Earth Rules Pty Ltd

ACN 094 326 762

Financial Statements for the year ended 31 March 2017

Earth Rules Pty Ltd

ACN 094 326 762

Annual report - 31 March 2017

Contents

Directors' report

Your directors present their report on the company for the year ended 31 March 2017.

Directors

The following people were the directors of Earth Rules Pty Ltd during the whole of the financial year and up to the date of this report:

Sean Hallahan

Stephen Rice

Ajoy Misra

L Krishna Kumar

Principal activities

The principal activities of the company during the course of the financial year were the importation and sale of coffee and related products.

There was no significant change in the nature of the activity of the company during the year.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2016: $nil).

Review of operations

The loss from ordinary activities after income tax amounted to $2,408,304 (2016 loss: $5,623,845).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the period.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect:

(a) the company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this financial statements because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers

The directors and officers of the company are indemnified under a global insurance policy taken out by Tata Global Beverages Services Limited. Earth Rules Pty Limited has been asked to contribute to the cost of global insurance.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Auditor

PwC Australia was appointed as auditor and continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of the directors.

Sean Hallahan
Director

Melbourne
11/5/17

Auditor's Independence Declaration

As lead auditor for the audit of Earth Rules Pty Ltd for the year ended 31 March 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
11 May 2017

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Earth Rules Pty Ltd ACN 094 326 762
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These financial statements cover Earth Rules Pty Ltd as an individual entity. The financial statements are presented in the Australian currency.

Earth Rules Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Earth Rules Pty Ltd
620 Church Street
Richmond VIC 3121

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 11 May 2017. The directors have the power to amend and reissue the financial statements.

	Notes	**12 months to 31 March 2017 $**	12 months to 31 March 2016 $
Revenue from continuing operations	3	**14,685,227**	15,881,149
Other income	4	**10,461**	1,396
Cost of sales		**(10,522,465)**	(13,240,786)
Employee benefits expense		**(1,757,249)**	(2,181,821)
Depreciation and amortisation expense	5	**(118,566)**	(191,242)
Other expenses		**(4,206,273)**	(5,461,212)
Finance costs	5	**(499,439)**	(431,329)
Loss for the year		**(2,408,304)**	(5,623,845)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(2,408,304)**	(5,623,845)
Loss is attributable to:			
Owners of Earth Rules Pty Ltd		**(2,408,304)**	(5,623,845)
Total comprehensive loss for the year is attributable to:			
Owners of Earth Rules Pty Ltd		**(2,408,304)**	(5,623,845)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**109,564**	272,022
Trade and other receivables	7	**2,767,809**	3,746,158
Inventories	8	**2,610,951**	5,463,133
Total current assets		**5,488,324**	9,481,313
Non-current assets			
Property, plant and equipment	9	**1,637,518**	1,846,717
Intangible assets	10	**120,671**	139,612
Total non-current assets		**1,758,189**	1,986,329
Total assets		**7,246,513**	11,467,642
LIABILITIES			
Current liabilities			
Trade and other payables	11	**2,239,328**	3,733,831
Borrowings	12	**-**	190,886
Provisions	13	**168,141**	156,229
Total current liabilities		**2,407,469**	4,080,946
Non-current liabilities			
Borrowings	14	**12,763,795**	12,879,042
Provisions	15	**15,602**	39,703
Total non-current liabilities		**12,779,397**	12,918,745
Total liabilities		**15,186,866**	16,999,691
Net assets/(liabilities)		**(7,940,353)**	(5,532,049)
EQUITY			
Contributed equity	16	**14,837,579**	14,837,579
Shares to be issued		**-**	-
(Accumulated losses)	17	**(22,777,932)**	(20,369,628)
Total equity/(deficiency in equity)		**(7,940,353)**	(5,532,049)

The above statement of financial position should be read in conjunction with the accompanying notes

	Contributed equity $	(Accumulated losses) $	Total equity/ (deficiency in equity) $
Balance at 1 July 2013	2	(8,670,394)	(8,670,392)
Profit/(loss) for the year	-	(3,346,642)	(3,346,642)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year	-	**(3,346,642)**	**(3,346,642)**
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs and tax	14,837,577	-	14,837,577
Balance at 30 June 2014	**14,837,579**	**(12,017,036)**	**2,820,543**
Profit/(loss) for the year	-	(2,728,747)	(2,728,747)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year	-	**(2,728,747)**	**(2,728,747)**
Balance at 31 March 2015	**14,837,579**	**(14,745,783)**	**91,796**
Profit/(loss) for the year	-	(5,623,845)	(5,623,845)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year	-	**(5,623,845)**	**(5,623,845)**
Balance at 31 March 2016	**14,837,579**	**(20,369,628)**	**(5,532,049)**
Profit/(loss) for the year	-	(2,408,304)	(2,408,304)
Other comprehensive income	-	-	-
Total comprehensive (loss) for the year	-	**(2,408,304)**	**(2,408,304)**
Balance at 31 March 2017	**14,837,579**	**(22,777,932)**	**(7,940,353)**

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Notes	12 months ended 31 March 2017	12 months ended 31 March 2016
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**15,657,686**	18,085,797
Payments to suppliers and employees (inclusive of goods and services tax)		**(14,389,218)**	(24,619,815)
		1,268,468	(6,534,018)
Interest paid		**(499,439)**	(34,312)
Net cash inflow/ (outflow) from operating activities	24	**769,029**	(6,568,330)
Cash flows from investing activities			
Payments for property, plant and equipment		**(550,254)**	(1,153,630)
Proceeds from sale of property, plant and equipment		**10,461**	48,240
Net cash (outflow) from investing activities		**(539,792)**	(1,105,390)
Cash flows from financing activities			
Net related party borrowing		**(12,881,720)**	8,066,144
Net funding from trade finance		**12,763,795**	-
Net finance lease borrowings		**(273,770)**	(347,732)
Net cash (outflow) inflow from financing activities		**(391,695)**	7,718,412
Net (decrease) increase in cash and cash equivalents		**(162,458)**	44,691
Cash and cash equivalents at the beginning of the financial year		**272,022**	227,331
Cash and cash equivalents at end of year	6	**109,564**	272,022

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the directors to meet the needs of the members. Earth Rules Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(ii) New and amended standards adopted by the group

The company has not changed or amended any accounting policies as a result of new or revised accounting standards during the year reporting period commencing 1 April 2016.

The following standards and interpretations have been published but are not yet effective, and may have an impact on future reporting periods:

(A) AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, partially replacing AASB 139 Financial instruments: Recognition and measurement. This standard is available for early adoption however will not become mandatory for the company's financial statements until the year ended 31 March 2018.

The company has not yet decided when to adopt AASB 9 and is currently assessing the impact of the standard.

(B) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 Revenue, which covers contracts for goods and services and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control in AASB 15 replaces the existing notion of risks and rewards.

The standard is applicable to reporting periods ending 31 March 2018. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application without restating the comparative period. The company will only need to apply the new rules to existing contracts that are not completed as of the date of initial application.

The company has not yet decided when to adopt AASB 15 and is currently assessing the impact of the standard.

C) AASB 16 Leases

The AASB has issued a new standard for the recognition, measurement and classification of leases. This will replace AASB 117 Leases. The new standard eliminates the classification of leases as either operating leases or finance leases for a lessee. Operating leases will be capitalised on the Statement of Financial Position by recognising the present value of the lease, similar to a finance lease under the existing standard. The impact on the Statement of Comprehensive Income is that all operating leases will no longer be operational expenditure, rather it will comprise of depreciation on the right of use and interest on its lease liability.

1 Summary of significant accounting policies (continued)

(a) *(ii) New and amended standards adopted by the group* (continued)

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early application is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16. The company has not yet decided when to adopt AASB 16 and is currently assessing the impact of the standard.

(D) Other standards and interpretations

There are no other standards that are not yet effective and that are expected to have a material impact on the company in future reporting periods.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iv) Critical accounting estimates

The preparation of financial statements 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.

(v) Comparative information

Comparative figures have been adjusted due to reclassification of overriders, case deals and other trade rebates to present more relevant figures for the users of the financial statements.

Costs associated with overriders (volume incentives), case deals (money off) and other trade rebates relate to trade promotions that should be netted off against revenue. These promotions were worth $1.906M and disclosed as a part of Other Expense in prior year. They have accordingly been reclassified to net off the prior year revenue number of $17.787M to bring it down to $15.881M.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Earth Rules Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within cost of sales.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, case deals, overriders and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale *of goods*

Revenue from the sale of goods is recognised when the goods have been delivered and the associated risks have passed to the customers.

(ii) Services revenue

Revenue related to the provision of coffee machines and services associated with coffee machine is recognised in the accounting period in which the service is provided.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate. Interest income is recognised when it is received.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1 Summary of significant accounting policies (continued)

(e) Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1 Summary of significant accounting policies (continued)

(i) Inventories

Finished goods

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

– Coffee machines	5 years
– Motor vehicles	5 years
– Office furniture and equipment	5 years
– IT equipment and software	3 years
– Café equipment	5 years
– Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(k) Intangible Assets

(i) Computer software

Computer software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of computer software over its estimated useful life of 7 years.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1 Summary of significant accounting policies (continued)

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee benefits

(i) Wages and salaries, and annual leave

Liabilities for wages and salaries, and annual leave expected to be settled within 12 months of the end of each reporting period are recognised in other payables and current provisions respectively, in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Going concern

Earth Rules Pty Ltd has reported a net loss of $2,408,304 and net liabilities of $7,940,353. This includes net amounts payable to related entities totaling $944,664. The directors have satisfied themselves that Tata Global Beverages (the ultimate parent) will continue to provide support to Earth Rules Pty Ltd to ensure that Earth Rules Pty Ltd is able to meet its obligations as and when they fall due over the next twelve months from the date of signing these accounts.

3 Revenue

	2017 $	2016 $
From continuing operations		
Sales revenue		
Sale of goods	**14,685,227**	15,881,149
	14,685,227	15,881,149

4 Other income

	2017 $	2016 $
Other income	**10,461**	**1,396**
	10,461	**1,396**

5 Expenses

	2017 $	2016 $
Loss before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**136,208**	172,631
Depreciation-plant and equipment		
-included in depreciation and amortisation	**118,566**	191,242
-included in cost of sales	**659,827**	531,188
Finance costs		
Interest and finance charges paid/payable	**499,439**	431,329
Net loss/(gain) on disposal of property, plant and equipment	**(10,461)**	(1,396)
Rental expense relating to operating leases		
Minimum lease payments	**99,653**	106,737
Inventory write-downs	**256,398**	1,809,141

6 Current assets - Cash and cash equivalents

	2017 $	2016 $
Cash at bank and in hand	**109,564**	272,022

7 Current assets - Trade and other receivables

	2017 $	2016 $
Trade receivables	**2,917,236**	3,732,582
Provision for Doubtful Debts	**(197,555)**	(40,293)
Other receivables	**149**	-
Prepayments	**47,979**	53,869
	2,767,809	3,746,158

8 Current assets - Inventories

	2017 $	2016 $
Finished goods	**3,730,288**	6,811,688
Stock in Transit	**340,011**	1,060,646
Provision for obsolete stock	**(1,459,348)**	(2,409,201)
	2,610,951	5,463,133

9 Non-current assets - Property, plant and equipment

	Coffee machines $	Office furniture and equipment $	Motor vehicles $	Leasehold improvements $	IT equipment and software $	Café equipment $	Total $
At 31 March 2016							
Cost	3,603,025	93,906	9,764	18,621	537,427	939,949	5,202,692
Accumulated depreciation	(1,922,280)	(74,034)	(494)	(12,100)	(451,567)	(895,500)	(3,355,975)
Net book amount	1,680,745	19,872	9,270	6,521	85,860	44,449	1,846,717
At 31 March 2017							
Cost	3,735,737	30,893	101,732	-	97,570	860,992	4,826,924
Accumulated depreciation	(2,288,495)	(14,278)	(4,082)	-	(47,460)	(835,091)	(3,189,406)
Net book amount	1,447,242	16,615	97,650	-	50,110	25,901	1,637,518

10 Non-current assets - Intangible assets

	2017	2016
Cost	266,723	297,429
Accumulation amortisation and impairment	(146,052)	(157,817)
Net book amount	120,671	139,612

Intangible assets have been reclassified to be separately presented out from Property, Plant and Equipment in the current year. Comparatives have been restated accordingly.

11 Current liabilities - Trade and other payables

	2017 $	2016 $
Trade payables	**295,669**	984,865
Intercompany payables – Statutory Overheads Tata Global Beverages Services	**497,664**	452,185
Intercompany payables – Statutory Overheads TGBA	**447,000**	578,041
Accrued expenses	**785,416**	1,517,136
Other payables	**213,579**	201,604
	2,239,328	3,733,831

12 Current liabilities - Borrowings

	2017 $	2016 $
Secured		
Lease Liabilities (note 21)	-	190,886
Total secured current borrowings	-	190,886

13 Current liabilities - Provisions

	2017 $	2016 $
Employee benefits (a)	**168,141**	156,229

(a) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	2017 $	2016 $
Current leave obligations expected to be settled after 12 months	**102,497**	80,306

14 Non-current liabilities - Borrowings

	2017 $	2016 $
Secured		
Lease liabilities (note 21)	-	82,884
Unsecured		
Intercompany Loan with Tata Global Beverages Australia	-	12,796,158
Bank Overdraft	12,763,795	-
Total	12,763,795	12,879,042

15 Non-current liabilities – Provisions

	2017 $	2016 $
Employee benefits - long service leave	15,602	39,703
Total	15,602	39,703

16 Contributed equity

(a) Share capital

	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares				
Fully paid	49	49	14,837,579	14,837,579

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

17 Accumulated losses

Movements in (accumulated losses) were as follows:

	2016
	$
Balance 1 April 2015	(14,745,783)
Net loss for the year	(5,623,845)
Balance 31 March 2016	(20,369,628)

	2017
	$
Balance 1 April 2016	(20,369,628)
Net loss for the year	(2,408,304)
Balance 31 March 2017	(22,777,932)

18 Dividends

(a) Ordinary shares

No dividends have been paid during the financial year. The director does not recommend that a dividend be paid in respect of the financial year (2016: $nil).

(b) Franked dividends

The franked portions of the final dividends recommended after 31 March 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 31 March 2017.

	2017	2016
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2016 - 30.0%)	-	-

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PwC Australia

	2017 $	2016 $
Audit and other assurance services		
Audit of financial statements	**53,000**	**50,000**
Assistance in preparation of financial statements	-	-
Total remuneration for audit and other assurance services	**53,000**	**50,000**
Taxation services		
Tax compliance services, including review of company income tax returns and tax advice	**20,000**	**20,000**
Total remuneration of PwC Australia	**73,000**	**70,000**

20 Contingencies

The company had no contingent liabilities at 31 March 2017 (2016: nil).

21 Commitments

(a) Lease commitments: company as lessee

The company does not have any commitments for minimum lease payments in relation to non-cancellable operating leases as at 31 March 2017.

21 Commitments (continued)

(b) Lease commitments: company as lessee (continued)

(ii) Finance leases

	2017 $	2016 $
Commitments in relation to finance leases are payable as follows:		
Within one year	-	202,733
Later than one year but not later than five years	-	85,262
Minimum lease payments	-	287,995
Future finance charges	-	(14,226)
Total lease liabilities	-	273,769
Representing lease liabilities:		
Current (note 11)	-	190,886
Non-current (note 13)	-	82,884
	-	273,769

22 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

23 Parent Entities

The immediate parent entity is Tata Global Beverages Overseas Holdings Limited (incorporated in the United Kingdom), which is wholly owned by Tata Global Beverages Services Limited (incorporated in United Kingdom). The ultimate parent entity is Tata Global Beverages Limited (incorporated in India).

24 Reconciliation of loss after income tax to net cash inflow from operating activities

	2017 $	2016 $
Loss for the year	**(2,408,304)**	(5,623,845)
Depreciation and amortisation	**778,393**	722,430
Write off of stock	**256,398**	1,809,141
Non-cash expenses	**-**	397,017
Net loss on sale of non-current assets	**(10,461)**	-
Change In operating assets and liabilities:		
Decrease (Increase) in trade and other receivables	**978,349**	(515,552)
Decrease (Increase) in inventories	**2,595,784**	(3,966,029)
(Decrease) Increase in trade and other payables	**(1,408,941)**	653,626
(Decrease) in other provisions	**(12,189)**	(45,118)
Net cash inflow (outflow) from operating activities	**769,029**	(6,568,330)

As stated in note 1(a) to the financial statements, in the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1.

In the director's opinion:

(a) the financial statements and notes set out on pages 10-24 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001;* and
  (ii) giving a true and fair view of the entity's financial position as at 31 March 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the director.

Sean Hallahan
Director

Melbourne
11/5/17

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Independent auditor's report

To the shareholders of Earth Rules Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Earth Rules Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 March 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 March 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* 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 are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting

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responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' report included in the financial report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 the financial report.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
11 May 2017