

Paul Selway-Swift
Chairman

17 September 2018

Paul Selway-Swift
Chairman

'Our customers now include most of the world's leading food and beverage manufacturers. On the regulatory front, most major agencies have approved the use of stevia-led sweeteners.'

OUR MARKET

PureCircle's advances in plant-based stevia sweeteners have made them increasingly important for food and beverage companies. They have zero-calories and great taste, and they work in a wide range of food and beverages.

With consumers, health experts and public health officials globally seeking sugar and calorie reduction, that is motivating those companies to accelerate their adoption of stevia sweeteners. PureCircle has responded and stepped up its ability to supply them cost effectively.

Stevia is primed for a significant increase in use by food and beverage companies in the years ahead. Several factors are foreshadowing a marketplace which is primed for non-GMO, zero-calorie, plant-based sweeteners with great taste.

Global food and beverage companies are looking for ingredients like stevia sweeteners as consumers, health experts and public officials become increasingly concerned about sugar consumption, obesity and diabetes. It is estimated diabetes prevalence for adults between the ages of 20 and 70 worldwide is expected to affect one person in 10 by 2045 – 629 million.

With regulatory pressure in the form of taxes / levies, and consumers generally being more aware of their nutrition and seeking low-and zero-calorie foods and beverages, stevia sweeteners are well-positioned to be a go-to solution for the food and beverage industry. As of 2018, 14 countries have enacted sugar taxes – with over 80% of the countries passing these taxes in the last two years. Several additional major markets are debating a sugar tax law, or using key nutritional labeling as way to encourage lower sugar products on to market

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

As global demand for natural-origin, zero-calorie stevia sweeteners and flavours has grown and grown, ingredients made from the stevia plant have become an increasingly important tool for food and beverage companies.

This is evident in the steady increase in global launches of food and beverage products containing stevia since 2012. In 2017 alone, the increase was more than +10% vs. 2016, and there has been over 17,000 products launched with stevia cumulatively according to Mintel Group Ltd, which describes itself as the world's leading market intelligence agency. Top categories for launches containing stevia in 2017 included snacks, juice drinks, dairy, carbonated soft drinks and confectionery.

One important trend which emerged in 2017 showed food and beverage products designed for children (age 5–12) using stevia increased 16% from 2016 to 2017, as it enables the formulation of products with no- or reduced-calories using a plant-based sweetener. Additionally, the increased use of stevia sweeteners is being observed globally. The top two regions where stevia use is accelerating year-over-year were Asia / Pacific (40%) and Europe (22%), followed by Latin America, North America and Middle East / Africa.

The story of stevia continues to evolve. Not long ago, stevia was a little known, plant-based zero-calorie sweetener – basically one ingredient, Reb A – that worked well in some food and beverage applications. But today, PureCircle offers Reb M and other stevia leaf sweetener ingredients with sugar-like taste and zero-calories.

Until now, a challenge has been that Reb M is present only in relatively small amounts in conventional stevia plants. PureCircle's proprietary Starleaf™ stevia plants contain greater amounts of Reb M than conventional stevia plants, and PureCircle (through third party farmers) has been massively ramping up its planting of Starleaf™ stevia.

PureCircle produces Reb M both directly from the Starleaf™ stevia plant and from other stevia sweeteners in the plant. In the latter case, PureCircle starts with purified stevia leaf extract with low Reb M content and by adding an enzyme, the maturation to Reb M is completed, just as the leaf does naturally. Enzymes play a similar role in various products including baby food, cheese, other dairy products and chocolate.

This increased production allows PureCircle to scale Reb M for use in global food and beverage brands at a cost point which can be comparable to sugar.

As an example of how far Reb M and other great tasting stevia sweeteners have come in solving taste, Coca-Cola recently launched Coca-Cola Stevia Zero Sugar in April 2018 in New Zealand. The product uses these better tasting stevia leaf sweeteners as the sole sweetening solution.

PureCircle produces Reb M both directly from the Starleaf™ stevia plant and from other stevia sweeteners in the plant.

Obesity

Worldwide obesity has nearly

tripled

since 1975.

In 2014, more than

1.9 billion adults

18 years and older, were overweight. Of these, over

600 million were obese

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

Diabetes

The worldwide diabetes is at:

425 million

(as of 2017)

It will rise to

629 million

by 2045. That is equivalent of

1 in 10 adults

having diabetes.

Source
www.diabetesatlas.org

To further the growth of our customers' use of these great tasting stevia sweeteners, PureCircle is continuing to invest in innovation, and providing strategic support for customers on global and regional level.

In June, PureCircle opened its new Innovation Center and US headquarters in Chicago, Illinois. This new facility will strengthen the company's ability to offer new great tasting product solutions, across additional applications, as well as support customers and other regions in their technical development work.

The Company is continuing to offer consumer educational support for its customers by targeting key opinion leaders at the regional level. Successful examples of this include working with Coca-Cola on events in Singapore and Malaysia to educate key opinion leaders of the safety, benefits, and global adoption of stevia.

Today many major regulatory agencies have approved the use of stevia leaf sweeteners. The regulatory landscape is continuing to move in a favorable direction for stevia leaf ingredients with over 65 countries having approved the use of at least some stevia ingredients.

Our focus has been to gain approval for all of the sweeteners in the leaf, including Reb M. PureCircle is working with regulatory bodies and key opinion leaders all over the world to bring access to the full leaf.

Reb M's use in North America has been expanding, including Reb M extracted directly from Starleaf™ plants as well as through other stevia sweeteners in the plant.

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

The availability of Reb M and other great tasting stevia leaf sweeteners are driving demand and adoption of stevia ingredients.

The sweetness of three stevia leaves can replace

25%

of the calories in a can of soda

OUR BUSINESS MODEL

Our scalable, vertically integrated model and strong relationships with global customers position us well to identify and capitalise on growth opportunities.

INPUTS

UNIQUE RESOURCES

- Global footprint of farms (not owned), warehouses, manufacturing facilities and sales offices
- Financial resources
- Intellectual property and know-how
    - 117 granted patents and more than 200 pending patent applications worldwide
- Entrepreneurial culture engendered by our experienced management team and shared with our >1,000 employees

STRATEGIC RELATIONSHIPS

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

HOW WE CREATE VALUE

We have successfully commercialised a portfolio that includes natural sweeteners, flavours and speciality ingredients based on high purity stevia, and have deep expertise across the value chain, from seedling to sweetener:

RESEARCH & DEVELOPMENT (R&D)

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

COMMERCIALISATION

- Scientific and Regulatory Affairs
- Sales & Marketing

UNDERPINNED BY

Sustainability
Read more from pages 38 and 39

Risk management
Read more from pages 28 to 37

VERTICAL INTEGRATION

1. Plant Breeding
Breeding proprietary stevia varieties with higher sweet glycoside content

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

3. Extraction
Producing our own extract to ensure quality standards are met

4. Purification
Purifying steviol glycosides with an unmatched scale and consistency

5. Application
Providing formulation expertise to deliver great-tasting products

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

OUTCOMES

#1
Leadership of high purity stevia market

$131.1m
Revenues

$28.8m
Adjusted EBITDA

117
Granted patents

295
Pending patent applications worldwide

25
Products in market

INVESTING FOR GROWTH

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

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

FARMERS AND OTHER SUPPLY CHAIN PARTNERS
Sustainable income, training and materials

EMPLOYEES
Challenging development opportunities and appealing career prospects

SOCIETY
Material water, land and carbon footprint savings

REINVESTED BACK INTO INPUTS

Governance
Read more from pages 40 to 53

OUR STRATEGY

Our overall objective is to build a large, long-term, natural ingredients business based on stevia providing sustainable, low-calorie solutions to the world's food and beverage companies and consumers.

Our strategy to achieve this is set out below:

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS IN 2018
INNOVATION	To focus on innovating and commercialising the best tasting, sustainable stevia solutions by leading innovation. Innovation drives customer adoption and market expansion and brings more cost-effective solutions across more food categories.	• Massive scale up of Starleaf™ stevia
PARTNERING	To partner with food and beverage customers to deliver the best-tasting stevia solutions specific to their products and help them achieve their goals of reducing sugar / overall calories / cost of ingredients without compromising taste through high-purity stevia solutions.	• 5,000 products now available with our stevia in them • Opened state-of-the-art innovation lab at new corporate headquarters in Chicago
VERTICALLY INTEGRATED SUPPLY CHAIN	To operate a vertically-integrated supply chain to ensure full transparency and traceability, and consistency of the product.	• New farming partnerships in North Carolina and Zambia • Continued investment in our systems and people to ensure PureCircle stevia is the best-tasting, most consistent stevia in the market
SCALABLE CAPACITY	To ensure our production capacity is robust and scaled in order to leverage structural growth in the sweetener and flavour market through geographical diversification and continued investment.	• Fully operational refinery expansion

Continued investment in our systems and people to ensure PureCircle stevia is the best-tasting, most consistent stevia in the market.

5,000

products now available with our stevia in them

KEY PERFORMANCE INDICATORS

FINANCIAL KEY PERFORMANCE INDICATORS

Sales (US$m)

$131.1m

(2017: $118.9m)

2018	131.1
2017	118.9
2016	138.6
2015	127.3
2014	101.0

Gross profit (US$m)

$49.2m

(2017: $45.8m)

2018	49.2
2017	45.8
2016	57.0
2015	40.3
2014	36.6

Gross margin (%)

38%

(2017: 39%)

2018	38
2017	39
2016	41
2015	32
2014	36

Adjusted EBITDA* (US$m)

$28.8m

(2017: $27.1m)

2018	28.8
2017	27.1
2016	34.2
2015	22.2
2014	22.8

Net Profit (US$m)

$8.7m

(2017: $7.2m)

2018	8.7
2017	7.2
2016	14.6
2015	4.1
2014	2.3

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

$24.4m

(2017: $21.8m)

2018	24.4
2017	21.8
2016	31.9
2015	23.8
2014	22.7

Net Debt* (US$m)

$98.1m

(2017: $84.7m)

2018	98.1
2017	84.7
2016	52.9
2015	45.4
2014	79.9

Funding Headroom* (US$m)

$89.0m

(2017: $76.7m)

2018	89.0
2017	76.7
2016	76.3
2015	88.0
2014	60.0

* Adjusted EBITDA, net debt and funding headroom are alternative performance measures which the Directors believe are helpful in understanding the performance of the business. Refer to Note 28 – Segmental Reporting (pages 98 and 99) for definitions of non-GAAP measures.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Cumulative global population with access to stevia (billion)

>5bn

2018	**>5.0**
2017	>5.0
2016	>4.0
2015	>3.5
2014	>3.0

Regulatory clearances

FY18:** Codex adoption of all steviol Glycosides from leaf

FY17*: US, EU, Australia, New Zealand, Canada

FY16: India, Brazil

FY15: Gulf Cooperation Council (GCC), Pakistan, Bangladesh

FY14: Indonesia, Egypt

FY13: Thailand, Vietnam, South Africa

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

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

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

>17,000

2018	**>17,000**
2017	>13,000
2016	>9,700
2015	>6,900
2014	>4,500

Products in market (number of products)

25

2018	**25**
2017	25
2016	20
2015	17
2014	12

Production capacity in revenue equivalent (US$m)

$400m–$500m

2018	**$400–$500m**
2017	$400–$500m
2016	$250–$300m
2015	$250–$300m
2014	$250–$300m

Global stevia leaf harvest (estimated metric tonnes)

>60,000

2018	**>60,000**
2017	60,000
2016	58,000
2015	24,000
2014	14,500

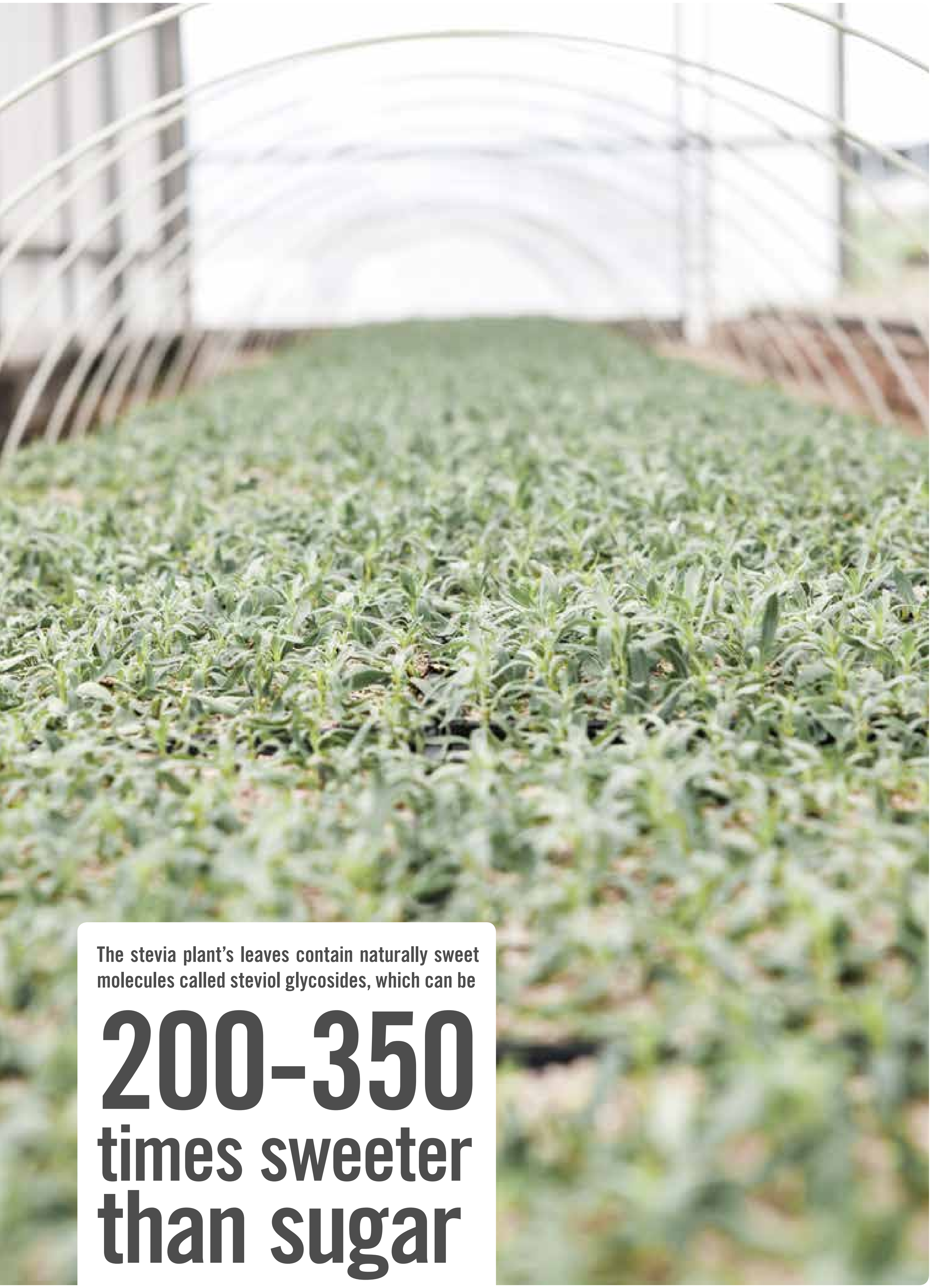
The Group's KPIs link directly back to the Group's strategy which is:

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

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

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

Net debt and headroom are evidence of our management of key risks to our business, namely funding liquidity.



The stevia plant's leaves contain naturally sweet molecules called steviol glycosides, which can be

200-350 times sweeter than sugar

CHIEF EXECUTIVE OFFICER'S REVIEW

'Today the third and fourth generation stevia solutions have superb taste profiles and go further to help unlock demand to help moderate calories naturally.'

PureCircle has delivered a strong set of results with double-digit revenue and net profit growth in FY18 after a challenging prior year which was adversely impacted by factors beyond the Company's control. I said at the time we would be moving forward, stronger, and that is what PureCircle has done. I am particularly pleased with our +17% profitable volume growth. It indicates that the market is certainly in need of, and receptive to, the right stevia taste and price profile. Hence our success in planting over 16,000 tonnes of proprietary Starleaf™ stevia plants through third party farmers in the year is very exciting. Apart from being the best tasting stevia, it enables our customers to reach 100% calorific reduction for their products. In addition, the high purity nature of Starleaf™ stevia accommodates its usage to a wider platform of applications across the food and beverage industry.

We have previously identified these exciting opportunities, and have been investing significantly into our business to ensure we are well positioned to take advantage of these opportunities. We have recently fully commissioned our new Line 2 in Kuala Lumpur, at the same time as moving our planting and procurement focus to materially increase the proportion of our proprietary Starleaf™ stevia plants used in our production process, both of which have increased our inventory level. This increased gearing of the business is now supported by a $200m syndicated facility which we secured in FY18, providing a strong financial platform to support the future growth of our business.

That said, these investments have also increased the level of net debt in our business, and whilst at manageable levels, we recognise the need to closely monitor our cash flows and compliance with banking covenants. In doing so, we have improved the quality of cash flow reporting and forecasting available to the business. We plan to reduce our level of gearing over the coming year, in part through reducing the levels of inventory carried by the business. Alongside this, we stress test our cash flow forecasts and ensure we have clearly identified actions which can be readily implemented if necessary, to protect the financial position of the business.

Our expertise results from our ongoing investment in R&D into all aspects of the stevia plant. Everything we do is about helping our customers achieve their goals of reducing sugar, calories and the cost of ingredients without compromising taste. With our highest purity 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.

The global Stevia market continues to grow and we believe that we are better placed than our competitors to deliver to the world's food and beverage companies the low calorie, great tasting natural sweeteners that their consumers demand.

Magomet Malsagov
Chief Executive Officer

'PureCircle is continuing to optimise capacity, and it estimates that three years from now, it could supply enough Reb M to sweeten 1 billion cases of zero-calorie carbonated soft drinks.'

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

POWERFUL MARKET TRENDS

The ongoing global fight against obesity and diabetes through sugar taxes and increased regulation continues to gather pace. More than 600 million people are now estimated to be obese and 425 million estimated to have diabetes; this number is expected to rise to 629 million by 2045. Regulatory action to address these public health issues is increasing and this is coupled with consumers actively seeking natural sustainable ingredients instead of using artificial ones.

INNOVATION

Stevia has come a long way from the commoditised product of Reb A. Today the third and fourth generation stevia solutions have superb taste profiles and go further to help unlock demand to help moderate calories naturally. This is enabling companies such as The Coca-Cola Company to launch Coca-Cola with no added sugar sweetened only with sweetener derived from the stevia leaf as they have done in New Zealand. During the year, we continued focus on innovation, specifically Starleaf™ stevia and our new Sigma tools that greatly facilitate our customers' work with stevia.

Our commitment to continued innovation is what will ensure we remain industry leaders and provide our strong diversified customer base with the breadth and depth of applications they require.

STRATEGY EVOLUTION RESULTING FROM STARLEAF™ STEVIA

Whilst demand for stevia from food and beverage companies has continued to increase, its utilisation has been constrained primarily through challenges in delivering deeper sugar reduction whilst maintaining excellent taste and flavor. Early stevia variants proved inadequate in this key area which is why PureCircle has continued to develop better tasting solutions. Our innovative approach, insight and technical knowhow is protected by strong IP, creating a leading competitive position for PureCircle.

Starleaf™ stevia is PureCircle's newest proprietary variety which contains more of the best tasting stevia molecules compared to conventional stevia varieties. Extracts from Starleaf™ enable our customers to have a taste advantage and the ability to produce no-added-sugar products with a plant-based, non-GMO ingredient. This year PureCircle announced increases in Starleaf™ stevia planting to nearly 16,000 tons, an increase of about 200% over the prior year. Expanding the planting and use of its proprietary Starleaf™ stevia leaf will help enable the Company to meet the increasing demand of food and beverage industries for the best tasting – and most sugar-like – zero-calorie, stevia sweeteners like Reb M.

PureCircle has developed technology to increase supply of Reb M by converting the plentiful Reb A found in Starleaf™ stevia just as the stevia leaf.

Using beverages as an example, PureCircle can now supply enough Reb M to sweeten circa 500 million cases of zero-calorie carbonated soft drinks. PureCircle is continuing to build production capacity, and it estimates that three years from now, it could supply enough Reb M to sweeten 1 billion cases of zero-calorie carbonated soft drinks or the equivalent in beverages and foods using Reb M as the sweetener.

A number of food and beverage companies are already using PureCircle's Reb M in their products. PureCircle's expansion in production of Reb M will help food and beverage companies obtain supplies of an ingredient they need, as they continue to respond to their consumers' desires for more zero- and low-calorie products using plant based sweeteners.

AGRONOMY

In everything we do, we seek to ensure that our growth is scaled in a sustainable way. Today we work with thousands of farmers around the world. By diversifying and expanding our stevia leaf supply across three continents, PureCircle has reduced geopolitical and climate risks ensuring it has the flexibility, capacity and robustness to cope with global market volatility, in whatever form that takes.

PureCircle utilises a wide and expanding global agricultural network for its stevia supply, sourcing it from an increasing number of countries around the world. Part of the increase in Starleaf™ stevia planting this year is the result of our new farming partnerships in North Carolina. Some farmers there – working with PureCircle – are starting to use land that once grew tobacco, to grow Starleaf™ stevia plants. Planting stevia enables them to grow and sell a highly-sought after crop, the demand for which is growing, and to productively use their farming acreage.

SUSTAINABILITY: FARMERS, COMMUNITIES & PLANET

Stevia is a force for good in the world. Our supply chain enables us to be a key leader in corporate social responsibility. Because stevia is 250–350 times sweeter than sugar; a little goes a long way which means that one fifth of the land provides the same amount of sweetness achieved from other sweeteners. 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.

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

PureCircle works with thousands of farmers around the world. Our stevia crops are one of the most lucrative crops a farmer can grow – they have multiple harvest cycles per annum, use considerably less land and water and, because of our vertically integrated supply chain and the way we work with co-operatives ensures we have full traceability of our stevia, with respect for farmers and their communities. An example is our recently launched new stevia farming program in the US and Zambia.

OUR CHAIRMAN

After 11 years on the Board as Chairman, Paul Selway-Swift will be retiring from the Board at the conclusion of this year's Annual General Meeting which will be held on 30th November. With his broad range of skills, Paul helped steer PureCircle through its listing on the AIM market in 2007 and subsequently its listing on the premium segment of London Stock Exchange plc's Main Market in 2015 and has been invaluable in navigating us through many rocky waters as we have built a new industry. He leaves us a strong business in a sound position. On behalf of my colleagues, I would like to record our thanks for his leadership, support and challenge.

OUTLOOK

We are a long-term business in a new industry. With stevia regulatory clearances achieved in all major markets across the globe, the adoption and application of stevia as an ingredient is accelerating. We expect strong growth, however, this growth may not be linear as products incorporating stevia move from innovation to base-line products. Global food and beverage brands continue to launch increasing numbers of products incorporating stevia. The foundations of our business are robust, underpinned by our world class research and innovation. Our ability to find solutions for our customers has increased with the emergence of Starleaf™ stevia offering deeper calorific reductions and wider applications. We are market leaders, we have the most advanced technology, and we continue to invest to ensure we consistently deliver the best-tasting stevia. We are moving forwards, stronger, are excited about the year ahead, and look forward to the future with confidence.

Magomet Malsagov
Chief Executive Officer

FINANCIAL REVIEW

HIGHLIGHTS FOR THE YEAR

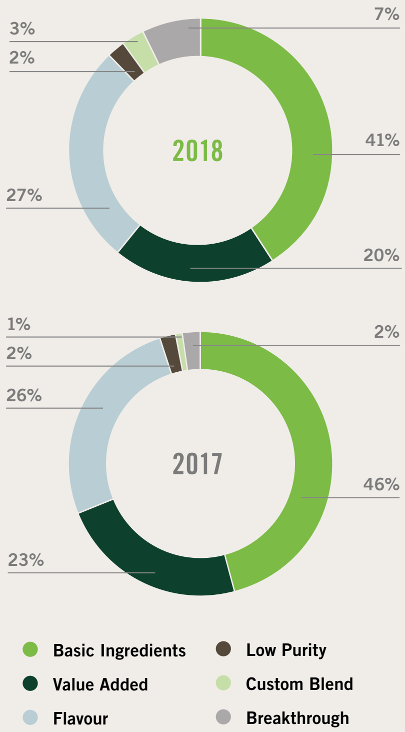
- Sales Revenue $131.1m, representing +10% growth with strong recovery of the US market after the CBP investigation impacted the prior year
- $8.7m net profit, representing 20% growth
- 17% growth in volume
- Net cash from operations of $16.1m
- Gross Margin held up well despite challenging market conditions
- Operating Profit of $17.9m
- $200m finance facility with HSBC fully operational providing greater flexibility to support growth agenda
- Implemented Interest Rate Swap (IRS) to limit exposure to interest rate rises

Rakesh Sinha
Chief Financial Officer

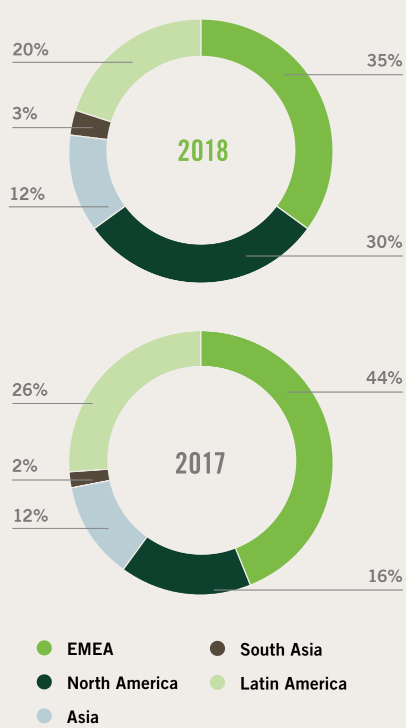
- **$16.1m net cash from operations**
- **$200m finance facility with HSBC agreed with $65m of headroom**
- **Implemented a functional currency change to reflect more appropriately the operating nature of the business**

DIVERSIFIED REVENUE STREAM

Revenue Mix by Product Category



Revenue Mix by Geographic Region



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FINANCIAL REVIEW CONTINUED

The Group's FY18 financial year covers the year from 1 July 2017 to 30 June 2018. FY17 comparatives are for the year from 1 July 2016 to 30 June 2017.

Set out below is an extract from the audited FY18 financial statements. The complete financial statements and its accompanying notes are on pages 62 to 111.

	FY18 USD'000	FY17 USD'000	% + / (-)
Revenue	131,066	118,911	10%
Cost of sales	(81,824)	(73,099)	12%
Gross profit	49,242	45,812	7%
Gross margin %	38%	39%	
Other income	1,137	480	137%
Administrative expenses	(32,504)	(28,670)	13%
Operating profit	17,875	17,622	
Other expenses	(4,355)	(5,874)	(26%)
Foreign exchange gain	1,363	782	74%
Finance costs	(7,355)	(4,956)	48%
Share of (loss)/profit of joint venture	(14)	83	(117%)
Taxation	1,183	(433)	373%
Profit for the financial year	8,697	7,224	20%
Earnings Per Share (US$ cents per share)	4.99	4.16	20%
Fully diluted Earnings Per Share (US$ cents per share)	4.95	4.13	20%
Operating cash flow before working capital changes	24,425	21,812	12%
Working capital changes	(8,325)	(4,707)	77%
Operating cash flow after working capital changes	16,100	17,105	(6%)
Net debt and funding headroom			
Gross debt	122,092	117,735	4%
Gross cash	(23,987)	(32,996)	(27%)
Net debt	98,105	84,739	(16%)
Funding headroom	88,987	76,743	16%
Adjusted EBITDA*	28,836	27,141	6%

* Gross margin, operating profit and Adjusted EBITDA are alternative performance measures which the Directors believe are helpful in understanding the performance of the business. Refer to Note 28 – Segmental reporting (pages 98 to 99) for definitions of non-GAAP measures.

SALES

FY18 sales increased $12.2m (+10%) to $131.1m. Sales growth has primarily been driven by North America and reflects the continued positive mix benefit of the growth of Custom Blend and Breakthrough products. Our innovation continues to enable new Food and Beverage adoption of stevia and support continued roll-outs of products already launched.

GROSS MARGIN AND GROSS PROFIT

Gross profit increased by $3.4m to $49.2m driven by the increase in sales. Gross Margin decreased 1% to 38% (FY17: 39%) due to higher production costs.

OPERATING PROFIT

FY18 operating profit of $17.9m was consistent with previous period (FY17: $17.6m).

OTHER EXPENSES

FY18 other expenses principally comprise non-cash costs of the Group's LTIP scheme, STIP as well as the restructuring costs.

FINANCE COSTS

In FY18 finance costs were $7.4m (FY17 $5.0m). The higher finance cost was due to higher loan and amortization of arrangement fees.

NET PROFIT AFTER TAX

The Group recorded a $8.7m net profit in FY18 (FY17: $7.2m).

FINANCING AND FUNDING HEADROOM

The Group ended FY18 with net debt of US$98.1m (FY17 US$84.7m) and cash and facility headroom of US$89.0m (FY17 $76.7m). Net debt increased mainly due to higher operating expenditure and funding working capital.

EARNINGS PER SHARE

The Group recorded an Earnings Per Share of US cents 4.95 (2017: EPS of US cents 4.13) in 2018, on a fully diluted basis. The diluted weighted average number of shares in issue was 175,800,000 (2017: 175,076,000).

OPERATING CASH FLOW BEFORE WORKING CAPITAL

The Group generated $24.4m of Operating cash flow before working capital in 2018, $2.6m higher than 2017. Working capital worsened by $2.9m due to purchase of raw material.

ADJUSTED EBITDA

FY18 Adjusted EBITDA was $28.8m (FY17: $27.1m). Higher sales, lower other expenses combined with utilisation of deferred tax assets contributed to higher earnings and hence higher Adjusted EBITDA.

Adjusted EBITDA is defined as EBITDA with LTIP scheme, exceptional items (please refer to Note 28 of the Notes to the Financial Statements) being added back.

TAXATION

The tax charge of negative $1.2m was attributed by the recognition of deferred tax assets in our US operations, this is after taking into account of the change in the US tax legislation which resulted in an adverse tax asset impact of $2.1m. The Group is of the opinion that such deferred tax assets are able to be recovered through future taxable profits generated.

FINANCING, LIQUIDITY AND BANK COVENANTS

During the year, the Group refinanced its existing facilities replacing its 5 facilities with 4 lenders with a $200m facility with HSBC. This comprised of a $100m 4-year term loan and a 3-year $100m syndicated revolving credit facility (RCF). This has provided the Group with greater financing flexibility to support its growth initiatives at beneficial rates versus the previous aggregated facilities.

The Company's liquidity position at 30 June, 2018, remains positive. At 30 June, 2018, the Company had $65 million of committed undrawn facilities, $24 million in unrestricted cash, operating cash flow before working capital changes of $24.4 million, as well as future cash flows which support the Company's ability to meet current obligations as they become due, and the Company was in full compliance with all covenants.

The platform for future growth has continued to be established with the transitioning to Starleaf™ and the completion of the refinery expansion. Inventory levels have increased as has debt, hence the focus of the finance team is very much on optimizing working capital. I anticipate both debt and inventory levels to reduce in the coming year.

There are risks outside management's control when building a new industry as we are and so uncertainty remains. However there are a number of options available to management to further mitigate these risks, including additional reductions to uncommitted capital expenditure, renegotiation of covenants with the Company's principal bankers and a number of cost saving initiatives.

The Company's current forecasts and stress tests do not indicate a potential breach of financial covenants over the next 12 months.

CHANGES IN ACCOUNTING POLICY

The Group has carried out a detailed review of adopting IFRS 9 and IFRS 15 (see Note 3 (b)(i) and 3(b)(ii) on page 68) and does not expect a material impact on the adoption of IFRS 9 and IFRS 15.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Company vision and strategy involves the creation from scratch of a new industry. The development of the Company should there be seen in three parts:

- Phase 1 (2002 to 2008): bio-tech start up
- Phase 2 (2009 to 2017): scaling up phase, including an investment of US$47.5million in the new plant; and building up of inventory.
- Phase 3 (2018 onwards): business development with the Group operating with critical mass in more markets

Having completed the investment in the new plant, the Group has negotiated a new funding platform which has also facilitated the funding of increased inventory. This has consequently increased the Group's gearing albeit at a manageable level. The Business is, in recognising the need to reduce this level of funding / debt, developing a range of monitoring systems and actions, in order to implement a gradual reduction in the level of on-going debt.

Understanding these phases of development is critical to understanding the dynamics of the Company's risk environment. In addition, the Group has a formal risk management process in place to support the identification and effective management of risks across the business. It is regularly reviewed and updated for changes within the Group, the industry and the wider economy.

RISK MANAGEMENT FRAMEWORK

The Board is ultimately responsible for the establishment and oversight of the Group's Risk Management framework and internal control system.

The Audit Committee supports the Board in the management of risks and is responsible for reviewing the effectiveness of risk management and internal control processes during the year. The Internal Audit function provides independent assurance to Management and the Audit Committee in evaluating the design and operating effectiveness of the risk management programme and internal control processes to mitigate risks.

IDENTIFICATION OF RISKS

Identifying risk is a continual process. The Group has established a network of risk owners and sponsors across the Organisation and we utilise this network, to identify risks faced by our Business. In addition, we have a Risk Committee (comprising of our Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and Chief Supply Chain Officer), who facilitates our Risk Management Framework, review risks, control and mitigation strategies at least twice a year. This forms the basis for our Principal risks and uncertainties, which is challenged and validated by our Board, and thereafter our Audit Committee. Some of our new specific focus risk areas in FY'18 includes Inventory management; Working capital funding; Talent attraction, development and retention.

EVALUATION OF RISKS

The business considers both external and internal risks, from the business units through to Group level. We use a risk scoring methodology to ensure risks are evaluated consistently. Our methodology considers Consequence (financial and business continuity impact), Likelihood and Control Effectiveness.

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

MANAGEMENT OF RISKS

Ownership and management of risks is assigned to our Risk Committee. A Group risk register is in place and these are summarised in a matrix which identifies the intensity of the risk: high, medium or low. Each risk is assigned a sponsor and management owner.

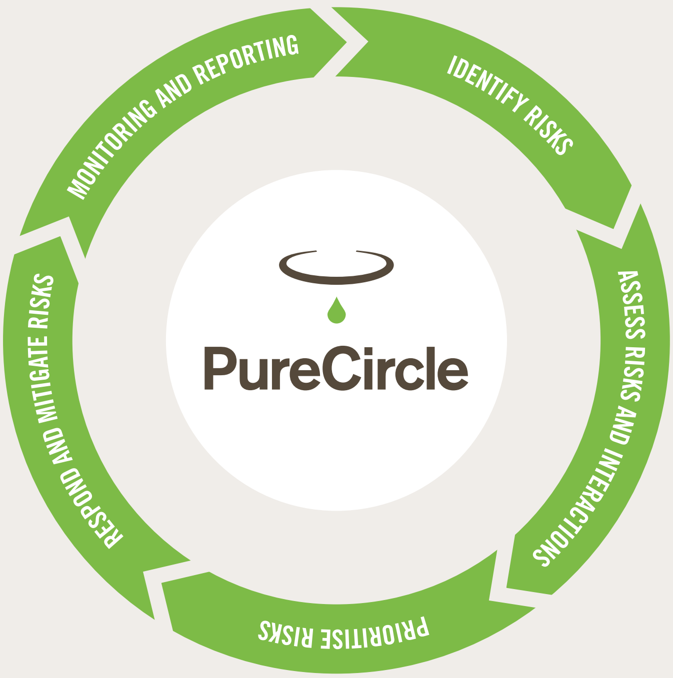
As part of our risk process this year, we have also facilitated risk management workshops to explore and understand how risks are inter-connected and critical risk dependencies. This allows us to understand risk movement trends and prioritise on key mitigating controls.

RISK APPETITE

Our Board is responsible for defining the level and type of risk that the Group is willing to undertake and ensuring that it remains in line with our overall strategy. The Board regularly reviews the risk appetite of the Group, reassess information available and risk factors that are relevant. This ensures that our risk exposure remains appropriate at any point in time and that risk is considered dynamic.

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, clearly defining our risk appetite, responding to changes to our risk profile quickly and having a strong risk culture among employees.

ENTERPRISE RISK MANAGEMENT PROGRAMME



RISK MANAGEMENT FRAMEWORK

Top down

Board of Directors

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

Audit Committee

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

Risk Committee

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

Internal Audit

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

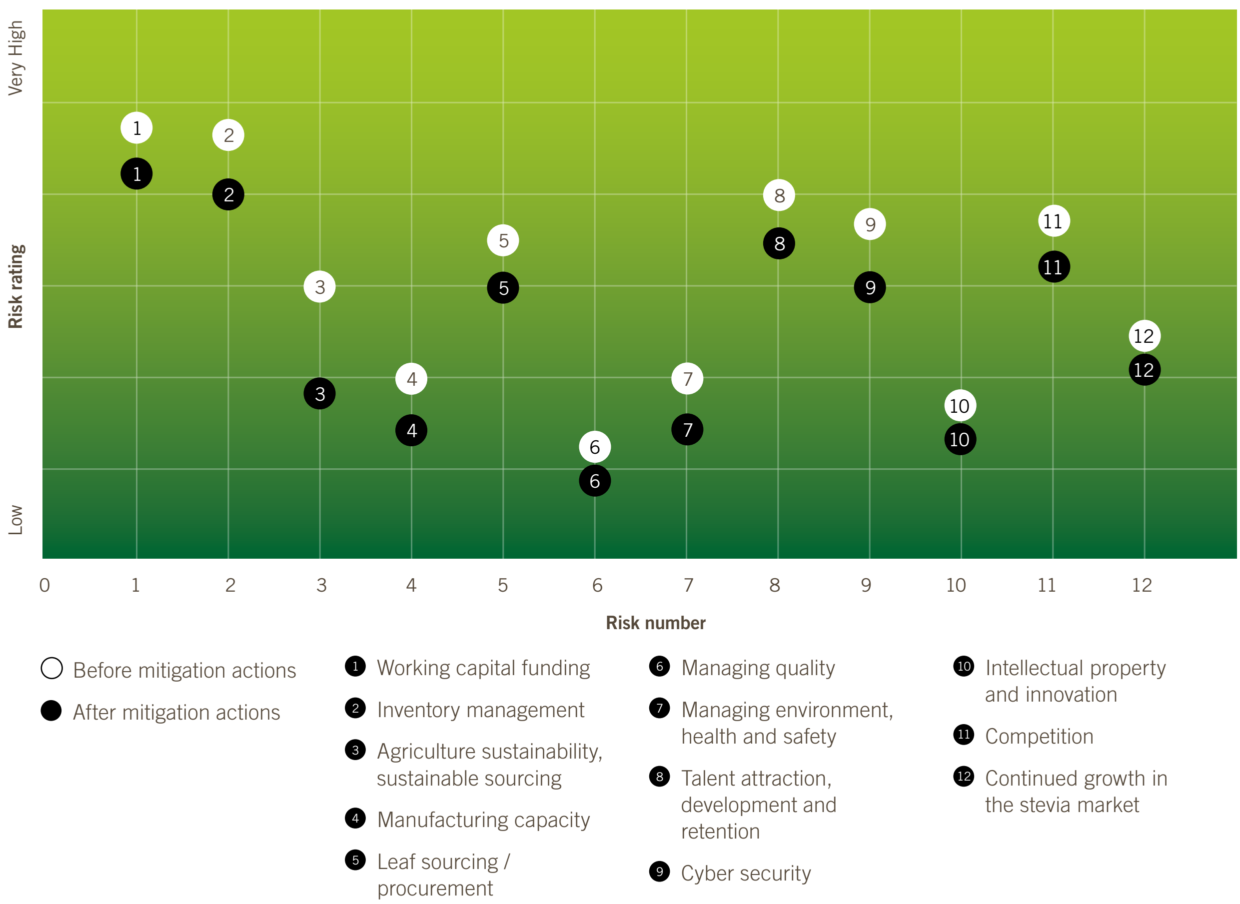
Business process owners

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

Bottom up

PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS BEFORE AND AFTER MITIGATION ACTIONS



RISK HEAT MAP

The risk heat map illustrates the relative positioning of our principal risks before and after mitigation actions. We set out further details of our principal risks in the following pages, our key mitigation actions and rationale for the risk movement in the year.

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The principal risks and uncertainties facing the Group are summarised below. However, these are not intended to be an exhaustive analysis of all risks currently facing the Group.

Key Risk Areas	Description	Potential impact	Key mitigations	Risk movement in the year
TREASURY 1 **Working capital funding to support growth plans**	PureCircle fully controls the end-to-end process of its entire supply chain from leaf sourcing to manufacturing; sales; distribution and customer relationship management. PureCircle is in a fast growing business which requires product innovation and investment in technology to stay ahead of competition. The Company needs to fund its working capital from leaf purchase to sales receivables and inventory holding. In view of the Company's growth plans and recent plant expansion, working capital requirements have increased. In addition, PureCircle needs to maintain sufficient liquidity to balance operating requirements with financial obligations and covenants.	• Insufficient cash flow • Breach of debt covenants • Bank facilities can be revoked • Vendors are not being paid on time / extended payment terms • Important operating and capital expenditure decisions may be deferred due to insufficient funds • Loss of staff morale and reputation with vendors • Potential legal actions from vendors to recover amount owing	• Corporate Finance monitors the Group's cash flow on weekly basis and forecast on a monthly basis, to ensure that debt covenants are met. • Improved days sales outstanding as Commercial Finance actively follow up with customer, on collections. The focus on debt collection is a high priority for the Group and improvements in debt collection are already being delivered. • Bank covenants compliance is reviewed regularly with stress testing occurring at various downside scenarios. Mitigating actions are identified and if necessary, can be implemented to ensure compliance even in the event of a downside case occurring. • Regular dialogue on business performance with our lead banking partner, ensures a positive and open relationship is sustained. • Debt reduction is a priority for management in the coming period which would provide more flexibility and give more covenant headroom. • Cash conversion and debt reduction are key focus areas for Senior Management; with an on-going and active review, and already well developed actions.	↑
OPERATIONS 2 **Inventory management**	Inventory management is a key area of the business. Ensuring PureCircle manufactures the 'right' inventory is of paramount importance as failure to do so may result in high level of cash being tied up in the business. Inventory turnover is an important measure of business performance and ascertains how many times average inventory is 'turned' or sold during a period. This needs to be shortened as far as possible across all inventory categories.	• Cash flow tied up in inventory leading to the business not being to meet its liabilities • Weak balance sheet • Risk of product obsolescence • Write off and write down of inventory • Reduced margins due to clearance discounts • Storage costs incurred at external warehouse	• Monthly standard operating procedures are in place to manage inventory. Slow moving and obsolete items across all sites, are listed with action plans identified to run down / consume excess inventory. • Monthly physical stock count and reconciliation of book-to-inventory records. • Sourcing of leaf outside of China. • Leaf extraction tollers have been identified. • Active management / sale of work-in-progress products are being undertaken, in order to reduce inventory. • The company's strategic move to StarLeaf™, which has a significantly higher Reb A content will reduce the level of inventory held as work-in-progress, as StarLeaf™ only requires a 1 staged refinery process. This combined with the consumption of existing work-in-progress, will facilitate a reduction in inventory levels.	↓

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Key Risk Areas	Description	Potential impact	Key mitigations	Risk movement in the year
OPERATIONS 3 **Agriculture sustainability, including sustainable sourcing**	PureCircle is committed towards corporate social responsibility (CSR) pro-activeness and vigilance. Post CBP clearance, the Company has increased its footprint on controlled leaf plantations, thus increasing the transparency over leaf sourcing arrangements. In addition, the Group's CSR programme includes the sourcing of critical non-leaf supplies such as critical materials and chemicals. These heightened activities run through the entire supply chain.	• Significant loss of revenue, reputation, customer and trust in the Business. • Supplier's business may close or shutdown temporarily for rectification works ordered by Government • Short or stop supply of materials from supplier could potentially disrupt our production leading to the delay or short supply to customer	• **Sourcing of leaf supplies** • All leaf contracts provide for leaf suppliers' obligation in meeting PureCircle's CSR requirements. For example, the Anti-Bribery and Corruption policy and suppliers' Code of Conduct. • Full compliance towards established Farm Sustainability Assessment guidelines with specifically defined actions for each requirement. • PureCircle Jiangxi Leaf Team members are adequately trained as internal trainers, who in return then train and engage farmers under their area of responsibility to work towards full farm sustainability compliance. • Perform 2nd party audits on farms in China, which accounts for nearly 80% of the Group's leaf supply source. • Product Traceability from Leaf Suppliers to End Product is available. • **Sourcing of critical non-leaf supplies** • A yearly evaluation assessment is performed for supplier to confirm on any changes to their existing qualification certifications and delivery targets. This to ensure that supplier has the relevant credentials to operate business with PureCircle. • To maintain at least 2 source of suppliers for critical materials. • To maintain a reasonable buffer stock level to support the continual of production in the event of supply disruption. • All suppliers are required to commit to PureCircle's Code of Conduct; and continuous monitoring of key suppliers.	↓
OPERATIONS 4 **Manufacturing capacity**	PureCircle is a fast growing company with production chain covering both extraction and refinery activities. It is imperative that our capacity keeps up with increasing customer demand.	• Loss sales and erosion of market share / leadership • Higher production cost • Failure to achieve supply commitments to customers	• A 5-year capacity plan is in place, to match capacity against long-term sales projection. • Key performance indicators are established to monitor overall plant capacity utilisation. • A robust plant preventive maintenance program is in place, including policy and processes governing environmental; health and safety requirements; hazard and operability studies. • The Group completed its $42million refinery expansion in FY'17. • The Group has explored alternative manufacturing options including third party toll manufacturing. In FY'17, toll manufacturing was successfully trialled, and available to us if required, on short notice.	↓

Key Risk Areas	Description	Potential impact	Key mitigations	Risk movement in the year
OPERATIONS 5 **Leaf sourcing / procurement**	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. Over reliance of leaf supply from China and inconsistent quality of leaf from other sources of supply, may pose supply risk, in the event of supply shortage / disruption.	• Increasing leaf costs and loss of competitive advantage • Shortfall of leaf to process and extract • Manufacturing costs may increase	• Leaf contract terms from China has been expanded to include volume, quality, price controls and minimum take up volume from farmers. • Approximately 90% of the Group's leaf is currently sourced from China. Leaf supply diversification on going in Africa, Latin America and the US. India is under early stages of evaluation.	
OPERATIONS 6 **Managing quality**	PureCircle is committed towards manufacturing safe products that meets legal and regulatory compliance. In addition, PureCircle sites are committed towards continuous improvement of quality objectives.	• Damage to PureCircle's reputation and image • Customer recalls / product withdrawal • Loss of customers and impact to sales • Import alerts • Withdrawal of PureCircle's quality certification	• The Group actively manages its quality requirements actively through clearly defined quality objectives, quality protocols and standards that are set and monitored regularly by its Quality Leadership Team. This includes an integrated quality system, periodic audits and compliance towards high standards expected in the food manufacturing industry, including requirements from customers, independent third party certification bodies and government agencies. • Suppliers are required to comply with the various quality standards and CSR requirements of the Group, including Anti-Bribery and Corruption policy and suppliers' Code of Conduct. • PureCircle conducts full testing on all batches produced, including additional testing per customer specific requirements. In addition, we have established a Corporate Safety and Quality Procedures as a framework for all our sites. • Regular quality audits are performed to ensure compliance to legal and regulatory requirements.	

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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Key Risk Areas	Description	Potential impact	Key mitigations	Risk movement in the year
OPERATIONS 7 **Managing environment, health and safety**	PureCircle sites are committed to meet or exceed all applicable laws, regulations, and other requirements; as we continue to improve on our environmental, safety and health programs.	• Damage to PureCircle image and reputation • High number of work related injuries and illnesses • Notice of manufacturing prohibition imposed by local regulatory bodies	• The Group manages its health and safety requirements actively through clearly defined employee safety engagement strategies; safety protocols and standards that are set and monitored regularly by the Quality, Environmental, Healthy and Safety Leadership Team. • At the functional level, there is a Safety Committee who oversee operational matters and execute the Group's overall health and strategy in each geographical location. • In FY'18, Actual Lost Time Injury Frequency at Group and manufacturing entities were within benchmark standards. Entities are in full compliance with initiatives such as training, toolbox completion and root cause analysis. • The closure rate of the hazard and operability studies at the new production line is significantly above the benchmark best practices.	↓
HUMAN RESOURCES 8 **Talent attraction, development and retention**	Stevia is a relatively new industry and PureCircle is a high growth market leader in the industry. Attracting quality talent, developing and retaining key personnel will be a cornerstone of the Company's future success. There is a risk that as the Organisation grows and becomes more successful, our talent will be highly sought after in the growing industry.	• Key leadership positions take longer time to be filled, following staff turnover • Lack of knowledge transfer or proper hand over to person taking over the role. • Financial impact to secure replacement resources • Employee morale will be impacted	• Continued management focus on recruitment quality, industry background and internal career development. • The Group has ongoing investment in senior management retention programs for all key managers. • Regular Human Resources and management joint discussions / engagements. • Appropriate reward structures are being implemented.	↓
INFORMATION TECHNOLOGY 9 **Cyber security**	Information Technology (IT) security threats are becoming ever more advanced and frequent with breaches expanding their reach with more sophisticated methods. PureCircle being in a new, progressive industry, needs to ensure that its existing IT landscape is protected whilst being highly vigilant to new threats.	• Data Loss • Seizure of system through ransomware / hacking • Monetary scams / loss • Significant financial loss • IP compromised	• Security technologies in place to detect and prevent cyber attacks through advanced threat protection, integrated circuits, data encryption and cyber insurance. • Third party cyber security specialist contracted to mitigate risks.	↓

Key Risk Areas	Description	Potential impact	Key mitigations	Risk movement in the year
CORPORATE 10 **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.	• The value of PureCircle's investments in RD&I may be significantly diminished if we do not protect our IP: • Others may obtain patents that limit or even prevent PureCircle's ability to use the company's own innovations • PureCircle's innovations may become freely available to competitors, thus allowing competitors faster and cheaper entry to market based on such innovations • PureCircle may miss opportunities to leverage the company's IP in business transactions involving licensing or transferring IP assets to other entities	• Maintain a robust patent filing strategy and procedures to ensure that patent applications are timely filed and are aligned with commercially relevant innovations. • Utilise strong trade secret protection practices, such as non-disclosure and non-analysis agreements, employee entry and exit interviews, and document security measures to protect confidentiality and ownership of innovations. • Foster a culture of innovation recognition and protection to incentivise the consistent use of effective IP protection strategies. • Where required, appropriate actions will be taken to address infringements and protect our I/P.	
CORPORATE 11 **Competition**	As pioneers in the development of the stevia market, PureCircle is currently believed to have a majority share of the Global stevia market. As stevia becomes more established as a large volume mainstream food and beverage (F&B) ingredient, more competitors may enter the stevia market with the potential to reduce the Company's market share. In addition, the emergence of cheaper alternatives of stevia (artificial, genetically modified variants) could undermine our business performance.	• Loss of market share • Aggressive pricing • Deterioration of margins	• PureCircle is committed to providing the best tasting stevia for it's customers' applications. Our continued investment in research and development; and innovation will enable us to develop strong working relationships with existing and new customers. • R&D developments and breakthroughs sustained first mover advantage.	
CORPORATE 12 **Continued growth in the stevia market**	PureCircle has pioneered the development of the high purity stevia market and is focused on the further development of the market in terms of product innovation and investment in technology. In addition, PureCircle has an operationally leveraged business model in which viability of the business is sensitive to volumes. The Company's future profitability is sensitive to the continued growth of the stevia market.	• Loss of reputation and sales revenue as the Company was unable to fulfil customers' orders • Risk that future growth targets will not be achieved	• Management mitigates this risk with an active programme of new stevia product innovation to support further adoption of stevia and to enable future food and beverage formulation projects. This is supported by investment in new or expanded innovation labs (e.g. India, China), where customers are able to co-develop solutions. • External evidence, such as Mintel Data, shows continued strong growth in F&B product launches using stevia which provides confidence in there being sustainable stevia market growth over the long-term. • With the removal of PureCircle from the Withhold Release Order (WRO), sales to the US has now resumed. Recovery of volumes in this market is fully expected.	

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

VIABILITY STATEMENT

The Directors have assessed the viability of the Group in accordance with the requirements of provision C.2.2 of the UK Corporate Governance Code. In assessing its viability, the Directors have considered the Group's prospects and a number of factors that affect the resilience of the Group, including the principal risks.

ASSESSMENT OF PROSPECTS

The context for the assessment of prospects

The Group's market, strategy and business model are each central to an understanding of its prospects.

The nature of the Group's activities is long-term and its market and business model are both seen as open ended. The core strategy of the Company remains in place and is fine-tuned to ensure it anticipates industry evolvement and maintains customer centricity.

The core matters relevant to assessing the Group's prospects include:

- Stevia is a global mass volume natural sweetener; since initial regulatory approvals the stevia market has grown steadily and is close to tipping point / reaching critical mass. All indications are, given the concern at the continued growth in the levels of global obesity and diabetes, that it will experience considerable growth for the next few decades.
- Successful participation in the stevia market requires scale to be feasible (including scale in leaf supply, extraction, refining and customer service support).
- The Group has a large invested balance sheet, representing successful investment in a vertically integrated supply chain, from leaf to end customer service on a global presence.
- Our business model is highly operationally leveraged.

Key to viability is sustainable critical mass.

ASSESSMENT OF SUSTAINABLE CRITICAL MASS

The Group achieved breakeven net profit in FY14 and since then net profits have grown consistently. In FY18, the Group has delivered strong double-digit profit growth.

Future viability is dependent upon continued growth in the stevia market and the Group is continuing to secure a reasonable share of that growing market. This is considered entirely reasonable as the stevia market is expected to grow. It is currently estimated at about $200–300m in B2B sales, representing under 1 million tonnes of sugar equivalent, against global sweetener consumption in excess of 200 million tonnes of sugar equivalent. Further Mintel and other 3rd party data continues to show strong growth in food and beverage products using stevia.

PureCircle currently has a market share in excess of 50%. The long-term viability assessment is based on the Group being one of four large producers in the long-term, therefore, at present there is considerable market share upside to the viability assessment.

THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

The Group's prospects are assessed primarily through its strategic planning process. This includes the maintenance of a rolling 5-year plan which is reviewed annually by management led by the CEO with extensive COO and CFO involvement.

Detailed financial forecasts are prepared for a rolling 5-year period. The current year operating budget is reviewed and updated monthly, with updates beyond the current year re-forecasted at the half-year mark, adjusting for significant events e.g. new product launches, innovation, market and customer developments. The cash forecast is reviewed weekly and a rolling 18-month cash forecast is maintained.

KEY ASSUMPTIONS OF THE BASE STRATEGIC PLAN

Principal assumptions in the base strategic plan include:

- Continued growth in stevia market.
- Continued growth in the Group's sales revenues, reflecting growth in the overall market and further recovery in the US market.
- Adequate refinery capacity to manage strong sales growth.
- Fixed costs: it is assumed that the Group's non-variable factory and SG&A overhead cost base will be managed to a rate of increase below the rate of sales growth.
- The Group will maintain its highly operationally leveraged business model.
- Working capital assumptions are that inventory levels will reduce as a percentage of sales.
- Ability for the Group to maintain facilities on similar terms to those in place at the present time.
- The debt repayment schedule of the finance facility over the next 3 years has been reviewed and we are confident that the business can repay the amounts as they become due.

The base plan assumes that positive base operating cash flow on a sustainable basis has been achieved and will continue as sales grow until further capacity expansion is required.

ASSESSMENT OF VIABILITY

Although the strategic plan represents the Directors' best estimates of the future prospects of the business they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan.

These scenarios which are based on aspects of the principal risks represent severe but possible circumstances that the Group could experience.

The Directors consider that in the downside scenarios the Group has enough controllable mitigating actions to continue to operate profitably and within its cash and funding headroom by:

- Scaling back on stevia leaf purchases. Stevia leaf is the Group's principal variable cost and cash outflow. The Group has the ability to cut back purchases in line with reduced demand; or
- Running down inventories. The Group has historically maintained high inventory levels equivalent to circa 12 months cost of sales. This provides management with considerable flexibility on managing stevia leaf procurement in scenarios of uncertain demand and in turn production of stevia products.

VIABILITY STATEMENT

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation, not breach covenants, and meet its liabilities as they fall due over the five year period ended 30 June 2023.

GOING CONCERN STATEMENT

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review. The financial position of the Group, its cash flows and liquidity position are described within the Business Performance Review on pages 25 to 27. In addition, Note 4 – Financial risk management (pages 69 to 72) to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has strong liquidity and has positive operating cash flow. At 30 June, 2018, the Company had $65 million of committed undrawn facilities and $24 million in unrestricted cash, as well as future cash flows which support the Company's ability to meet its obligations as they become due. Optimising working capital and adhering to covenants are priorities for the business.

In making the assessment of the Group's ability to manage its future cash requirements and maintain covenant compliance, the Directors have considered the Company and Group budgets and the cash flow forecast for the period to 30 September 2019. The stressed review included lower revenues, reduced cash flows, lower profitability margin, several cost reduction initiatives, cutting back on total leaf volume purchases and discretionary capex investments, so as to mitigate pressures on liquidity. This resulted in our current cash balances reducing over time but maintaining sufficient liquidity throughout the period.

After reviewing all the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future.
The Directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY IS EMBEDDED IN PURECIRCLE'S CORPORATE PRACTICES

PureCircle's vision is to lead the global expansion of stevia as a mainstream natural sweetener with zero-calories. Our stevia are grown, processed and delivered in a way which respects people and the planet. From promoting a healthy diet, improving the livelihood of farmers and minimizing environmental impact throughout our vertically-integrated supply chain, sustainability is key to how we operate.

PureCircle's Advantage

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

We are actively involved in every stage of our vertically-integrated supply chain (breeding, cultivating and harvesting stevia plants; extracting and purifying steviol glycosides; delivering products to customers) allowing us to scale responsibly, and with full traceability from farm to end product.

Footnote:

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

PURECIRCLE SUSTAINABILITY PROGRAM – PAST ACHIEVEMENTS

OUR SUSTAINABILITY PROGRAM ENCOMPASSES THE FOLLOWING FOUR PILLARS:

1. Supply Chain Integrity and Operational Transparency

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

We have a formalised PureCircle Sustainable Agriculture Policy for farmers & leaf agents (pre-requisite for trading with PC) which has been incorporated into our leaf purchase contract. In addition we have complete traceability from nursery / farm to leaf agent.

On top of upholding our Supplier Code of Conduct, we have embarked on a journey to work with our agriculture partners (including large and small scale farmers) to meet global standards (Farm Sustainability Assessment (FSA) of SAI Platform) from 2016 onwards. In FY 2018, we have trained hundreds of farmers in China whose output covers nearly 80% of total China production product, on FSA awareness and requirements.

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

Meanwhile, our manufacturing sites in China and Malaysia are in compliance with SMETA. In FY 2018, our Malaysia manufacturing site plan attained CTPAT compliance (China site is already ISO 14001 certified & CTPAT compliant).

2. Strong Farmers and Their Communities

The PureCircle Agriculture Team has cultivated strong relationships with a stable group of farmers in China. We are in regular communication with our farmers, communicating our plans for planting stevia with annual leaf contracts, providing financial securities to the farmers. PureCircle distributes a technical planting guidebook with regular farm visits to guide farmers on best practices in sustainable stevia planting. In FY18, PureCircle's agriculture activities in China generated employment opportunities to approximately 70,000 individuals.

We continue to expand our agriculture partnerships in parts of Africa and North America. Since 2015, PureCircle has been working with farmers in different parts of Africa to further expand the supply chain. We now have more than 300 hectares in production, and plan to double this every two years. Through our efforts, we are able to support communities which once grew tobacco with an alternative, sustainable high value crop.

In the fall 2017, PureCircle began exploring partnerships in the United States. With help from state and federal agriculture resources, we began trials with North Carolina farmers to successfully plant and harvest Starleaf™ stevia in 2018. Building on our success, we expanded production of Starleaf™ stevia, also offering tobacco farmers in North Carolina the opportunity to move from tobacco and improve the productivity of their acreage.

3. Healthy People and Planet

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 3.8 trillion calories from global diets.

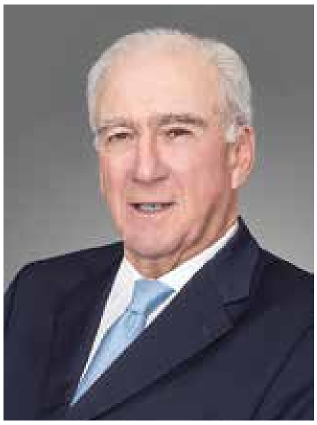
In 2011, PureCircle was an industry pioneer as it was the first to publicly share the carbon & water footprint of our product lifecycle based on industry-recognised methodology (PAS 2050 and Water Footprint Assessment Methodology). This was supplemented with internal energy and water conservation initiatives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

4. Responsible Scaling

Through the PureCircle Stevia Agronomy Program, we have developed our proprietary stevia leaf variety – Starleaf™, which contains 20% more of the sugar-like steviol glycoside content (e.g. Reb M) than standard leaf varieties. Starleaf™ offers food and beverage developers a plant-based, non-GMO, zero-calorie sweetener which delivers on great taste.

CHAIRMAN'S GOVERNANCE OVERVIEW

'An effective governance framework is vital to ensuring PureCircle remains successful and sustainable. Your Board is committed to high standards of corporate governance and has a vital role in setting the tone for how we do business as a Company.'



Paul Selway-Swift
Chairman

INTRODUCTION

On behalf of the Board, I present the Corporate Governance overview for the financial year ended 30 June 2018. This will be my last report to Shareholders as I shall not be seeking re-election at our 2018 Annual General Meeting which will be held on 30 November. The Board has asked John Slosar to take the Chair following my retirement.

We report against the requirements of 2016 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council. Overall, I am pleased to report that your Company has applied the provisions of the Code in the governance of the Company and remains in compliance to the Code.

BACKGROUND TO GOVERNANCE IN PURECIRCLE

At PureCircle we have ambitious long-term plans to build a large sustainable global business and 'doing things properly' is a major part of our philosophy. In support of those plans, my role as Chairman, supported by my Board colleagues, is to set the tone for how we do business as a Company.

Our intention is to build a 'blue chip' Company that over time is recognised as a true leader in its field and recognised as making a real sustainable contribution to help address some of the food related epidemics confronting the world today. Our intention is to build a business incorporating high standards of governance, aligned fully with principles of sustainability and good social behaviour. We see governance as supporting our intentions to remain highly competitive leaders in everything we do, particularly by promoting clear policies and systems across the business. In particular we plan to retain the nimble, fast decision making and strong innovation and development culture that has always been at the core of PureCircle and which has served us so well this far.

Within this as a Company we are prepared to accept market risk, but have no appetite for risks that might impact the health and safety of our employees or might impact our standing as a valued supplier partner to our customers. At PureCircle governance is not just confined to the boardroom. It is an integral part of the way we manage our business and control our activities every day.

Across all areas the Board should be able to contribute to key decisions and provide challenge to management in a meaningful and timely way.

One of the key principles of good Corporate Governance is that the Chief Executive should run the business while the Chairman runs the Board in a way that enables it to best discharge its duties. At PureCircle we have that principle firmly in place.

In FY18 much of the Board activity has focused on:

- Board succession planning, diversity and recruitment
- Further building our risk assessment and management processes into the day to day operations of PureCircle
- Board effectiveness

BOARD SUCCESSION PLANNING AND RECRUITMENT

2018 has been a year of change as we continue to review the composition of the Board and of the committees; the independence and of the tenure of service of each Director.

I have decided to step down from the Board at the 2018 AGM after having served the Company as Chairman for a significant length of time. Following a review of the Chairman succession, the Board, as recommended by the Nomination Committee, has asked John Slosar to replace me as Chairman, subject to his re-election as a Director by Shareholders at the 2018 AGM. I am confident that John with his experience will inspire his PureCircle colleagues as the Company continues with its next phase of growth.

As mentioned in last year's Annual Report and in the Nomination Committee report on page 46, John Slosar re-joined the Board on 1 July 2017. Financial year ended 2018 is his first full year of service with the Board after having stepped down as a Non-Executive Director on 18 March 2014 due to other business commitments. John will also be appointed a member of Nomination, Remuneration and Disclosure Committees of the Company with effect from 19 September 2018.

In March 2018, Christopher Pratt retired from the Board. He was the Senior Independent Director, Chairman of the Remuneration Committee; member of the Nomination Committee and member of the Audit Committee. The following changes in Board committees' membership took effect in March 2018:

– John Gibney, appointed Senior Independent Director;
– Mitch Adamek appointed as chairman of Remuneration Committee; and
– Guy Wollaert, appointed member of the Remuneration committee and member and chairman of the Nomination Committee.

I would like to take this opportunity to thank Christopher Pratt for his contribution to the Board.

Lastly, on behalf of the Board, we also welcome two new Non-Executive Directors to our Board. Rosemarie S. Andolino and Ann Marie Scichili joins the Board as Independent Non-Executive Directors and as members of the Audit Committee with effect from 19 September 2018.

Profiles of members of our Board and of the two new directors can be found on pages 42 and 43.

RISK ASSESSMENT AND MANAGEMENT

Your Board is clear on the value and importance of assessing and managing risk in everything we do. During FY18 we continued to make considerable progress in formalising and articulating our appetite and assessment of risk and of embedding this into how we do business in PureCircle on an every-day basis.

Our Audit Committee Chairman John Gibney goes into risk in more detail in his Chairman's report following on pages 47 to 49.

PureCircle is an entrepreneurial business creating a new industry from scratch. As a Board we would like you as shareholders to be clear that we are prepared to accept industry, market and business risk because we believe that, over time the rewards that will flow from taking those risks will be substantial.

However we have no appetite for any risks to the health and safety of our employees and stakeholders. Nor do we have any appetite for any risk that threatens our reputation or the long-term sustainability of our business.

BOARD'S EFFECTIVENESS

This year, the performance of the Board, its Committees and Directors were conducted internally. The evaluation was led by the Chairman. Directors completed an evaluation form comprising questionnaires which were based on the requirements of the Code, covering the performance of the board and its committees. The appraisal output was collated and provided to the Board for discussion.

Separately, the Chairman also led the appraisal of the Directors by way of peer evaluation in a discussion while the SID led the evaluation of the Chairman using the collated output from anonymous peer evaluation.

The output of this year's effectiveness review was presented at the Board meeting in June 2018 and discussed by the Directors. Separate evaluation reports were prepared for each of the Audit, Nomination and Remuneration Committees based on the feedback from the questionnaires and discussed by the respective Committees at their meetings in June 2018.

In light of the evaluation, the Board considers the performance of each Director to be effective and that the Board and its committees have the balance of skills and expertise needed to support the company's strategy.

MEETINGS WITH SHAREHOLDERS

We stay in touch with our shareholders through face to face meetings and conference calls.

REMUNERATION

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

Linked to this our Executives will only receive above average rewards for corresponding performance. Our strategic objective is to build a very large sustainable global business. We consider that the primary benchmark for assessing progress towards this goal is sustainable sales growth. Over time we also see Adjusted EBITDA as becoming relevant, to ensure that profitability is taken into full account.

Details of our remuneration programme are covered in Mitch Adamek's report as Chairman of the Remuneration Committee on pages 50 to 53.

HEALTH AND SAFETY

PureCircle employs more than a thousand people in our supply chain and operations spread across four continents. The health and safety of each and all our employees is an important priority for the Company and your Board. In that context I am pleased to report that overall safety, health and environment cases improved. Despite this we have continued to put additional investment into staff training on health and safety.

DIVERSITY

PureCircle is committed to employment on a fully diverse basis. Operating across the regions that we do, at PureCircle we have diverse staffing levels in terms of nationality, language and religion.

On behalf of the Board, I am delighted to report that we have appointed two new Independent Non-Executive Directors who joined us with effect from 19 September 2018. Profiles of both Rosemarie S. Andolino and Ann Marie Scichili can be found on page 43 along with other members of the Board.

At senior management level, we continue to have significant gender diversity in several areas.

FURTHER INFORMATION

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

BOARD OF DIRECTORS

Key to Committees

- Audit
- Disclosure
- Nomination
- Remuneration
- Treasury
- C Committee Chair

Paul Selway-Swift [1]

Chairman

Appointed: 10 November 2007

Mr Selway-Swift worked with the HSBC Group for 30 years. He was a Director of The Hongkong & Shanghai Banking Corporation from 1992 to 1996 and of HSBC Investment Bank plc from 1996 to 1998.

He is currently a Non-Executive Director of Global Brands Group Ltd.

Magomet Malsagov [2]

Chief Executive Officer

Appointed: 26 September 2007

Mr Malsagov has held the position of Chief Executive Officer since founding the business in 2002. He is responsible for the executive management of the Group and also has the responsibility to recommend and to implement the Group's strategic objectives.

John Gibney [3]

Senior Independent Non-Executive Director

Appointed: 11 April 2016

A Chartered Accountant, Mr. Gibney had an executive career spanning in excess of 30 years during which he held a variety of operational and financial roles, latterly as Chief Financial Officer at Britvic plc, a role he held for 17 years. John is a Non-Executive Director of Dairy Crest Group plc, a leading British dairy company. He is Dairy Crest's Audit Committee Chairman designate, and a member of the Audit, Remuneration and Nomination Committees.

Mitch Adamek [4]

Independent Non-Executive Director

Appointed: 10 July 2015

Mr Adamek had an executive career spanning in excess of 20 years in PepsiCo Inc in both procurement and human resources role. His last role at PepsiCo was as Chief Procurement Officer. Prior to PepsiCo Inc., he spent six years in human resources leadership positions at USG Corporation. Mr. Adamek is a Non-Executive Director of Wayne Farms LLC and the Chairman of Compensation Committee.

John Slosar [5]

Independent Non-Executive Director

Appointed: 1 July 2017

Mr Slosar brings strong leadership and international business experience to the Board. He is currently Chairman and a Director of Cathay Pacific Airways Limited and a Director of Air China Limited. He was formerly Chairman of Swire Group and a Director of Swire Properties Limited, HK Aircraft Engineering Co Ltd, Swire Pacific Limited, John Swire & Sons (HK) Ltd and Hongkong and Shanghai Banking Corporation Limited.

He is a graduate of both Columbia University and Cambridge University.

Rakesh Sinha [6]

Chief Financial Officer

Appointed: 6 July 2016

Mr Sinha is a qualified Chartered Accountant and has 25-years of broad commercial experience. He joined from Unilever PLC, where across his 17 year career he held a number of senior finance and strategic roles in both developed and emerging markets. Prior to joining Unilever, Mr Sinha worked for BHP.

Mr Sinha is a Chemical Engineering graduate from the University of Leeds (UK) and holds an MBA from Rotterdam School of Management, Erasmus University (Netherlands).

Guy Wollaert [7]

Independent Non-Executive Director

Appointed date: 10 July 2015

Guy Wollaert stepped down as a Senior Vice President and Chief Technical and Innovation Officer of The Coca-Cola Company after a 23 year career. Mr Wollaert previously served as General Manager of the Global Juice Center, where he was responsible for leading various functions including business development and supply chain for its global juice and juice drink operations.

RETIRED

Christopher Pratt *(until retirement)*

Senior Independent Non-Executive Director

Appointed: 18 March 2014
Retired: 2 March 2018

INCOMING

Ann Marie Scichili

Independent Non-Executive Director

Appointed: 19 September 2018

Ms. Scichili, is a leading business and product development strategist with deep expertise in the fashion industry having worked in countries ranging from the US, Asia and throughout Europe. She is the founder of AMS Design Inc., an international fashion consultancy, since 1992 and Member of Advisory Committee, Consultant at Value Retail PLC since 1994. During a career that spans 30 years, she developed and managed some of the most iconic brands, including Banana Republic, Donna Karen and Lucy Brand Jeans. She graduated from the University of Texas with a Bachelor of Science and Arts degree.

Ann Marie is currently a Non-Executive Director of Global Brands Group Holding Limited.

Rosemarie S. Andolino

Independent Non-Executive Director

Appointed: 19 September 2018

Ms, Andolino, has close to 15 years of experience in airport services business. Currently the CEO and President of MAG USA, she oversees the development of MAG's North American airport services business. MAG USA is a division of the Manchester Airports Group (MAG), a global airport company that owns and operates four UK airports. Prior to MAG USA, Rosemarie served as Commissioner at the Chicago Department of Aviation.

Rosemarie received a Bachelor of Science degree in Marketing / Advertising with a minor in Spanish from DePaul University.

BOARD ACTIVITY

DESCRIPTION OF KEY DISCUSSION OF BOARD ACTIVITY DURING THE YEAR

BOARD ACTIVITY

Strategy and Funding

Reviewed the Group's performance versus budgets and targets

—

Approved debt funding arrangements and gearing levels

—

Considered and approved the Group's Going Concern and Viability Statements as disclosed in the Annual Report 2018

—

Reviewed the Group's strategic plan

Governance, stakeholders and shareholders

Discussed Board evaluation and effectiveness review

—

Reviewed developments in corporate governance and received key legal and regulatory updates

—

Received regular meeting updates from the Chairman of the Audit, Remuneration and Nomination Committees

Internal control and risk management

Reviewed the Group's business procedures and controls

—

Reviewed the Group's risk register and the effectiveness of the systems of internal control and risk management

Leadership and people

Discussed the composition of the Board and its Committees, including succession planning

—

Agreed appointment of John Gibney as new Senior Independent Director

—

Reviewed the development of people, talent, diversity in the Group, including succession planning for Senior Leadership Team members

Financial performance

Considered the financial performance of the business, reviewed and approved budget for FY18 and key performance targets

—

Approved the Group's full year and half year results and its corresponding market announcements

—

Maintained oversight of financial position of the Group and financial reporting process, including policies and procedures

BOARD COMPOSITION AND ROLES

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

John Slosar was appointed to the Board in July 2017. Christopher Pratt retired from the Board and as Chairman of Remuneration Committee in March 2018. There were changes in the Board Committees as well and these are discussed in the pages following.

Profiles of members of our Board can be found on pages 42 and 43.

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

Chairman	
Paul Selway-Swift	• Responsible for leading the Board, its effectiveness and governance process. • Responsible for providing a culture of openness and debate. • Ensures effective communication with shareholders.

Chief Executive	
Magomet Malsagov	• Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.

Chief Financial Executive	
Rakesh Sinha	• Supports the Chief Executive in developing and implementing strategy, and is responsible for finance and IT, including financial planning and reporting, group treasury and investor relations.

Independent Non-Executive Directors	
Mitch Adamek; John Slosar; Guy Wollaert	• Constructively challenge and help develop proposals on strategy. • Scrutinise the performance of management in meeting agreed goals and objectives within the framework of risk and control agreed by Board and monitor the reporting of performance. • Responsible for determining levels of remuneration of Executive Directors and have a prime role in appointing, and, where necessary removing Executive Directors.

Senior Independent Director	
Christopher Pratt (retired); John Gibney	• Provides a sounding board for the Chairman and to serve as an intermediary for other Directors. • Available to shareholders to discuss any concerns that cannot be resolved through the normal channels of communication with the Chairman or Executive Directors. • Attends meetings with a range of major shareholders to understand their issues and concerns. • Leads the other Independent Non-Executive Directors in the Chairman's performance appraisal.

BOARD MEETINGS

The Board meets regularly to in order to effectively discharged its duties. Board meetings are held in person or by teleconference. During FY2018, there were 8 scheduled Board meetings.

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

The table below details the attendance at Board and Committee meetings of each Directors during the 12 month period to 30 June 2018.

BOARD MEETINGS AND ATTENDANCE

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Paul Selway-Swift	8/8		3/3	3/3
Magomet Malsagov	8/8		3/3	
Rakesh Sinha	8/8			
John Slosar	7/8			
Mitch Adamek	8/8	3/3		3/3
John Gibney	8/8	3/3		
Guy Wollaert	7/8	3/3	1/1*	1/1*
Christopher Pratt (retired)	2/4**	1/2**	1/2**	1/2**

Notes

* Guy Wollaert appointed member of Remuneration and Nomination Committees on 2 March 2018.
** Christopher Pratt retired as a Non-Executive Director of the Company on 2 March 2018.

NOMINATION COMMITTEE REPORT

'I am pleased to present the Nomination Committee Report for the financial year ended 30 June 2018.'

INTRODUCTION

The Report outlines the role of Nomination Committee, focus and activities during the year. A key part of the activity during the year concerns the appointment of John Slosar as Chairman-elect of the Board who shall replace Paul Selway-Swift following his retirement at the conclusion of the 2018 AGM on 30 November.

BACKGROUND TO THE NOMINATION COMMITTEE

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for identifying and nominating candidates to fill Board vacancies; evaluating the structure and composition of the Board with regard to the balance of skills, board diversity, knowledge and experience and making recommendations accordingly; giving full consideration to succession planning; and reviewing the leadership of the Group. The UK Corporate Governance Code provides that a Nomination Committee should comprise a majority of members who are independent Non-Executive Directors.

I chair the Nomination Committee effective from 2 March 2018 after taking over the role from Paul Selway-Swift. Paul remains a member of the Nomination Committee along with Group CEO Magomet Malsagov. I was appointed a member and chairman of the Nomination Committee following Christopher Pratt's decision to retire as a Director of the Company on 2 March 2018.

The Nomination Committee meets no less than once a year.

Appointments to the Nomination Committee are made by the Board, are made for a period of three years, which may be extended for further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

PRINCIPAL ACTIVITIES IN FY2018

At the start of the financial year 2018, the Committee's focus has been on the composition of the Board; the search for suitable candidates for the role of Non-Executive Directors as part of our commitment to Board gender diversity; as well as succession planning for the position of Chairman of the Company. This is to ensure that the Board has the right balance of skills, experience, independence to perform their roles effectively.

As mentioned in last year's Annual Report, John Slosar has re-joined the Board on 1 July 2017. Financial year ended 2018 is his first full year of service with the Board after having stepped down as a Non-Executive Director on 18 March 2014 due to other business commitments. John will also be appointed a member of Nomination, Remuneration and Disclosure Committees of the Company with effect from 19 September 2018.

On 6 March 2018, we announced changes to the positions of Chair of Remuneration and Nomination Committees. Following the retirement of Christopher Pratt as a Non-Executive Director of the Company, Mitch Adamek was appointed as chairman of Remuneration Committee; I was appointed as a member of Remuneration Committee and a member and chairman of the Nomination Committee. Paul stepped down from his position as chairman of Nomination Committee but remain as a member of the Committee.

In the recent September Board meeting, Paul Selway-Swift informed the Board of his decision to retire. Paul shall not be seeking re-election as a Non-Executive Director from Shareholders at the 2018 AGM. The Board has agreed to appoint John Slosar as his successor following the conclusion of PureCircle's AGM in November 2018.

Separately, we also announced the appointed of two new Independent Non-Executive Directors to our Board. Rosemarie S. Andolino and Ann Marie Scichili join the Board effective from 19 September. An initial extensive search was carried out by external search firms however the candidates fall short on meeting gender diversity criteria set by the Nomination Committee. The Board then relied on its own network of business contacts to identify suitable new Board candidates. The process led to Rosemarie and Ann Marie being the two most suitable candidates having the necessary skills; expertise and experience. At the recommendation of the Nomination Committee, following meeting with the Chairman-designate, Rosemarie and Ann Marie were appointed to the Board.

Guy Wollaert
Chairman, Nomination Committee

COMMITTEE MEMBERS

- Guy Wollaert (Chairman*)
- Paul Selway-Swift
- Magomet Malsagov
- Christopher Pratt (until retirement on 2 March 2018)

* Replaced Paul Selway-Swift as Committee Chairman effective from 2 March 2018

Profiles of Rosemarie S. Andolino and Ann Marie Scichili can be found on page 43.

The Committee believes we now have a well-balanced board with an appropriate mix of skills and experience.

I am delighted that the appointments made during FY18 will serve the Company well.

KEY CHALLENGES

The Group remains committed to diversity. We are a genuinely multi-cultural multi-national business. We have eight languages spoken as a first language across our 1,100 employees; we operate in 12 different geographies and time zones. Maintaining a strong diverse culture is a core foundation of our business.

Guy Wollaert
Chairman, Nomination Committee

AUDIT COMMITTEE REPORT

'On behalf of the Audit Committee, I am pleased to present our Report for the year ended 30 June 2018.'

This Report sets out:

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

The Committee met three times during the year and invited the Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Head of Internal Audit to attend the meetings along with the external audit partner. As Audit Committee Chairman, I have also held meetings with external and internal audit.

ROLE OF THE COMMITTEE

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

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

COMMITTEE COMPOSITION

The UK Corporate Governance Code, as it applies to the Company, recommends that an audit committee should comprise at least three members who are independent Non-Executive Directors and that at least one member should have recent and relevant financial experience. The Board is satisfied that I meet this requirement, having served as Chief Financial Officer of Britvic PLC for 17 years until April 2016.

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

KEY FOCUS AREAS FOR THE AUDIT COMMITTEE

The Committee has ensured that its work has taken account of the continued growth of the PureCircle business, and the additional risks as well as opportunities associated with that, in addition to the slower than expected recovery of the Groups business in relation to the CBP investigation.

Nevertheless, the Group has recovered well from this unexpected interruption to its growth trajectory, delivering double digit revenue growth in 2018. At the same time, we have completed a major phase of capital investment into the business, with the completion of Line 2 in Kuala Lumpur, and this, together with our transition to our new generation Stevia plant, Starleaf™, has driven a significant increase in our inventory levels. In order to fund this platform for future growth, we have secured significantly stronger funding for the business, through a $200m syndicated facility led by HSBC.

As this has driven an increased level of net debt in the business, albeit at a manageable level, the Audit Committee has materially increased its focus on the Group's cash flow forecasts, the process for ensuring compliance with banking covenants and plans to implement a gradual reduction in gearing through improved working capital management, with a particular focus on reducing inventory levels.

The Committee recognises the improvement in the quality and integrity of the cash flow reporting developed by the Finance Team this year, and the work done by the business to identify contingency action plans which could be readily implemented if necessary, to protect the financial position of the group.

John Gibney
Chairman, Audit Committee

COMMITTEE MEMBERS

- John Gibney (Chairman)
- Mitch Adamek
- Guy Wollaert
- Christopher Pratt (until retirement on 2 March 2018)

Nevertheless, the Committee also recognises that further improvements could be made, including suggested improvements from our external Auditors as part of their review work. This area will continue to be a key part of our work and focus over the coming financial year.

In addition to this work, other key focus areas for the Audit Committee have been:

- Accounting for Intangible Assets and Goodwill.
- Valuation of Inventory.
- Recoverability of receivables.
- Change of functional currency for PureCircle Trading San Bhd.
- The assessment of liquidity and going concern; review of banking covenants.

AUDIT COMMITTEE REPORT CONTINUED

Key Focus Area	Actions during the year
Liquidity and going concern: The completion of a significant period of capital investment, combined with increased inventory holding has increased the Groups level of gearing	Management has improved the level and quality of cash flow reporting and forecasting. This has included producing a number of scenarios to stress test the ability of the Group to comply with its banking covenants over an extended period of time, together with identifying mitigating actions in the event that these might be required. The Audit Committee has reviewed the reasonableness of the cash flow forecasts associated with the different scenarios, together with challenging the key assumptions and mitigating actions.
Intangible Assets and Goodwill: The Group balance sheet includes Intangible assets and goodwill. The recognition of intangible assets, the consideration of their useful lives and performing impairment assessments is inherently judgmental.	The Committee reviewed reports from management regarding the intangible assets recognised during the period and challenged the amounts capitalised and whether such amounts were in line with the Group's accounting policies. The Committee also considered management's assessment of the value in use of the intangible assets, noting that a consistent methodology was applied year on year based on a discounted cash flow model underpinned by the Group's business plan. The Committee received a report from management on carrying values, and this was discussed with the Group's auditors, alongside the work PricewaterhouseCoopers (PwC) performed over the annual impairment assessment for indefinite lived assets and goodwill. The Committee noted the auditor's comments on the key assumptions used on the model and the headroom above carrying value available in several downside scenarios. Based on the above, the Committee was comfortable with the amounts recognised during the year and supported management's judgement not to record any impairment in intangible assets in the financial statements.
Valuation of Inventory: Inventory carrying values have increased over the last 2 years, primarily due to the move to new generation Starleaf™, increased levels of raw materials to ensure continuity of supply, and contingency stock due to the ramp up of production and efficiency of the new line 2.	The Audit Committee has discussed both the level of stock and its sustainable value with management. A number of initiatives have been developed to deliver a gradual reduction in inventory held, which have been reviewed and challenged by the Audit Committee. In particular, whilst the move to Starleaf™ has increased raw material costs, it will also help to reduce the levels of work in progress due to its higher content of Reb A which requires only a one stage rather than two stage refinery process. Additionally, areas of inventory which have been relatively slow moving have been reviewed and the Audit Committee has reviewed and been satisfied by evidence to support the ongoing carrying value of such inventory.
Recoverability of receivables: A number of receivables were reviewed in order to test their recoverability and therefore the value being carried on the balance sheet.	The Audit Committee reviewed a number of receivables which were either slow moving, or had not been collected for over 12 months. Management presented their assessment of such receivables, and in all cases other than one, supported the ongoing carrying value of the receivables. Management assumptions were discussed and challenged by the Audit Committee and their conclusions were then supported and ratified.
Change of functional currency for PureCircle Trading (PCT): PCT historically reported its results in Malaysian Ringgit, but in light of changes in circumstances management concluded the functional currency should change to USD.	The Audit Committee reviewed the rationale outlined by management for a change in reporting currency. The basis for this discussion was a paper prepared by the Finance Team for the external auditors. A number of factors were taken into consideration, including the new $200m syndicated facility (I.e. in USD), the growing importance of the USA market to current and future sales growth and the move of our global head office (and senior management) to Chicago. Based on these facts and circumstances, the Audit Committee concurred with managements recommendation to change the functional currency of PCT to US Dollars.

RISK MANAGEMENT

The Group operates a risk management process which reports to the Committee quarterly and works under the day to day supervision of the CFO.

Risks are categorised by type of risk (e.g. market, reputational, business, sustainability, etc), by their potential impact on the Group's financial position and condition and by an assessment of the likelihood of their occurrence. Proposed management plans to manage the risks are kept under review by the Committee, summarised in the Group's risk register.

The Committee receives and discusses on a quarterly basis:

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

INTERNAL AUDIT

The Company's first Head of Internal Audit, Ms. Lee-Ann Loo joined on 1 November, 2016. She joined from USG Boral, having trained as a Chartered Accountant with KPMG. Based in Kuala Lumpur, Lee-Ann's scope of work covers all our operations and whilst she reports directly to me to ensure independence, her day to day activities is managed through the Group CFO to ensure she receives ongoing support and development.

A full Internal Audit programme has been developed for the next 18 months and in addition, Lee-Ann has worked closely with the Group's senior management to help facilitate improved risk management workshops, with risk owners providing clearer identification of key risks, the potential impact of such risks and the mitigating actions identified.

EFFECTIVENESS

Assisted by the Committee the Board has reviewed the effectiveness of the Group's systems of risk management and internal control in place throughout the year and up to the date of this report. The review considered investments made in systems and management during the year. No weaknesses or control failures significant to the Group were identified. Where areas for improvement have been identified, new procedures have been introduced to strengthen the controls and will themselves be subject to regular review as part of the ongoing assurance process.

WHISTLEBLOWING POLICY

Having introduced a whistleblowing policy in FY2016 to enable employees to report any concerns in confidence, this facility has now been further updated and enhanced. An independent third party has been appointed to handle a 24-hour hotline and anonymous complaints through the website. In addition, awareness of the whistleblowing facility has also been extended further to include suppliers and contractors. No whistleblowing incidents were received during FY2018.

BRIBERY AND CORRUPTION POLICY

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

COMMITTEE EFFECTIVENESS

Feedback from the annual performance evaluation of the Board and its Committees, which was conducted internally this year is described earlier on page 41 of the Annual Report. This confirmed that the Audit Committee continued to be effective in fulfilling its duties.

EXTERNAL AUDITORS

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

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

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

In FY18 PwC provided non-audit services amounting to US$0.2 million. These principally relate to fees associated with briefings on developments in international tax.

The remuneration of the auditors was set at US$0.6m along with further non-audit assurance fees of US$0.2m for the review of the interim announcement.

The non-audit fees of $0.2m relating to briefings on developments in International tax amount to 28% of the Group audit fee and accordingly we are comfortable that the integrity of compliance to the independence policy has not been breached.

EFFECTIVENESS OF THE EXTERNAL AUDIT

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

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

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

FAIR, BALANCED AND UNDERSTANDABLE

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

Considering the preparation process, the information provided by the management, and the opinion of the Executives and the external auditor, the Committee could confirm and recommend to the Board that the FY2018 Annual Report is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

John Gibney
Chairman, Audit Committee

REMUNERATION COMMITTEE REPORT

'On behalf of the Board, I am pleased to present the Remuneration Committee Report for Fiscal Year 2018.'

On behalf of the Board, I am pleased to present the Remuneration Committee Report for Fiscal Year 2018, my first as Chairman following Christopher Pratt's retirement in March 2018. Other members of the Committee are Paul Selway-Swift and Guy Wollaert from 3 March 2018 onward. The Remuneration Committee met three times in FY2018.

KEY POLICIES OF REMUNERATION COMMITTEE

PureCircle remains a globally-diverse, de-centralised organisation with over 1100 employees located in multiple countries around the world. Our employees work to source stevia from several continents, extract & refine it, and sell our finished products to companies world-wide. Our work force reflects our global and operational diversity; and the Remuneration Committee seeks to set reward policies that recognise local differences while ensuring that all employees, regardless of task or location, are aligned to the Company's overall strategic plan.

OVERALL PHILOSOPHY FOR REMUNERATION

Remuneration at PureCircle is driven by this key principle of alignment. Individual rewards must support overall corporate objectives such that each individual's total reward is based upon Company growth, specific business unit performance, and individual performance; and reflects each individual's ability to impact Company performance.

For Executive and Senior management, our policy is to pay adequate base salaries and benefits, typically at or below median for the local market, and offer an annual performance-based bonus and a longer-term share grant scheme.

For our sales team, in addition to a market-appropriate base salary and benefits, employees' performance-based bonus is tied to each employees' individual performance in achieving sales growth in their area of responsibility.

For middle and junior management, factory and agriculture employees, base pay and benefits are set with reference to the local market and are supplemented by an annual cash bonus that is linked to Company growth, and to both business unit and individual performance.

KEY ACTIVITIES IN FY2018

Implementation of Commission Plan

For FY18 the Company introduced an enhanced Commission Plan for the Sales and Marketing teams; realigning focus on incremental revenue. The Commission Plan allows Sales team members to directly earn based on the incremental growth of their individual accounts while still recognizing the important global & regional teamwork necessary for sales team success overall. The accumulation of individual sales team members' commissions drives the growth of an overall Commission Plan pot that is shared with the remaining Commercial team members. The overall Commission Plan result directly impacts the overall Company Bonus Plan payout; accounting for 50% of the bonus performance result for Operational & Corporate employees world-wide.

Further details of the FY18 incentive schemes are provided later in this report.

Salary Review

During FY18 the Remuneration Committee reviewed the salaries of the two Executive Directors with reference to individual and Company performance. The Remuneration Committee did not make any changes to either Executive Directors' base salary. When both relocated to Chicago, IL, USA from Kuala Lumpur, Malaysia; both began receiving appropriate expatriate & tax equalization support, as well as one-time relocation assistance for their moves. While both Executive Directors' net pay (base salary and performance-based pay) remained static for FY18, the Company incurred additional cost as a result of this additional support.

More detail on full remuneration for Executive Directors is given in the Summary of FY18 Executive Director Remuneration Table in this report.

FY18 Incentive Programs

Long-Term Incentive Plan ('LTIP') An analysis in early FY18 revealed that the majority of senior & critical employees did not have an appropriate amount of long-term retention incentive as part of their overall remuneration package, driving a concern for the long-term retention and alignment of critical staff. Accordingly, the Committee approved to award FY18 Employee LTIP to senior & critical employees conditioned upon their continued employment through

Mitch Adamek
Chairman, Remuneration Committee

COMMITTEE MEMBERS

- Mitch Adamek (Chairman)
- Paul Selway-Swift
- Christopher Pratt (until retirement on 2 March 2018)
- Guy Wollaert (effective from 3 March 2018)

30 September 2020. This was considered necessary by the Remuneration Committee in order to more securely retain necessary skills and knowledge in the company.

Commission Plan This was the first year for implementing the Commission Plan, designed to directly incentivise our commercial team to drive incremental sales growth. The sales team can earn up to 4% of incremental revenue (within average sales price expectations) to be distributed amongst team members as cash bonus at year-end. Individual awards will vary based on individual performance, team size, location, job grade, and salary. For those in more central roles that support sales activities globally, individual payment is linked to incremental revenue, team size, job grade and salary.

Bonus Plan In coordination with the implementation of the Commission Plan, in order to align all employees company-wide to the focus of driving incremental revenue; the bonus plan was based 50% on the results of the Commission Plan, and 50% on Business Unit or Functional Performance.

While there is no plan to significantly alter the design of any incentive plan for FY19, in order to continually align our incentive programs to our overall strategy, incentive programs may change as the Company evolves and matures.

The Remuneration Committee will ensure that investors and other stakeholders are kept fully aware of any such changes and the reasons for them.

Mitch Adamek
Chairman, Remuneration Committee

REMUNERATION POLICY

FY18 Executive Director Remuneration

The Executive Directors' remuneration packages is comprised of:

a) Annual salary. This reflects the experience and performance of the individual and is referenced to market.

b) Annual incentive payment. An Executive Director may be awarded an annual bonus depending on the performance of the Company and other specified internal targets.

c) Share-grants under the Long-Term Incentive Plan.

Summary of FY18 Executive Director Remuneration:

	Magomet Malsagov CEO	Rakesh Sinha CFO
FY18 Annual Base Salary	$580,000 (not increased from FY17)	$340,000 (not increased from FY17)
FY18 Short-Term Incentive Plan	45% of base salary at target or 67.5% of base salary at stretch. 50% based on Company Growth results and 50% based on BU & individual results FY18 Result: $0	40% of base salary at target or 60% of base salary at stretch. 50% based on Company Growth results and 50% based on BU & individual results FY18 Result: $0
FY18 Long-Term Incentive Plan	Provisional award equal to 130% of base salary. (If retention condition met, will vest 30 September 2020)	Provisional award equal to 100% of base salary. (If retention condition met, will vest 30 September 2020)
Pension	10% of base salary	10% of base salary
Benefits	Medical Life Assurance Car Benefit Expatriate Benefits	Medical Life Assurance Car Benefit Expatriate Benefits

Details on FY18 Short-Term Incentive Plans

Commission Plan: For this group of employees with a most direct link to company performance & growth, the Remuneration Committee does not feel the growth seen in FY18 warranted a cash payment under the Commission Plan, therefore no cash commission was paid.

Bonus Plan: Recognizing the important work done by front-line employees, the Remuneration Committee has approved the payment of cash bonus to employees below Senior Manager level of $865,000. For employees at Senior Manager level and above, where there is a more direct link to company performance, there will not be a cash bonus payment for FY18.

Details on FY18 Long-Term Incentive Plan

The Committee approved a conditional award of 975,920 share grants to management, subject to retention conditions. Conditional share grants will vest provided employees granted conditional awards are continuously employed through 30 September 2020, subject to the LTIP Rules.

REMUNERATION COMMITTEE REPORT CONTINUED

REMUNERATION PHILOSOPHY

The principles governing our remuneration structure are:

- **Alignment:** to create an identity of interest tie between employees, executives and shareholders.
- **Pay for Performance:** remuneration will reflect personal achievement and influence on the Company's results.
- **Market Competitiveness:** we will be competitive in markets and sectors where we do business and will become an employer of choice.
- **Affordability:** by definition remuneration must reflect the Company's ability to pay and thus be sustainable.
- **Fairness, Transparency, and Simplicity:** remuneration principles will be transparent and easy to communicate and understand.

Summary of Remuneration Programs Going Forward

	Program Summary
Annual Base Salary	Base Salary is reviewed each year and reflects market and individual performance. At senior levels, salary will be slightly below market rate with focus on performance-based elements of pay.
Sales Incentive Plan	Employees directly involved in the Sales, Marketing, or Technical Support of our products are eligible for the Sales Incentive Plan. Individual awards will vary based on individual performance, team size, location, relative seniority, and salary. Payments in this plan may vary between 0 and 300% of individual base salary.
Bonus Plan	Employees in Operations or Corporate roles are eligible for the Bonus Plan. Individual Awards will vary based on company results, individual performance, bonus target, and business unit and functional results. Payments in this plan may vary between 0% and 67.5% of individual base salary.
Long-Term Incentive Plan	Senior Management and Executives are eligible to join the Long-Term Incentive Plan (LTIP). This annual plan aligns senior level employees to long-term, sustainable Company performance by awarding shares provided certain Company financial targets and / or retention conditions are met. Actual final award of shares can fluctuate between 0% and 200% of the initial provisional award based on results.
One-Off Awards	Under the Long-Term Incentive Plan (LTIP) and in accordance with the Rules of the LTIP, awards may be made on a one-off basis in exceptional circumstances. Most commonly on joining the Company.
Pension	An appropriate pension provision may be granted either as a contribution to a qualified plan or as a cash allowance of up to 10% of base salary.
Benefits	Benefits such as medical and life insurance, Company car, club membership and, if applicable, relocation assistance may be paid.

Summary of FY19 Executive Director's Remuneration

	Magomet Malsagov CEO	Rakesh Sinha CFO
FY19 Annual Base Salary	$600,000 w.e.f. 1 July 2018	$357,000 w.e.f. 1 July 2018
FY19 Bonus Plan	Based on company & individual performance results Bonus target of 45% of base salary. Will vary between 0% of base salary (0x of bonus target) 67.5% of base salary max (1.5x of bonus target).	Based on company & individual performance results Bonus target of 40% of base salary. Will vary between 0% of base salary (0x of bonus and target) and 60% of base salary max (1.5x of bonus target).
FY19 Long-Term Incentive Plan	Conditional award equal to 130% of base salary.	Conditional award equal to 100% of base salary.
Pension	10% Company Match of 401(k)	10% Company Match of 401(k)
Benefits	Medical Life Assurance Expatriate Benefits Tax Equalization Allowance	Medical Life Assurance Expatriate Benefits Tax Equalization Allowance

REMUNERATION TABLE

The aggregate amount of emoluments received by the Directors of the Company during the financial year 2018 were:

	2018 USD'000	2017 USD'000
Executive Directors		
Magomet Malsagov	1,028	666
William Mitchell (retired w.e.f. 6 July 2016)	–	6
Rakesh Sinha	636	484
Non-Executive Directors		
Paul Selway-Swift	170	168
John Slosar (appointed w.e.f. 1 July 2017)	70	–
Peter Lai Hock Meng (retired w.e.f 7 March 2018)	–	51
Christopher Pratt (retired w.e.f 2 March 2018)	64	85
Mitch Adamek	75	60
John Gibney	88	65
Guy Wollaert	75	60
	2,206	1,645

Directors' interests in share options / share awards

Directors' interests in share options / share awards of the Company as at 30 June 2018 were:

	1 July 2017	Granted	Exercised	Lapsed	30 June 2018	Exercise price	Date from which exercisable / issued	Note
Magomet Malsagov	106,714	–	(106,714)	–	–	Nil	1 Jul 2017	1
	208,507	–	–	(208,507)	–	Nil	30 Jun 2019	2
	–	139,372	–	–	139,372	Nil	30 Sept 2020	3
	315,221	139,372	(106,714)	(208,507)	139,372			
Rakesh Sinha	26,667	–	–	–	26,667	Nil		4
	93,084	–	–	(93,084)	–	Nil	30 Jun 2019	2
	100,000	–	–	–	100,000	Nil		5
	–	62,847	–	–	62,847	Nil	30 Sept 2020	3
	219,751	62,847	–	(93,084)	189,514			

Share awards or options to Executive Directors are awarded by the Remuneration Committee under the Company's Long-Term Incentive Plan. The following notes provide details of each option or award noted above:

1. This discretionary time-based award was granted on 7 July 2015. In July 2017, this award had vested and 476,524 shares in aggregate (including employees) were issued.
2. The awards granted only become exercisable if certain Group Sales Turnover and EBITDA targets (performance condition) are satisfied. In September 2017, this award had lapsed due to performance conditions not achieved.
3. This discretionary time-based award was granted on 29 September 2017, and will vest on 30 September 2020.
4. This joining award was granted on 23 May 2016 and may vest equally on employment anniversary in year 2017, 2018 and 2019. As of the signing date of these accounts, the second tranche had vested.
5. This one-off discretionary award was granted on 20 January 2017 to members of the Senior Leadership Team of the Group where 50% of the awards will vest equally at the end of each financial year 2018, 2019 and 2020, while the balance 50% of the awards will vest if certain sales target is satisfied by the end of financial year 2020.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The financial results of the Group and the financial position of the Group and of the Company for the financial year are shown in the annexed financial statements.

RESULTS AND DIVIDENDS

PureCircle Group's turnover for the financial year ended 30 June 2018 was USD131 million (2017: USD119 million). The PureCircle Group's profit attributable to the owners of the Company was USD9 million (2017: USD7 million), equivalent to earnings per share of USD 4.99 cents (2017: USD 4.16 cents).

The Group ended the year with net assets of USD226 million (2017: USD208 million), total assets of USD389 million (2017: USD365 million) gross cash balances of USD24 million (2017: USD33 million) and total borrowings of USD122 million (2017: USD118 million).

The Directors do not recommend payment of a dividend in respect of the year ended 30 June 2018.

DIRECTORS

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

- Paul Selway-Swift
- Magomet Malsagov
- Guy Wollaert
- Mitchel Adamek
- John Gibney
- Christopher Pratt (retired w.e.f 2 March 2018)
- Rakesh Sinha
- John Slosar (appointed w.e.f 1 July 2017)

DIRECTORS AND THEIR INTERESTS

The interests (all of which are beneficial interests save as otherwise stated) of the Directors and of the persons connected with them as at 30 June 2018 are as follows:

	Number of ordinary share of USD0.10 each			
Company	**At 01 July 2017**	**Bought / Options exercised**	**Sold / Transfer**	**At 30 June 2018**
Paul Selway-Swift [1]	210,800	–	–	210,800
Magomet Malsagov [2]	15,142,888	106,714	–	15,249,602
Christopher Pratt [3]	695,696	–	(100,000)	595,696
Rakesh Sinha	38,333	–	–	38,333
Guy Wollaert	26,200	–	–	26,200
John Gibney [4]	20,000	–	–	20,000
John Slosar	–	1,671,202	–	1,671,202

	Number of share awards over ordinary share of USD0.10 each				
Company	**At 01 July 2017**	**Award**	**Exercised**	**Lapsed**	**At 30 June 2018**
Magomet Malsagov [1]	315,221	139,372	(106,714)	(208,507)	139,372
Rakesh Sinha [1]	219,751	62,847	–	(93,084)	189,514

[1] Held directly.

[2] 15,228,302 held directly and 21,300 held indirectly by his wife.

[3] 595,696 held indirectly by The CDP 2014 Trust.

[4] 10,000 held directly and 10,000 held indirectly by his wife.

SIGNIFICANT SHAREHOLDERS

At 30 June 2018, the Company had been notified of the following interests of 3% or more in its ordinary shares.

Beneficial Shareholders	Interest in issued shares	Interest
Wang Tak Company Limited	48,814,296	28.0%
Olam International Limited	30,544,609	17.5%
Magomet Malsagov	15,249,602	8.8%
Halfmoon Bay Capital Limited	13,268,734	7.6%
Asian Investment Management Services Limited and related parties	9,559,314	5.5%

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have been appointed as external auditors for the financial year ending 30 June 2018.

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether IFRS and applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the financial statements comply with IFRS and UK Accounting Standards including FRS 101. The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom and Bermuda governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Governance Report, 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 and liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The Directors' Report on pages 40 to 49, pages 54 and 55, pages 112 to the inside back cover and the Directors' Remuneration Report on pages 52 and 53 of this Annual Report were approved by the Directors on 17 September 2018.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 September 2018.

Magomet Malsagov
Chief Executive Officer

Rakesh Sinha
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

to the members of PureCircle Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- PureCircle Limited's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit, the Company's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position as at 30 June 2018; the Company Statement of Financial Position as at 30 June 2018, the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Company statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the Company Statement of Changes in Equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

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

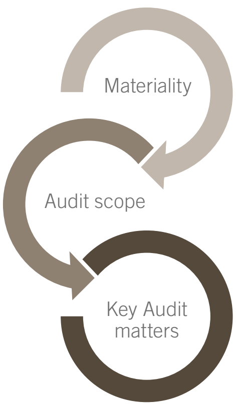
Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

OUR AUDIT APPROACH

Overview



- Overall Group materiality: $1,310,000 (2017: $1,189,000), based on 1% of revenue.
- Overall Company materiality: $1,960,000 (2017: $1,919,900), based on 1% of total assets.

- We have identified the following components for a full scope Audit; PureCircle Limited, PureCircle Sdn Bhd, PureCircle (Jiangxi) Co Ltd, PureCircle Trading Sdn Bhd, PureCircle USA Inc, PureCircle (UK) Ltd and PureCircle Mexico.
- The following components were subjected to specified procedures; PureCircle South America Sociedad Anonima, PureCircle (Shanghai) Co Ltd and PureCircle Kenya Limited.
- Taken together, the locations and functions where we performed our audit work accounted for 97% of revenue and approximately 93% of absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant locations and functions).

- Compliance with covenants (Group and Company)
- Accounting for Intangible Assets and Goodwill (Group)
- Valuation of inventory (Group)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax legislation and equivalent local laws and regulations applicable to significant components. Our tests included, but were not limited to, discussions with in-house legal counsel and inspection of underlying support and calculations where applicable. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Compliance with covenants (Group and Company)</td></tr>
<tr><td colspan="2">Refer to page 48 (Audit Committee Report), page 68 (Basis of preparation), page 71 (Liquidity and Cash flow risks),
page 82 (Key sources of estimation uncertainty) and page 94 (Borrowings).</td></tr>
<tr><td>The Group has a $200m syndicated facility comprising a $100m term loan and $100m revolving credit facility ('RCF') and was in compliance with the facilities covenants at 30 June 2018. However, as the Group is currently highly operationally geared, should it not generate sufficient earnings there is a risk that it could breach its Net Debt to EBITDA covenant during the next 12 months.

The directors have prepared a cash flow forecast model to demonstrate that they have sufficient headroom to meet the covenants, along with considering a reasonable downside scenario and possible mitigating actions. Cash flow forecasts contain a number of estimates, in particular forecast sales and margins, which in the context of the rapidly changing Stevia market are inherently difficult to estimate. The directors also need to forecast the volume of leaf to be purchased and working capital movements.</td><td>We obtained and reviewed the Group's debt facility agreements to understand the terms and conditions and agreed that the inputs to management's cash flow forecast model, including maturity dates, the level of facilities available to the Group and loan covenant definitions were consistent with the loan agreement.

We obtained the cash flow forecast model and challenged and evaluated the future cash flow forecasts for the Group and the process by which they were drawn up. We also tested the integrity of the model and accuracy of the underlying calculations.

As part of our testing of the forecasts, we considered the key assumptions as follows:
– the sales and profit margin assumptions, including sales phasing throughout the year, by comparing them to historical results and sales pipeline data;
– the appropriateness of assumptions made regarding the collection period for accounts receivable by comparing to the Group's current debtor days and collections track record;
– the appropriateness of key inputs in the model such as leaf prices and forecast purchase volumes by comparing to contract prices for leaf, production forecast and sales pipeline data; and
– the appropriateness of a reasonable possible downside scenario and potential mitigating activities included in management's assessments, including deferring purchases, cost saving plans, discretionary capital expenditure, and liquidating inventory, to identify if these mitigating activities were fully within the control of management and realistic.

We found the above assumptions to be appropriate and consistent with the underlying audit evidence.

We re-performed management's calculations and satisfied ourselves that no breaches of debt covenants had occurred as at 30 June 2018 or reasonably possibly likely to occur within the next 12 months.

We also considered the appropriateness of the directors disclosures regarding the risk of non-compliance with covenants and considered them to be appropriate.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of PureCircle Limited

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accounting for Intangible Assets and Goodwill (Group)	
Refer to page 48 (Audit Committee Report), page 75 (Accounting policies), page 80 (Critical accounting estimates and judgements) and page 84 (Intangible assets).	
Capitalisation, asset lives and amortisation The Group undertakes significant research and development activities and has capitalised both indefinite lived ($10.7m) and definite lived ($50.8m) intangible assets. In addition goodwill of $1.8m continues to be recognised. The inappropriate recognition of research and development costs that do not meet the definition of intangible assets is a risk. Such assets, once capitalised and considered indefinite, must also be tested for impairment annually. Intangible assets with a finite life are subject to amortisation over their expected useful lives. Identifying and applying an amortisation policy is judgmental as it should reflect how the asset is consumed over a useful economic life and the markets in which the Group operates are immature.	We evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the requirements of capitalisation in terms of IAS 38. There were no exceptions noted from our testing. Our detailed testing on the application of the asset life review identified no issues. In performing these procedures, we challenged the judgements made by management including: – The nature of underlying costs capitalised; – The appropriateness of asset lives applied in the calculation of amortisation; and – The appropriateness of when amortisation commenced. We challenged management's assessment of the feasibility and status of the product developments by reviewing the project process with progress made against contractual milestones as well as the overall strategy for the territories. No exceptions were noted from our testing.
Impairment of goodwill and intangibles with indefinite useful lives Goodwill and intangible asset valuation is also a judgmental and complex area as it depends on the future financial performance of the cash generating unit ('CGU') and future market performance. In particular, there is uncertainty in the stevia market due to the increasing number of products and applications being developed and accepted by customers. As such, the key judgmental areas are the short-term revenue and margin growth rates, terminal growth rates and the discount rate.	We tested management's identification of the CGU, considering business changes that would prompt a change to the classification of CGUs. In order to test the impairment assessment model, we challenged and evaluated the future cash flow forecasts for the identified CGU and the process by which they were drawn up and tested the accuracy of the underlying calculations. We found that management has followed a clear process for drawing up the future cash flow forecasts, which was subject to oversight and challenge by the directors and which was consistent with Board approved budgets and which reflect current market conditions. As part of our testing we challenged the key assumptions as follows: – The short-term revenue and profit assumptions and how management has incorporated the impact of market changes, by comparing them to historical results and the current order book, agreeing the short-term growth rate to specialist third party published reports; – Terminal growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; and – The discount rates by assessing the inputs to the cost of capital calculations to those of comparable organisations. We found the above assumptions to be appropriate and in line with our expectations.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory (Group)	
Refer to page 48 (Audit Committee Report), page 77 (Accounting policies) and page 81 (Critical accounting estimates and judgements).	
The Group has recorded a total inventory balance of $122.5m as at 30 June 2018 (2017: $106.0m), which represents an increase of 15.6%. The majority of this increase is due to increases in work in progress ('WIP'). Management has performed an assessment of the carrying value of inventory as at 30 June 2018 with reference to current market prices for finished goods and by products, as well as approved production plans underpinned by sales forecasts and processing costs for WIP and raw materials. Based on this assessment, management has determined that no provision for impairment is required.	We have reviewed the recoverability of inventories, with the understanding that the Group has historically maintained high levels of inventory to avoid disruption to the supply chain. Our detailed testing of management's assessment of the carrying value of inventory identified no issues. As part of our testing we challenged the key assumptions as follows: – Reviewing forecast sales pipeline data and production plan which indicate that the majority of WIP will be utilised; – Reviewing management's ability to sell by-products to reduce inventory levels; and – Performing test of details to ensure inventory is valued at the lower of cost and net realisable value. We noted no issues from the procedures performed above. Due to the nature of the Group's inventories, which have a long shelf life and results of our procedures, we concur that no provision against inventory is required. We are satisfied that management's decision not to record a provision against inventory valuation is appropriate.

How we tailored the audit scope

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

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

The Group's operating units vary significantly in size and we identified 7 operating units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were performed at a further 3 operating units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in 6 countries and, in addition to our work at the centralised function in Malaysia, the Group audit team visited reporting locations in Malaysia and China, along with the main sales office in the US. Further, specific audit procedures over central functions and areas of significant judgement, including taxation, treasury, inventory and impairment, were performed by the Group audit team centrally. Together, the operating units subject to audit procedures and centralised testing accounted for 97% of Group revenues and 93% of absolute Group profit before tax.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	$1,310,000 (2017: $1,189,000).	$1,960,000 (2017: $1,919,900).
How we determined it	1% of revenue.	1% of total assets.
Rationale for benchmark applied	PureCircle Limited is a fast-growing start-up Company. The scale of the business has increased significantly over the past 4-5 years and the fluctuations in the Group's losses in its initial periods indicate that profit / loss before tax is not appropriate as a benchmark for determining overall materiality. Revenue is key indicator for the Group, and for users of the accounts, and we therefore consider this to be the most appropriate benchmark.	The Company is an investment holding Company with no trading / manufacturing activities.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $131,000 and $1,200,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $131,000 (Group audit) (2017: $118,000) and $196,000 (Company audit) (2017: $191,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern equivalent to that required by the Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of PureCircle Limited

REPORTING ON OTHER INFORMATION

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

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

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

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

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

- The Directors' confirmation on page 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 36 and 37 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group (required under the Listing Rules) and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

Other Code Provisions

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

- The statement given by the Directors, on page 49, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 47 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

APPOINTMENT

Following the recommendation of the audit committee, we were appointed by the directors on 20 January 2016 to audit the financial statements for the year ended 30 June 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 June 2016 to 30 June 2018.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

17 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

		Group	
	Note	2018 USD'000	2017 USD'000
ASSETS			
Non-current assets			
Intangible assets	8	64,132	54,710
Property, plant and equipment	9	100,115	90,627
Prepaid land lease payments	10	2,408	2,439
Deferred tax assets	11	10,223	10,464
Trade receivables	13	–	279
Other receivables, deposits and prepayments	14	410	935
		177,288	159,454
Current assets			
Inventories	12	122,538	106,007
Trade receivables	13	57,496	58,019
Other receivables, deposits and prepayments	14	8,074	8,720
Tax recoverable		253	109
Restricted cash	16	52	252
Cash and cash equivalents	16	23,935	32,744
		212,348	205,851
TOTAL ASSETS		389,636	365,305
EQUITY AND LIABILITIES			
Equity			
Share capital	17	17,428	17,371
Share premium	18	225,504	222,284
Foreign exchange translation reserve	19	(14,155)	(22,531)
Share-based payment reserve	20	2,167	3,719
Accumulated losses		(4,498)	(13,195)
TOTAL EQUITY		226,446	207,648
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	1,365	3,264
Long-term borrowings	21	112,903	39,000
Other payables and accruals	23	598	567
		114,866	42,831
CURRENT LIABILITIES			
Short-term borrowings	21	9,189	78,735
Trade payables	22	20,529	11,055
Other payables and accruals	23	18,171	24,637
Income tax liabilities		435	399
		48,324	114,826
TOTAL LIABILITIES		163,190	157,657
TOTAL EQUITY AND LIABILITIES		389,636	365,305

Approved and authorised for issue by the Board of Directors on 17 September 2018.

Magomet Malsagov
Chief Executive Officer

Rakesh Sinha
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2018

	Note	Group 2018 USD'000	Group 2017 USD'000
Revenue		131,066	118,911
Cost of sales		(81,824)	(73,099)
Gross profit		49,242	45,812
Administrative expenses		(34,814)	(31,253)
Other income		2,385	1,199
Other expenses		(2,046)	(3,291)
Finance income		116	63
Finance costs		(7,355)	(4,956)
Share of (loss)/gain in joint venture		(14)	83
Profit before taxation	25	7,514	7,657
Taxation	24	1,183	(433)
Profit for the financial year		8,697	7,224
Other comprehensive income (net of tax):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		8,376	(5,030)
Total comprehensive income for the financial year (net of tax)		17,073	2,194
Profit for the financial year			
Attributable to:			
Owners of the company		8,697	7,224
		8,697	7,224
Total comprehensive income			
Attributable to:			
Owners of the company		17,073	2,194
		17,073	2,194
Earnings per share (US cents)			
– Basic	26	4.99	4.16
– Diluted	26	4.95	4.13

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

	Attributable to owners of the Company					
	Share capital USD'000	Share premium USD'000	Foreign exchange translation reserve USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
Group						
Balance at 01 July 2017	17,371	222,284	(22,531)	3,719	(13,195)	207,648
Profit for the financial year	–	–	–	–	8,697	8,697
Other comprehensive income	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	8,376	–	–	8,376
Total comprehensive income for the financial year	–	-	8,376	–	8,697	17,073
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	17,428	225,504	(14,155)	2,167	(4,498)	226,446

	Attributable to owners of the Company					
	Share capital USD'000	Share premium USD'000	Foreign exchange translation reserve USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
Group						
Balance at 01 July 2016	17,211	214,723	(17,501)	9,776	(20,419)	203,790
Profit for the financial year	–	–	–	–	7,224	7,224
Other comprehensive income	–	–	–	–	–	–
Exchange difference arising on translation of foreign operations	–	–	(5,030)	–	–	(5,030)
Total comprehensive income for the financial year	–	–	(5,030)	–	7,224	2,194
Transactions with owners:						
Share awards scheme compensation expense for the financial year	–	–	–	1,664	–	1,664
Exercise of share awards	160	7,561	–	(7,721)	–	–
	160	7,561	–	(6,057)	–	1,664
Balance at 30.06.2017	17,371	222,284	(22,531)	3,719	(13,195)	207,648

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2018

	Note	Group 2018 USD'000	Group 2017 USD'000
Cash flows from operating activities			
Profit before taxation		7,514	7,657
Adjustments for:			
Amortisation of prepaid land lease payments		162	102
Amortisation of deferred income		(73)	(77)
Amortisation of intangible assets		1,554	289
Depreciation of property, plant and equipment		8,311	7,220
Interest expense		6,070	4,956
Interest income		(116)	(63)
Amortisation of borrowing transaction cost		1,170	–
Gain on disposal of property, plant and equipment		(1)	98
Share-based payment expense		1,725	1,664
Intangible assets written off		6	131
Inventories written off		224	179
Inventories Written back		(25)	–
Provision for inventory obsolescence		(31)	–
Unrealised foreign exchange gain		(3,006)	(1,628)
Share of loss / (gain) in joint venture		14	(83)
Property, plant and equipment write-off		27	2
Other receivables written off		519	–
Provision for doubtful debts		381	1,365
Movement in foreign exchange translation		–	–
Operating cash flow before working capital changes		24,425	21,812
Increase in inventories		(16,700)	(21,582)
Decrease in trade and other receivables		3,390	4,543
Increase in trade and other payables		4,985	12,332
Net cash from operations		16,100	17,105
Interest received		116	63
Interest paid		(6,133)	(5,654)
Tax paid		(491)	(1,186)
Transaction cost paid for loan acquisition		(6,577)	–
Net cash generated from operating activities		3,015	10,328

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

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

for the financial year ended 30 June 2018

		Group	
	Note	2018 USD'000	2017 USD'000
Cash flows from investing activities			
Increase in investment in joint venture	7	(342)	(520)
Addition of intangible assets	8	(7,029)	(8,471)
Purchase of property, plant and equipment	9	(16,054)	(35,945)
Proceeds from disposal of property, plant and equipment		13	1,080
Proceeds from government grant		460	–
Net cash used in investing activities		(22,952)	(43,856)
Cash flows from financing activities			
Drawdown of borrowings		208,726	129,815
Repayment of borrowings		(202,320)	(121,162)
Decrease in restricted cash		200	3
Net cash generated from financing activities		6,606	8,656
Net decrease in cash and cash equivalents		(13,331)	(24,872)
Effects of foreign exchange rate changes on cash and cash equivalents		4,522	(3,131)
Cash and cash equivalents at beginning of the financial year		32,744	60,747
Cash and cash equivalents at end of the financial year	16	23,935	32,744

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

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

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

Reconciliation of bank borrowings arising from financing activities:

	Group
	2018 USD'000
As at 1 July 2017	117,735
Cash Impact:	
Drawdown	208,726
Principal and interest payment	(202,320)
Transaction cost	(6,577)
Non-cash impact:	
Amortisation	1,170
Foreign exchange movement	3,358
As at 30 June 2018	122,092

Additions in intangible assets during the financial year includes a consideration of USD970,000 for the purchase of an intellectual property and USD763,000 incurred in relation to development costs. Both these amounts remained unpaid as at 30 June 2018 and have been included as changes in working capital within the statement of cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2018

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

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 17 September 2018.

2 PRINCIPAL ACTIVITIES

The Company is engaged principally in the business of investment holding whilst the principal activities of the rest of the Group are the production, marketing and distribution of natural 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 consolidated financial statements and Note 3 of the company financial statements.

3 BASIS OF PREPARATION

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

The group meets its day-to-day working capital requirements through its bank facilities. The Group has strong liquidity and has positive operating cash flow. As at 30 June 2018, the Group had $65 million of committed undrawn facilities and $24 million unrestricted cash, as well as future cash flows which support the Group's ability to meet its obligations as they become due. Optimising working capital and adhering to covenants are priorities for the business. The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the Group's products, and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 21.

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) The new accounting standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 July 2017, have had a material impact on the Group or Parent Company.

(b) Standards, amendments and interpretations that have been issued and are applicable to the Group but are not yet effective:

The Group will apply the new standards, amendments to standards and interpretations in the following period:

(i) Financial year beginning on 1 July 2018

- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The core principle in IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  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.

  Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted.

  During the year ended 30 June 2018, the Group carried out a detailed review of the recognition criteria for revenue applying the requirements of IFRS 15 to ensure that the same principles were being applied consistently across the group, particularly where variable consideration receivable applies to the agreements with customers. The new Standard is not expected to have a material impact on the amount or timing of recognition of reported revenue as the Group's current accounting policy in relation to variable consideration conforms with the requirements of IFRS 15.

  In its financial statements for 2019, PureCircle will adopt IFRS 15 applying the full retrospective approach. There is no adjustment required on equity at 1 July 2018 arising from the adoption of IFRS 15.

- IFRS 9 'Financial Instruments' will replace IAS 39 'Financial Instruments: Recognition and Measurement'.

  IFRS 9 retains but simplifies the mixed measurement model in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the IAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39.

IFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in IAS 39. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

In its financial statements for 2019, the Group will adopt IFRS 9 retrospectively, but with certain permitted exceptions. The adoption of IFRS 9 hedge accounting principles did not result in a restatement of the group's results and the impact on the financial year ended 30 June 2018 is not material. The adoption of IFRS 9 did not result in any changes in the measurement or classification of financial instruments as at 1 July 2017. All classes of financial assets and financial liabilities as at 1 July 2017 have the same carrying values under IFRS 9 as they had under IAS 39.

(ii) Financial year beginning on 1 July 2019

- IFRS 16 'Leases' supersedes IAS 17 'Leases' and the related interpretations.

Under IFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). IFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in IAS 16 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, IFRS 16 retains most of the requirements in IAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group is currently assessing the impact to its financial statements.

4 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks including foreign currency risk, interest rate risk, credit risk, liquidity and cash flow risk, and capital risk management. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk management policies

(i) Foreign currency 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.

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
2018		
Ringgit Malaysia against United States Dollar	10%	169
Chinese Renminbi against United States Dollar	10%	7
Pound Sterling against United States Dollar	10%	1,232
Euro against United States Dollar	10%	2
Mexican Peso against United States Dollar	10%	894
Sterling Pound against Euro	10%	711

	Changes in exchange rate	Effect on profit / loss after taxation USD'000
2017		
Ringgit Malaysia against United States Dollar	10%	(25)
Chinese Renminbi against United States Dollar	10%	5
Pound Sterling against United States Dollar	10%	4,243
Euro against United States Dollar	10%	(20)
Mexican Peso against United States Dollar	10%	2,755
Sterling Pound against Euro	10%	486

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

4 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Financial risk management policies continued

(i) Foreign currency risk continued

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:

	2018					2017				
	United States Dollar USD USD'000	Ringgit Malaysia MYR USD'000	Chinese Renminbi RMB USD'000	Euro EUR USD'000	Pound Sterling GBP USD'000	United States Dollar USD USD'000	Ringgit Malaysia MYR USD'000	Chinese Renminbi RMB USD'000	Euro EUR USD'000	Pound Sterling GBP USD'000
Group										
Cash and cash equivalents	2,223	2,612	206	293	24	11,427	15	27	394	287
Trade receivables	19,854	174	–	7,371	–	34,567	–	–	4,321	–
Trade payables	93	121	–	–	–	284	–	–	1	–
Other receivables, deposits and prepayments	1,020	2,570	–	395	8	8,911	421	–	1,374	933
Other payables and accruals	38	734	–	243	–	439	40	–	1,127	400
Borrowings	–	–	–	–	–	37,185	–	–	–	–

(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:

	2018	2017	2018	2017
	Effective interest rate (%)	Effective interest rate (%)	USD'000	USD'000
Term loans	4.65	4.67	122,092	117,735

Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group actively reviews its debt portfolio to mitigate the impact of interest risk. Based on the above scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings form floating rates to fixed rates. Generally, the Group raises 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. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily monthly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. USD82,500,000 from term loan have been swapped under such arrangement.

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 USD1,220,920 lower / higher (2017: post-tax profit for the financial year would be USD1,177,000 higher / lower), mainly as a result of higher / lower interest expense on floating rate borrowing.

(iii) Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the payment profile of the customers and credit exposure are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. The Group also establishes an allowance account for impairment that represents its estimate of losses in respect of trade and other receivables. The Group's maximum exposure is the carrying amount as disclosed in Notes 13 and 14 to the financial statements.

At 30 June 2018, 5 customers (2017: 2) comprised more than 30% of total receivables and 29 customers (2017: 13) comprised 75% of total receivables. See Note 13 for ageing of trade receivables that are past due but not impaired.

The Group's and the Company's cash and cash equivalents are placed with creditworthy financial institutions and the risks arising thereof are minimised in view of the financial strength of these financial institutions.

The credit quality of the short-term deposits placed with licensed banks and cash at bank can be assessed by reference to external credit ratings.

	2018 USD'000	2017 USD'000
AAA	21,884	32,984
AA	2,103	–

(iv) Liquidity and cash flow risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Group's cash flow is reviewed regularly to ensure commitments are settled when they fall due.

Cash flow forecasting is performed both in the operating entities and on a Group consolidated basis. The Group monitors rolling forecasts of its liquidity requirements including projected sales revenues, inventory and capital expenditure requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or financial covenants on any of its borrowing facilities. The Group invest surplus cash into financial interest bearing accounts and money market deposits.

The following tables detail the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay and settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows:

Group	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000	More than 5 years USD'000
2018						
At 30 June 2018						
Financial liabilities:						
Trade and other payables (exclude deferred income)	38,000	38,000	38,000	–	–	–
Borrowings	122,092	140,472	14,870	22,099	103,503	–
Derivatives	–	–	–	–	–	–
2017						
At 30 June 2017						
Financial liabilities:						
Trade and other payables (exclude deferred income)	36,113	36,113	36,113	–	–	–
Borrowings	117,735	127,683	85,654	15,132	26,897	–
Derivatives	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

4 FINANCIAL RISK MANAGEMENT CONTINUED

(b) 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 21, 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:

	Group	
	2018 USD'000	2017 USD'000
Borrowings (i)	122,092	117,735
Less: Gross cash (ii)	(23,987)	(32,996)
Net debt (iii)	98,105	84,739
Equity (iv)	226,446	207,648
Net debt to equity ratio	43%	41%

(i) Borrowings are disclosed in Note 21 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.

(c) 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.

The fair value measurement hierarchy for assets / liabilities stated in the balance sheet is as follows:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There are no significant fair value estimates at level 3 made for the financial instruments measured at fair value for the Group as at the reporting date.

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 assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and at Fair Value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'Other receivables and deposits (excluding prepayments)' and 'cash and cash equivalents' in the statement of financial position (Notes 13, 14 and 16 respectively).

Financial assets at fair value through profit or loss

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short-term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(ii) 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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

(iii) Subsequent measurement – Gains and losses

Loans and receivable are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

(iv) Subsequent measurement – Impairment

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.

For loan and receivables, 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 statement of comprehensive income. 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 consolidated income statement.

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.

(v) Subsequent measurement – 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) Payables

Liabilities for trade and other payables and accruals, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at fair value of the consideration received, net of directly attributable transaction cost incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

(c) 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 consolidated financial statements are presented in United States Dollar ('USD') which is the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Foreign currency translation continued

(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 acquisitions 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.

(d) 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. 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 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. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured 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.

(e) Goodwill on consolidation

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.

(f) 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

The useful life of technology know how is considered to be indefinite based on the Directors' annual reassessment of the useful life; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows of the Group. Technology know how is stated at cost less impairment losses. Technology know how is not amortised but tested for impairment annually or more frequently when indicators of impairment are identified. The technology know how is assessed to have an indefinite useful life because it relates to the extraction and refinery intellectual property and it forms the basis of all natural sweeteners. The Group's natural sweeteners and flavours are expected to become mass volume ingredients in all foods and beverage categories. Similar to the sugar market, there is no expected end to the useful life of the natural sweeteners and flavours such as stevia. Accordingly, the Directors believe the useful life for technology know how is indefinite. The Directors will continue to reassess the basis of that useful life of the technology know how on an annual basis.

Patents and trademarks are subject to estimated useful life of no more than 20 years and amortised starting from the financial year when the product is first viable for commercial use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible assets (other than goodwill) continued

(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. A leaf development project in Paraguay had completed and commenced amortisation during the financial year. The remaining development projects remain on-going as the development targets have not been fully met and no amortisation has been charged.

(g) 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.

(h) 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, for example goodwill, are not subject to amortisation but are tested annually for impairment. 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.

(i) 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.

(j) 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.

(k) 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 approved for appropriation.

(l) Restricted cash

Restricted cash comprise cash balances held in an account solely for the purpose of utilising credit card facility provided by a licensed financial institution.

(m) 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 in hand, deposits held at call with banks, short-term deposits with licensed banks with maturities of three month or less, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude restricted cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) 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.

(o) 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.

(p) Provisions

A provision is recognised if, as a result of past event, 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.

(q) 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 ownerships 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.

(r) 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 performance of the operating segments.

(s) Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

In practice, this means that sales of stevia products are recognised once the contractual terms, typically Free On Board, Delivered Duty Paid or Ex-Works, have been met and the stevia product has been delivered to a specified location (usually the carrier of the port of departure) or leaves the refinery.

(ii) Interest income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(t) 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 asset.

(u) 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.

(v) Borrowings 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.

(w) 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 costs using the effective interest method, less provision for impairment.

(x) 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 costs using the effective interest method.

(y) Derivative financial instruments and hedging activities

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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(iii) hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 30. Trading derivatives are classified as a current asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(y) Derivative financial instruments and hedging activities continued

(a) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable-rate borrowings is recognised in the income statement within 'Finance income / cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Finance income / cost'.

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 and intangible assets are reviewed for impairment whenever any events or changes in circumstances indicate that their carrying amounts may not be recoverable.

If such an indication exists, then the recoverable amount of the asset is estimated. In addition, goodwill is tested for impairment annually.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount. An asset's recoverable amount represents the higher of the benefit which the entity expects to derive from the asset over its life, discounted to present value (value in use) and the net price for which the entity can sell the asset in the open market (fair value less costs of disposal). The discount rate used for the value in use calculation is a pre-tax rate that reflects the risks specific to the asset or groups of assets tested.

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. This could also be a single asset. Goodwill is allocated to the Group's single cash generating unit ('CGU') identified accordingly to its only operating segment.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Asset impairments have the potential to significantly impact operating profit. In order to determine whether impairments are required, the Group estimates the recoverable amount of the asset. This calculation is usually based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a present value (value in use).

(a) Key assumptions for value in use calculations

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period including a terminal value as required by IAS 36 'Impairment of Assets'. The key assumptions used in the CGU's value in use computation are:

(i) Growth rate

The average sales growth rate used is based on planned capacity and forecasted demand. The short to medium term growth rates used are not more than 17% per annum (2017: 31%). The long-term growth rate used is 2% (2017: 2%) per annum, based on sweetener industry's long-term growth rate ranging from 2% to 4% (2017: 2% to 4%) per annum.

(ii) Gross margin

Changes in selling price and direct costs are based on past results and expectations of future changes in the market.

(iii) Discount rate

The discount rate used is 10% per annum.

(b) Sensitivity to changes in assumptions

The Directors believe that a reasonable change in any of the above key assumptions would not cause the carrying value of the intangible assets to be impaired.

(c) Key sources of estimation uncertainty

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes, product mix and margins based on plans and best estimates of the productivity of the assets in their current condition. Future cash does not include any benefits from major expansion projects requiring future capital expenditure.

Future cash flows are discounted using a discount rate appropriate for the CGU being tested. 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, which is used as the initial reference point for the discount rate before any asset-specific adjustments are made, is reviewed on a regular basis. If the cash flow or discount rate assumptions were to change because of market conditions, the recoverable amount could be different and could result in an asset impairment being increased, at a future date.

The Group has recently completed its leaf development project in Paraguay at the target criteria were met. The Group estimates the useful life of the development project to be at least 20 years based on the expected future value of the project. However, the actual useful life may be shorter or longer than 20 years, depending on innovations, agriculture and regulation as well as competitor actions. If it were only 10 years, the carrying amount would be $13.9 million as at 30 June 2018.

(d) Critical accounting judgement

In respect of the Group's indefinite intellectual property rights, management has been required to exercise significant judgement in determining whether there is no expected end to the useful life of the natural sweeteners and flavors such as stevia. Accordingly, the Directors believe the useful life for intellectual property rights is indefinite. The Directors will continue to reassess the basis of the useful life of the intellectual property rights on an annual basis.

(ii) Inventories

Inventories are stated at the lower of cost and net realizable value.

(a) Key sources of estimation uncertainty

In valuing inventories at the lower of cost and net realizable value, the Group makes estimates in determining the net realizable price by assessing current market prices for finished goods and approved production plans underpinned by sales forecasts and processing costs for work in progress and raw materials.

(iii) Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

(a) Critical accounting judgement

In respect of the change in the Group's trading company's functional currency, management has been required to exercise significant judgement in their assessment of the timing of the triggering event.

(iv) Deferred Tax Asset

The Group operates in a number of countries around the world. Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws, and the amount and timing of future taxable income. In some jurisdictions, agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded.

The deferred tax assets include an amount of USD9,448,000 (2017: USD6,976,000) which relates to carried forward tax losses of a subsidiary. The subsidiary has incurred the losses over the last two financial years. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2019 onwards. The expiry of the losses are as disclosed in Note 11 to the financial statements.

(a) Key sources of estimation uncertainty

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax that should be recognised, dependent on the anticipated timing and quantum of future taxable profit. This amount includes US deferred tax assets based on the level of brought-forward losses it expects to utilise in the future. This amount is dependent on estimates relating to the forecasted profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(iv) Deferred Tax Asset continued

(b) Critical accounting judgement

At the period-end date, tax liabilities and assets are based on management's best judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled. Management considers tax exposures individually, and arrives at judgements with support from experienced tax professionals and external advisors. There is, however, a risk that the Group's judgements are challenged by the tax authorities, resulting in a different tax payable or recoverable from the amounts that have been provided.

The Group's operating model involves cross-border supply of significant volumes of goods into numerous end markets, and the provision of services from one jurisdiction to another. There is a risk that different tax authorities could seek to assess higher profits (or lower costs) to activities being undertaken in their jurisdiction, potentially leading to higher total tax payable by the Group.

(v) Financial covenants

Under the terms of the new loan facility, the Group is required to comply with financial covenants. The Group has complied with these covenants throughout the reporting period. The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to invest in their business, provide returns for shareholders and benefits for other stakeholders.

(a) Key sources of estimation uncertainty

Taking into account forecast operating cash inflows, capital expenditure outflows and available committed facilities, the Group expects to have sufficient liquidity through the next 12 months to carry out its operating and capital expenditure plans and remain in full compliance with financial covenants. The Group continues to take action to manage operational and price risk and further strengthen the balance sheet.

7 INVESTMENT IN JOINT VENTURE

Details of joint venture are as follows:

		Effective Equity Interest		
Name of Company	**Country of Incorporation**	**2018**	**2017**	**Principal Activities**
NP Sweet AS ('NPS')	Denmark	50%	50%	Production, marketing and distribution of natural sweeteners.

	Group	
	2018 USD'000	**2017 USD'000**
At 1 July	(493)	(1,096)
Share of (loss)/gain	(14)	83
Additional investment	342	520
At 30 June	(165)	(493)
Analysed as follows:		
Other payables (non-current)	(165)	(493)
At 30 June	(165)	(493)

Set out below are the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised statement of financial position

	2018 USD'000	2017 USD'000
Current		
Cash and cash equivalents	498	738
Other current assets (excluding cash)	1,072	3,183
Total current assets	1,570	3,921
Other current liabilities (including trade payables)	(1,594)	(4,016)
Total current liabilities	(1,594)	(4,016)
Non-current		
Assets	9	9
Net liabilities	(15)	(86)

Summarised statement of comprehensive income

	2018 USD'000	2017 USD'000
Revenue	3,505	3,493
Depreciation and amortisation	–	–
Interest expense	(8)	(7)
Loss before taxation	(623)	(683)
Income tax	9	(519)
Loss after taxation	(614)	(1,202)
Other comprehensive loss	–	–
Total comprehensive loss	(614)	(1,202)

Reconciliation of summarised financial information

	2018 USD'000	2017 USD'000
Opening net assets – 1 July	(86)	76
Loss for the year	(614)	(1,202)
Other comprehensive loss	–	–
Additional investment	685	1,040
Closing net liabilities – 30 June	(15)	(86)
Interest in joint venture	50%	50%
Share of net liabilities	(7)	(43)
Goodwill	–	–
Cumulative unrealised loss	(158)	(450)
Carrying value	(165)	(493)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

8 INTANGIBLE ASSETS

Group	Intellectual property rights USD'000	Development costs USD'000	Goodwill USD'000	Total USD'000
Cost				
At 1 July 2017	14,174	39,824	1,806	55,804
Additions	1,662	7,100	–	8,762
Transfer		–	–	–
Write-off	(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

Group	Intellectual property rights USD'000	Development costs USD'000	Goodwill USD'000	Total USD'000
Cost				
At 1 July 2016	13,573	34,012	1,806	49,391
Additions	1,029	7,442	–	8,471
Transfer	–	–	–	–
Write-off	(17)	(114)	–	(131)
Foreign exchange translation difference	(411)	(1,516)	–	(1,927)
At 30 June 2017	14,174	39,824	1,806	55,804
Accumulated amortisation				
At 1 July 2016	398	446	–	844
Charge for the financial year	4	285	–	289
Foreign exchange translation difference	(24)	(15)	–	(39)
At 30 June 2017	378	716	–	1,094
Net carrying amount				
At 30 June 2017	13,796	39,108	1,806	54,710

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 is the only indefinite life intangible asset relates to the extraction and refinery intellectual property. As at 30 June 2018, the carrying value of technology know how is USD10,751,825 (2017: USD10,434,329). The change in value was due to foreign currency translation differences.

Goodwill is allocated to the Group's single CGU identified according to its only operating segment. See Note 6(i) for key assumptions used in the value in use calculations.

9 PROPERTY, PLANT AND EQUIPMENT

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 / write-offs	–	–	(411)	(167)	–	(578)
Transfer	–	–	7,108	168	(7,276)	–
Foreign exchange translation reserve	58	1,736	3,210	372	(36)	5,340
At 30 June 2018	1,465	41,447	93,046	13,018	2,644	151,620
Accumulated depreciation						
At 1 July 2017	–	6,672	30,507	5,459	–	42,638
Charge for the financial year	–	1,870	4,709	1,732	–	8,311
Disposals / write-offs	–	–	(389)	(150)	–	(539)
Transfer	–	–	–	–	–	–
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

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 2016	1,535	19,380	58,449	8,217	14,210	101,791
Additions	4	96	3,977	1,366	31,200	36,643
Disposals / write-offs	–	(294)	(694)	(630)	–	(1,618)
Transfer	–	–	41,490	1,392	(42,882)	–
Reclassification*	–	20,919	(20,919)	–	–	–
Foreign exchange translation reserve	(132)	(390)	(2,061)	(236)	(732)	(3,551)
At 30 June 2017	1,407	39,711	80,242	10,109	1,796	133,265
Accumulated depreciation						
At 1 July 2016	–	5,989	26,008	4,132	–	36,129
Charge for the financial year	–	1,020	4,784	1,416	–	7,220
Disposals / write-offs	–	(193)	(183)	(62)	–	(438)
Transfer	–	–	–	–	–	–
Foreign exchange translation reserve	–	(144)	(102)	(27)	–	(273)
At 30 June 2017	–	6,672	30,507	5,459	–	42,638
Net carrying amount						
At 30 June 2017	1,407	33,039	49,735	4,650	1,796	90,627

* Reclassification pertaining to the building being subsumed within extraction and refinery plants in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

The carrying values of property, plant and equipment charged to financial institutions to secure banking facilities granted to the Group are as follows:

	Group	
	2018 USD'000	2017 USD'000
Freehold land	998	940
Buildings	20,919	10,876
Extraction and refinery plants	42,919	58,112
Office equipment, furniture and fittings	2,216	2,167
Capital work-in-progress	–	–
	67,052	72,095

10 PREPAID LAND LEASE PAYMENTS

	Group	
	2018 USD'000	2017 USD'000
At 1 July	2,439	2,537
Additions	–	75
Amortisation for the financial year	(162)	(102)
Foreign exchange translation reserve	131	(71)
At 30 June	2,408	2,439
Cost	3,649	3,601
Accumulated amortisation	(1,193)	(1,031)
Foreign exchange translation reserve	(48)	(131)
At 30 June	2,408	2,439

11 DEFERRED TAX

	Group	
	2018 USD'000	**2017 USD'000**
Deferred tax assets		
At 1 July	10,464	8,990
(Charge)/Credit to profit or loss (Note 24)	(235)	1,647
Foreign exchange translation reserve	(6)	(173)
At 30 June	10,223	10,464
Deferred tax liabilities		
At 1 July	3,264	1,602
Charge / (Credit) to profit or loss (Note 24)	(1,899)	1,662
Foreign exchange translation reserve	–	–
At 30 June	1,365	3,264
Represented by:		
Deferred tax assets		
Tax losses	13,143	10,331
Others	–	133
	13,143	10,464
Offsetting	(2,920)	–
	10,223	10,464
Deferred tax liabilities		
Property, plant and equipment	3,629	3,264
Intangible assets	656	–
Exchange difference	–	–
Offsetting	(2,920)	–
	1,365	(3,264)

Deferred tax assets are recognised for tax losses carry 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. The Group did not recognise deferred tax assets of USD nil (2017: USD 2,089,718) in respect of losses amounting to USDnil (2017: USD13,249,620) that can be carried forward against future taxable income.

	Group	
	2018 USD'000	**2017 USD'000**
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	697	3,481
Deferred tax assets to be recovered after more than 12 months	9,526	6,983
	10,223	10,464
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	(221)	–
Deferred tax liabilities to be settled after more than 12 months	(1,144)	(3,264)
	(1,365)	(3,264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

11 DEFERRED TAX CONTINUED

An analysis of tax losses with expiry dates for which deferred tax assets have been recognised is as follows:

	Group 2018 USD'000
FY2021	286
FY2029 to FY2038	9,448
Indefinite	377
Total	10,111

	Group 2017 USD'000
FY2018	70
FY2021	208
FY2024 to FY2037	6,969
Indefinite	3,084
Total	10,331

The tax legislation in relation to the Group's activities have not required significant judgement from Management and the Group considers it probable that deferred tax liabilities and assets as well as income tax liabilities and tax recoverables will be available and has calculated the current tax expense on this basis. Consequently, management has assessed that there is no uncertain tax position arising from the Group as of 30 June 2018.

12 INVENTORIES

	Group	
	2018 USD'000	2017 USD'000
Raw materials	19,697	8,663
Work-in-progress	70,849	61,127
Finished goods	31,992	36,217
	122,538	106,007

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to USD73 million (2017: USD45 million). There is provision for obsolete inventories recognised during the year amounting to USD31,000 (2017: Nil).

The carrying value of inventories charged to financial institutions to secure banking facilities granted to the Group is USD51,656,189 (2017: USD49,263,953).

13 TRADE RECEIVABLES

	Group	
	2018 USD'000	2017 USD'000
Non-current		
Third party trade receivables	–	279
Current		
Third party trade receivables	56,082	55,681
Less: Provision for impairment	(510)	(301)
	55,572	55,380
Joint venture	1,924	3,703
Less: Provision for impairment	–	(1,064)
	1,924	2,639
	57,496	58,019

The Group's normal trade credit terms range from 30 to 60 days (2017: 30 to 60 days). Terms for joint venture are 30 to 45 days (2017: 30 to 45 days) after consumption or onward sales of products. Other credit terms are assessed on a case-by-case basis and are determined by reference to past default exposure.

In line with all businesses, management reviews the credit terms and collectability of all balances on an on-going basis and exercises judgement in assessing the recoverability of amounts due.

As of 30 June 2018, trade receivables amounting to USD7,672,000 (2017: USD 6,081,000) 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:

	Group	
	2018 USD'000	**2017 USD'000**
Past due but not impaired:		
Up to 3 months	5,570	1,550
3 to 6 months	919	1,831
6 to 12 months	734	2,091
12 months and above	449	609
	7,672	6,081

Movement on the group provision for the impairment of trade receivables are as follows:

	Group
	2018 USD'000
At 1 July	(1,365)
Provision for receivables impairment	(381)
Unused amounts reversed	1,236
At 30 June	(510)

The creation and release of provisions for impaired receivables have been included in 'other expenses' in the income statement. Amount charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2018 USD'000	**2017 USD'000**
Non-current		
Other receivables	410	935
Current		
Other receivables	3,879	4,075
Prepayments	3,479	3,680
Deposits	716	965
As at 30 June	8,074	8,720

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. These amounts are not past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

15 FINANCIAL INSTRUMENTS BY CATEGORY

		Group	
	Note	2018 USD'000	2017 USD'000
Financial assets			
Loan and receivables			
Trade receivables	13	57,496	58,019
Other receivables and deposits (excluding prepayments)	14	5,005	5,975
Cash and cash equivalents	16	23,987	32,996
		86,488	96,990
Financial liabilities			
Other financial liabilities			
Borrowings	21	122,092	117,735
Trade payables	22	20,529	11,055
Other payables and accruals (excluding deferred income)	23	18,234	25,058
		160,855	153,848

16 CASH AND CASH EQUIVALENTS

	Group	
	2018 USD'000	2017 USD'000
Short-term deposits with licensed banks	11,858	–
Cash at bank and on hand	12,129	32,996
Deposits, cash and bank balances	23,987	32,996
Restricted cash	(52)	(252)
Cash and cash equivalents	23,935	32,744

Cash deposits of USD52,000 (2017: USD252,000) are pledged as security for credit card facility.

The weighted average interest rates of the short-term deposits at the reporting date was 1.6% (2017: nil) per annum. The short-term deposits have weighted maturity period of 7 days (2017: nil).

17 SHARE CAPITAL

The movements in the authorised and paid-up share capital are as follows:

		Group		Group	
		2018		2017	
	Par value USD	Number of shares ('000)	USD ('000)	Number of shares ('000)	USD ('000)
Authorised					
At 1 July / 30 June	0.10	250,000	25,000	250,000	25,000
Issued and fully paid-up					
At 1 July	0.10	173,699	17,371	172,112	17,211
Exercise of share awards	0.10	577	57	1,587	160
At 30 June	0.10	174,276	17,428	173,699	17,371

18 SHARE PREMIUM

	Group	
	2018 USD'000	2017 USD'000
At 1 July	222,284	214,723
Exercise of share awards	3,220	7,561
At 30 June	225,504	222,284

19 FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of the foreign operations into the Group's presentation currency of USD.

During financial year end 2018, the fluctuations are due to MYR and RMB strengthening against USD.

20 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:

	Group	
	2018 USD'000	2017 USD'000
Expense arising from equity-settled share-based payment transactions	1,725	1,664

Reconciliation of movement in share-based payment reserve:

	Group	
	2018 USD'000	2017 USD'000
At 1 July	3,719	9,776
Share awards scheme compensation expense	1,725	1,664
	5,444	11,440
Transfer to share capital and share premium upon exercise of share awards	(3,277)	(7,721)
At 30 June	2,167	3,719

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.

	Group	
	2018 Number of LTIPs ('000)	2017 Number of LTIPs ('000)
At 1 July	1,493	2,310
Granted	995	2,296
Exercised	(577)	(1,561)
Lapsed	(349)	(1,552)
At 30 June	1,562	1,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

20 SHARE-BASED PAYMENT RESERVE CONTINUED

Details of share awards granted that are outstanding as at 30 June 2018 are as follows:

	Number of LTIPs Outstanding '000	Weighted average fair value at grant date (Sterling pound)	Exercise price per share	Vesting requirements
Grant-vest				
Award 5				
22 September 2015 – 22 September 2018	**37**	4.05	Nil	Sales target and three years' service
Award 6				
4 March 2016 – 30 August 2018	**8**	3.46	Nil	Two years' service
Award 7				
23 May 2016 – 25 April 2019	**27**	3.83	Nil	Three years' service
Award 9				
20 January 2017 – 30 September 2020	**633**	2.86	Nil	Sales target and three years' service
Award 10				
13 March 2017 – 31 March 2020	**26**	3.00	Nil	Sales target and three years' service
Award 11				
29 September 2017 – 30 September 2020	**813**	4.93	Nil	Three years' service
Award 12				
7 March 2018 – 15 March 2021	**8**	4.28	Nil	Three years' service
Award 13				
29 June 2018 – 16 April 2021	**10**	3.90	Nil	Three years' service
Total	**1,562**			

The number of exercisable share awards as at the reporting date was 13,333 (2017: 89,000). The average share price at the time of exercise was GBP3.83 (2017: GBP5.70) per share.

21 BORROWINGS

	Group	
	2018 USD'000	**2017 USD'000**
Current portion:		
– Term loans (a)	9,189	78,735
Total current	9,189	78,735
Non-current portion:		
– Term loans (a)	80,540	39,000
– Revolving loan (b)	32,363	–
Total non-current	112,903	39,000
Total borrowings	122,092	117,735

Carrying amount and Fair value for non-current borrowing:

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
	2018	**2017**	**2018**	**2017**
– Term loan 3	–	4,757	–	4,757
– Term loan 4	–	34,243	–	34,243
– Term loan 8	80,540	–	82,500	–
– Revolving loan	32,363	–	35,000	–
At 30 June	112,903	39,000	117,500	39,000

The carrying amounts of the group's borrowings are denominated in the following currencies:

	2018	**2017**
US dollar	127,500	30,016
Ringgit Malaysia	–	63,196
Chinese Yuan	–	24,523
At 30 June	127,500	117,735

During the year, the group has capitalised borrowing costs amounting to USD342,433 (2017: USD694,669) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 0.12%.

(a) Term loans

The term loans bore a weighted average effective interest rate of 4.65% (2017: 4.67%) per annum at the reporting date. These term loans bear floating rates (base rate plus a margin as imposed by respective lenders) that fluctuate because of changes in market interest rates.

	Group	
	2018 USD'000	**2017 USD'000**
Current portion:		
Secured:		
– Term loan 3	–	1,799
– Term loan 4	–	11,181
– Term loan 5	–	24,523
– Term loan 6	–	30,015
– Term loan 7	–	11,217
– Term loan 8	9,189	–
Total current portion	9,189	78,735
Non-current portion:		
Secured:		
– Term loan 3	–	4,757
– Term loan 4	–	34,243
– Term loan 8	80,540	–
– Revolving loan	32,363	–
Total non-current portion	112,903	39,000
	122,092	117,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

21 BORROWINGS CONTINUED

(a) Term loans continued

Term loans 3 to 4 are secured by way of:

(i) a fixed and floating charge over present and future assets and the freehold property of a subsidiary; and

(ii) corporate guarantee by the Company; and

(iii) legal charge over landed property of a subsidiary.

Term loan 5 is secured as follows:

(i) a legal charge over certain assets of a subsidiary; and

(ii) a legal charge over the prepaid land lease payments of a subsidiary.

Term loans 6 is working capital financing secured via receivable balances.

Term loan 7 is secured as follows:

(i) a fixed and floating charge over present and future assets; and

(ii) corporate guarantee by the Company.

Term loan 8 and revolving loan (noted 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 loan

The revolving loan borne a weighted average effective interest rate of 4.18% (2017: Nil) 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.

New loan entered into during the year:

During the financial year, the Group has entered into a new USD200 million syndicated loan facility with HSBC to replace and consolidate existing financing arrangements.

The due date of the loan facilities:

(a) in relation to Term loan 8 the date that is 48 months after the date of the signed Agreement; and

(b) in relation to Revolving loan the date that is 36 months after the date of the signed Agreement.

The following are the covenants relating to the new USD200 million syndicate loan facility:

(i) consolidated tangible net worth

(ii) the Ratio of Consolidated Total Net Debt to Consolidated EBITDA

(iii) the ratio of cashflow to Consolidated debt service

(iv) the ratio of Consolidated EBITDA to Consolidated Finance Cost

The Group is in full compliance with all of our borrowing covenants as at 30 June 2018.

22 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 0 to 90 days (2017: 0 to 90 days).

23 OTHER PAYABLES AND ACCRUALS

	Group	
	2018 USD'000	**2017 USD'000**
Non-current		
Other payables	165	494
Deferred income	433	73
	598	567
Current		
Other payables	10,028	17,685
Deferred income	102	73
Accruals	8,041	6,879
	18,171	24,637

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. During the financial year, the Group has recognised a government grant for the purpose of capital expenditure as deferred income which will be amortised over the useful life of 40 years.

24 TAXATION

	Group	
	2018 USD'000	**2017 USD'000**
Current tax:		
Current tax on profits for the year	(475)	(319)
Under provision in respect of prior years	–	(99)
	(475)	(418)
Deferred tax:		
Origination and reversal of temporary differences	1,658	(15)
	1,183	(433)

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. Upon the expiry of the 10-year incentive period, PCSB will be entitled to a concessionary tax rate of 20% on income derived from qualifying activities for a further period of 10 years commencing from YA 2018.

The 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.

In respect of its PureCircle USA Inc. ('PCUSA'), following the US tax reform which was substantively enacted as at 31 December 2017, the corporate income tax rate has decreased from 35% to 21%. Consequently, the effective corporate tax rate (i.e. the combined of State tax and Federal tax) has reduced to 25.75% for FY2018 as compared to 37% in FY2017 and prior years. This has resulted in a reduction in the PCUSA's deferred tax assets from $11.5m to $9.4m and a corresponding charge of $2.1m in the results of the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

24 TAXATION CONTINUED

The tax rates applicable to the respective countries where the Group has operations are as follows:

	Group	
	2018 %	2017 %
United Kingdom (UK)	19	20
United States of America (US)	26	37
Malaysia	24	24
China	15	15

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:

	Group	
	2018 USD'000	2017 USD'000
Profit before taxation	7,514	7,657
Tax at the applicable tax rates in the respective countries	(877)	815
Tax effects of:		
Non-deductible expenses	1,591	1,559
Non-taxable income	(1,151)	(4,130)
Under provision of taxation	–	99
Tax losses not recognised	–	2,090
Impact of difference in tax rate	2,081	–
Tax losses previously not recognised, now recognised*	(1,460)	–
Temporary differences from prior year not recognised**	(1,367)	–
Income tax expense	(1,183)	433

* 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.

** Arising from the change in estimates as a result of recomputation of prior year's temporary differences based on latest available information.

25 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Included in the profit from ordinary activities before taxation are the following charges and credits:

	Group	
	2018 USD'000	2017 USD'000
Charges:		
Depreciation and amortisation	10,027	7,611
Directors' remuneration	1,899	1,866
Share-based payment expense	1,725	1,664
Interest expenses	7,355	4,956
Cost of inventories expensed	72,530	44,980
Wages and salaries	15,793	17,305
Defined contribution retirement plan	1,250	1,656
Operating lease	905	672
Credits:		
Amortisation of deferred income	73	77
Interest income	116	63

26 EARNINGS 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:

	Group	
	2018	**2017**
Earnings attributable to equity holders of the Company (USD'000)	8,697	7,224
Weighted average number of ordinary shares in issue ('000)	174,238	173,584
Impact of share awards outstanding ('000)	1,562	1,493
Diluted weighted average number of ordinary shares ('000)	175,800	175,077
Basic profit per share (US Cents)	4.99	4.16
Diluted profit per share (US Cents)	4.95	4.13

27 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 parties during the financial year are set out below:

(i) Related party

	Group	
	2018 USD'000	**2017 USD'000**
Gross sales of goods to joint venture	1,081	927

(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:

	Group	
	2018 USD'000	**2017 USD'000**
Remuneration	1,297	1,163
Share-based payment expense	231	229
	1,528	1,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

28 SEGMENTAL REPORTING

Management determines the Group's operating segments based on the criteria used by the Chief Executive Officer (CEO) for making strategic decisions. Management considers the Group to be a single operating segment whose activities are the production, marketing and distribution of natural sweeteners and flavours.

From a geographical perspective, the Group is a multinational with operations located on all continents, but managed as one unified global organisation. The Group's markets and its supply chain are based in the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

	2018 USD'000	2017 USD'000
Trading		
Revenue*	131,066	118,911
Cost of sales	(81,824)	(73,099)
Gross profit	49,242	45,812
Gross margin %	37.6%	38.5%
Other income***	1,137	480
Administrative expenses***	(32,504)	(28,670)
Operating profit	17,875	17,622
Other expenses***	(4,355)	(5,874)
Foreign exchange gain	1,363	782
Finance costs	(7,355)	(4,956)
Share of (loss)/gain in joint venture	(14)	83
Taxation	1,183	(433)
Earnings for the financial year	8,697	7,224
Adjusted EBITDA****	28,836	27,141
Reconciliation of earnings to adjusted EBITDA:		
Earnings for the financial year	8,697	7,224
Depreciation and amortisation	10,026	7,658
Finance costs	7,355	4,956
Taxation	(1,183)	433
Share-based payment expense	1,736	1,583
Exceptional items**	2,205	5,287
Adjusted EBITDA	28,836	27,141
Gross borrowings	122,092	117,735
Less: Gross cash	(23,987)	(32,996)
Net debt	98,105	84,739
Gross cash	23,987	32,996
Unutilised facilities	65,000	43,747
Headroom	88,987	76,743
Earnings per share (US cents)		
– Basic	4.99	4.16
– Diluted	4.95	4.13

* Under segmental reporting, revenues of approximately USD71 million (2017: USD77 million) are derived from 5 external customers. These revenues are attributable to the Americas customers.

** Exceptional items are one-off and are non-recurring in nature. Exceptional items of USD1,001,000 have been recorded in the period directly relating to the mandatory retrenchment in PureCircle and relocation costs for management. Exceptional items in prior year of USD5.3 million are directly related to the impact of the Withhold Release Order.

The main components of the exceptional costs are as follows:

	2018 USD'000	2017 USD'000
Incremental production costs	–	1,413
Gross margin impact of credit notes issued	–	2,917
Restructuring costs	1,001	–
CBP	157	–
Others	1,047	957
Total exceptional items	2,205	5,287

*** Other income and other expenses in the table above exclude foreign exchange gains and losses which are reported separately, and includes financial income of USD116,000 (2017: USD63,000). USD2.3m (2017: USD2.8m) of costs associated with the Group's LTIP scheme and bonus scheme have been reclassed 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, finance cost added back.

Geographical information

	Asia USD'000	Europe* USD'000	Americas USD'000	Goodwill USD'000	Total USD'000
30 June 2018					
External revenue	19,032	46,339	65,695	–	131,066
Non-current assets	154,898	1,531	19,053	1,806	177,288
30 June 2017					
External revenue	16,170	52,086	50,655	–	118,911
Non-current assets	140,298	1,483	15,867	1,806	159,454

* The Europe segment includes results and sales to the Group's European joint venture.

Basis of attributing sales by geographical region is based on location of sales.

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 calculated based on the net assets book value at the reporting date of USD226,400,000 (2017: USD207,600,000) divided by the number of ordinary shares in issue at the reporting date of 174,276,000 (2017: 173,699,000).

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.

29 COMMITMENTS

(a) Capital commitments

Capital expenditure at the reporting date is as follows:

	Group	
	2018 USD'000	2017 USD'000
Authorised capital expenditure contracted for – Property, plant and equipment	269	475
Authorised capital expenditure not contracted for	6,401	6,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

29 COMMITMENTS CONTINUED

(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 25.

The future aggregate minimum lease payments under non-cancellable operating lease is as follows:

	Group	
	2018 USD'000	2017 USD'000
The present value of operating lease is as follows:		
– No later than 1 year	800	521
– Later than 1 year and no later than 5 years	3,725	922
– More than 5 years	1,715	692
	6,240	2,135

30 DERIVATIVE FINANCIAL INSTRUMENT

	2018		2017	
	Assets USD'000	Liabilities USD'000	Assets USD'000	Liabilities USD'000
Interest rate swaps – cash flow hedge	–	–	–	–
Less: non-current portion: Interest rate swaps – cash flow hedges	–	–	–	–

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months.

During the year, the Group's derivative financial instruments were novated to a central counterparty, following a change in the law. This has no impact on the Group's hedge accounting.

(a) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2018 were USD 82.5 million.

At 30 June 2018, the fixed interest rates vary from 2.74% to 2.78%, and the main floating rates are LIBOR plus margin of 2.35% to 2.85%. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2018 will be continuously released to the income statement within finance cost, until the repayment of the bank borrowings (Note 21).

A proportion of the Group's US dollar-denominated borrowing amounting to USD 82.5 million is designated as a hedge of the net investment in the Group. The fair value of the borrowing at 30 June 2018 was USD90 million. The foreign exchange loss on translation of the borrowing to currency at the end of the reporting period, is recognised in other comprehensive income.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	Company 2018 USD'000	2017 USD'000
Assets			
Non-current assets			
Investment in subsidiaries	3	142,409	142,008
Intangible assets		473	473
Property, plant and equipment		232	374
		143,114	142,855
Current assets			
Other receivables, deposits and prepayments		275	934
Amount owing by subsidiaries		49,507	53,174
Cash and cash equivalents	4	2,781	1,631
		52,563	55,739
TOTAL ASSETS		195,677	198,594
EQUITY AND LIABILITY			
Equity			
Share capital	5	17,428	17,371
Share premium	6	225,504	222,284
Share-based payment reserve		2,167	3,719
Accumulated losses		(54,506)	(50,569)
TOTAL EQUITY		190,593	192,805
Current liability			
Amount due to a subsidiary		2,975	–
Other payables and accruals	7	2,109	5,789
TOTAL LIABILITY		5,084	5,789
TOTAL EQUITY AND LIABILITY		195,677	198,594

The annexed notes form an integral part of these financial statements

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2018

		Company	
	Note	2018 USD'000	2017 USD'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses		(3,635)	(2,908)
(Other expenses)/income		(293)	315
Finance income		8	49
Finance costs		(17)	(137)
Loss before taxation	8	(3,937)	(2,681)
Taxation		–	–
Loss for the financial year		(3,937)	(2,681)

The annexed notes form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

	Attributable to owners of the Company				
	Share capital USD'000	Share premium USD'000	Share-based payment reserve USD'000	Accumulated losses USD'000	Total equity USD'000
Company					
Balance at 01 July 2017	17,371	222,284	3,719	(50,569)	192,805
Loss for the financial year	–	–	–	(3,937)	(3,937)
Transactions with owners:					
Share awards scheme compensation expense for the financial year	–	–	1,725	–	1,725
Exercise of share awards	57	3,220	(3,277)	–	–
	57	3,220	(1,552)	–	1,725
Balance at 30 June 2018	17,428	225,504	2,167	(54,506)	190,593
Company					
Balance at 01 July 2016	17,211	214,723	9,776	(47,888)	193,822
Loss for the financial year	–	–	–	(2,681)	(2,681)
Transactions with owners:					
Share awards scheme compensation expense for the financial year	–	–	1,664	–	1,664
Exercise of share awards	160	7,561	(7,721)	–	–
	160	7,561	(6,057)	–	1,664
Balance at 30 June 2017	17,371	222,284	3,719	(50,569)	192,805

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2018

	Note	Company 2018 USD'000	2017 USD'000
Cash flows from operating activities			
Loss before taxation		(3,937)	(2,681)
Adjustments for:			
Depreciation of property, plant and equipment		142	146
Interest expense		17	137
Interest income		(8)	(49)
Share-based payment		1,725	1,664
Property, plant and equipment written off		–	2
Liquidation of a subsidiary		133	–
Unrealised foreign exchange (gain)/loss		(34)	178
Operating cash flow before working capital changes		(1,962)	(603)
Decrease in trade and other receivables		643	411
Increase in trade and other payables		(3,660)	(1,057)
Net cash from operations		(4,979)	(1,249)
Interest received		8	49
Net cash used in operating activities		(4,971)	(1,200)
Cash flows from investing activity			
Increase in investment in a subsidiary		(496)	(2)
Advances to subsidiaries		(4,107)	(28,015)
Repayment from subsidiaries		10,710	–
Net cash used in investing activity		6,107	(28,017)
Net decrease in cash and cash equivalents		1,136	(29,217)
Effects of foreign exchange rate changes on cash and cash equivalents		14	(37)
Cash and cash equivalents at beginning of the financial year		1,631	30,885
Cash and cash equivalents at end of the financial year	4	2,781	1,631

The annexed notes form an integral part of these financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the financial year ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') as issued by the Financial Reporting Council. The Company has transitioned for all periods presented since financial year 2017.

This transition is not considered to have had an effect on the financial statements. FRS 101 requires the financial statements to be prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), whilst allowing for a number of reduced disclosure exemptions as highlighted below.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared have been prepared on the going concern basis under the historical cost convention and derivative financial assets and financial liabilities are measured at fair value through profit or loss, and in accordance with the Bermuda Companies Act 1981.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
  - (ii) 16 (statement of compliance with all IFRS);
  - (iii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  - (iv) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period)
- Paragraph 134–136 (capital management disclosures) of IAS 1, 'Presentation of Financial Statements'.
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related Party Disclosures' (key management compensation).
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

After reviewing the Company's annual budget, plans and financing arrangements for at least the next 12 months, the Directors consider that the Company has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing its financial statements.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(a) Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Company is United States Dollar ('USD').

(b) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries and joint ventures, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the profit or loss.

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(d) Intellectual property

The intellectual property consists of the internal investment and external acquisition costs of the patents, trademarks, technological processes and all intellectual and industrial property rights ('intellectual property rights') in connection therewith on the production of natural sweeteners, pharmaceutical products and chemical derivatives of bio-organic and physiologically active compounds. The acquisition cost is capitalised as an intangible asset as it is able to generate future economic benefits to the Company.

The useful life of these intellectual property rights, other than patented development costs is considered to be indefinite based on the Directors' annual reassessment of the useful life; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. Intellectual property rights are stated at cost less impairment losses. They are not amortised but tested for impairment annually or more frequently when indicators of impairment are identified. The intellectual property rights are assessed to have an indefinite useful life because the Company's natural sweeteners and flavours are expected to become mass volume ingredients in all foods and beverage categories. Similar to the sugar market, there is no expected end to the useful life of the natural sweeteners and flavours such as stevia. Accordingly, the Directors believe the useful life for intellectual property rights is indefinite. The Directors will continue to reassess the basis of that useful life of the intellectual property rights on an annual basis.

Patented development costs are subject to estimated useful life of no more than 20 years and amortised starting from the financial year when the product is first viable for commercial use.

(e) Development costs

All research costs are recognised in the profit or loss as incurred.

Development costs consist of expenditure incurred on product development and leaf development projects.

Expenditure incurred on these projects are capitalised as intangible assets only when the Company 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 resource to complete the project and the ability to measure reliably the expenditure during the developments. 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 are first viable for commercial use.

(f) Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Office equipment, furniture and fittings and motor vehicles	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

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.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, short-term deposits with licensed banks with maturities of three month or less, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude restricted cash.

(i) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave, sick leaves, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

The Company's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans. The Group has no defined benefit plan.

(j) Share-based payment

The Company operates a long-term incentive programme which is an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share awards) of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense over the vesting period. The total amount to be expensed is determined by reference to the fair value of the shares granted excluding the impact of any non-market vesting conditions and the number of shares expected to vest. Non-market vesting conditions are included in assumptions about the number of share awards that are expected to become exercisable.

When the share awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share awards are exercised.

The grant by the Company of share awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution in the subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(k) Provisions

A provision is recognised if, as a result of past event, the Company has a present legal and constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Indefinite useful life of intellectual property rights

The intellectual property rights are assessed to have indefinite useful lives because over the long-term, the Company natural sweeteners and flavours are expected to become mass volume ingredients in all foods and beverage categories. Similar to the sugar market, there is no expected end to the useful life of the natural sweeteners and flavours such as stevia. Accordingly, the Directors believe the useful life for intellectual property rights is indefinite. The Directors will continue to reassess the basis of that useful life of the intellectual property rights on an annual basis.

3 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 USD'000	2017 USD'000
Investment in subsidiaries	77,731	77,330
Amount due from subsidiaries	64,678	64,678
At 30 June	142,409	142,008

The advances to subsidiaries are treated as an extension of its investment in subsidiaries. The Company has invested in PureCircle Natural Ingredient India Private Limited during the year.

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2018	Effective Equity Interest 2017	Principal Activities
Held directly by PureCircle Limited 'PCL'				
PureCircle Sdn. Bhd. ('PCSB')	Malaysia	100%	100%	Production and distribution of natural sweeteners and flavours.
PureCircle Mexico S.A. de C.V. ('PCMEX')*	Mexico	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle S.A. ('PCSA')*****	Switzerland	0%	100%	Investment holding and sales and marketing of natural sweeteners and flavours.
PureCircle Australia Pty. Ltd. ('PCAU')	Australia	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle USA Holdings Inc. ('PCUSAH')	United States of America ('USA')	100%	100%	Investment holding.
PureCircle (UK) Limited ('PCUK')	England and Wales	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Kenya Limited ('PCK')	Kenya	100%	100%	Supply and development of stevia agronomy.
PureCircle South America Sociedad Anonima ('PCSAM')	Paraguay	100%	100%	Supply and development of stevia agronomy.
PureCircle (China) Limited ('PCC')	Hong Kong	100%	100%	Investment holding.
PureCircle USA Inc. ('PCUSA')	United States of America ('USA')	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle (S.E.A) Sdn. Bhd. (formerly known as PureCircle Stevia Sdn. Bhd.) ('PCSEA')	Malaysia	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Trading Sdn. Bhd. ('PCT')	Malaysia	100%	100%	Sales, marketing and distribution of natural sweeteners and flavours
PureCircle Natural Ingredient India Private Limited ('PCI')**	India	100%	100%	Sales and marketing of natural sweeteners and flavours.

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2018	Effective Equity Interest 2017	Principal Activities
Held by PCMEX				
PCM PureCircle De Mexico S.A. de C.V. ('PCMSPV') ***	Mexico	100%	100%	Receivable financing for its immediate holding company
PureCircle Company LLC ('PCUSSPV')	United States of America ('USA')	100%	100%	Receivable financing for its immediate holding company
Held by PCUK				
PureCircle Company (UK) Ltd ('PCUKSPV')	England and Wales	100%	100%	Receivable financing for its immediate holding company
Held by PCSB				
PureCircle (Jiangxi) Co Ltd ('PCJX')	The People's Republic of China ('The PRC')	100%	100%	Supply chain, production and distribution of natural sweeteners and flavours.
PureCircle (Shanghai) Co. Ltd. ('PCSH')	The People's Republic of China ('The PRC')	100%	100%	Sales and marketing of natural sweeteners and flavours.
PureCircle Servicios Mexico S.A. de C.V. ('PCMSA')	Mexico	100%	100%	Dormant
PureCircle Do Brasil Promocao e Marketing Ltda ('PCBR') ****	Brazil	100%	100%	Sales and marketing of natural sweeteners and flavours.
Held by PCC				
PureCircle China Agriculture Development Co. Ltd ('PCAD')	The People's Republic of China ('The PRC')	100%	100%	Supply and development of stevia agronomy.

* 99% held directly by the Company and 1% held through PCUSAH

** 99% held directly by the Company and 1% held through PCT

*** 1% held directly by the Company and 99% held through PCMEX

**** 1% held directly by the Company and 99% held through PCSB

***** Liquidation of investment in subsidiary, PureCircle S.A.

4 CASH AND CASH EQUIVALENTS

	Company 2018 USD'000	Company 2017 USD'000
Short-term deposits with licensed banks	2,002	–
Cash at bank and on hand	779	1,631
Cash and cash equivalents	2,781	1,631

The short-term deposit held with a licensed bank bore an interest rate of 1.78% with a maturity period of 8 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the financial year ended 30 June 2018

5 SHARE CAPITAL

The movements in the authorised and paid-up share capital are as follows:

		Company		Company	
		2018		2017	
	Par value USD	Number of shares ('000)	USD ('000)	Number of shares ('000)	USD ('000)
Authorised					
At 1 July / 30 June	0.10	250,000	25,000	250,000	25,000
Issued and fully paid-up					
At 1 July	0.10	173,699	17,371	172,112	17,211
Exercise of share awards	0.10	577	57	1,587	160
At 30 June	0.10	174,276	17,428	173,699	17,371

6 SHARE PREMIUM

	Company	
	2018 USD'000	2017 USD'000
At 1 July	222,284	214,723
Exercise of share awards	3,220	7,561
At 30 June	225,504	222,284

7 OTHER PAYABLES AND ACCRUALS

	Company	
	2018 USD'000	2017 USD'000
Current		
Other payables	1,334	4,941
Accruals	775	848
	2,109	5,789

8 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Included in the profit from ordinary activities before taxation are the following charges and credits:

	Company	
	2018 USD'000	**2017 USD'000**
Charges:		
Depreciation and amortisation	142	146
Directors' remuneration	528	508
Share-based payment expense	180	469
Interest expenses	17	137
Wages and salaries	436	570
Defined contribution retirement plan	53	90
Credits:		
Interest income	8	49

COMPANY INFORMATION

Ticker Symbol

PureCircle Ltd's Ordinary Shares have a Premium Listing on the Main Market of the London Stock Exchange under the symbol: 'PURE'

Websites

PureCircle Group operates these websites which are updated regularly to cater for different information needs:

Investors and corporate stakeholders
www.purecircle.com

Health professionals, customers, policy makers, consumers
www.globalsteviainstitute.com

Investor Relations

Requests for further copies of the annual report or other investor relations matters should be addressed to:

ir@purecircle.com

AGM

The Annual General Meeting (AGM) will be held on 30 November 2018, a formal notice of AGM will be sent to shareholders together with the annual report for financial year 2018.

2019 Financial & Corporate Calendar

Half year end	31 December 2018
Half year results	12 March 2019
Financial year end	30 June 2019
Full year results	24 September 2019

Results release date might change. Actual results release date will be published by the Company on its website and on London Stock Exchange's announcement platform.

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