



ATLAS PEARLS AND PERFUMES LTD

ABN 32 009 220 053

For the Financial Year Ended 30 June 2015

Results for announcement to the market

	Compared to actual for previous	12 months ending	12 months ending
		12 months ending	30 June 2015
		30 June 2014	\$
Consolidated Financial Results			
Total revenue from ordinary activities	Down	26%	12,118,312
Profit from ordinary activities after tax attributable to the owners of Atlas Pearls and Perfumes Ltd	Down	548%	(8,134,049)
Net Profit attributable to the owners of Atlas Pearls and Perfumes Ltd	Down	548%	(8,134,049)
Dividends			
		Amount per security	Franked Amount per security
Dividend per ordinary share in respect of 30 June 2015 financial period		0.0 cents	0.0 cents

Commentary on results for the financial period
Refer to the Annual Report attached.
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Refer to the Annual Report attached.
Consolidated Statement of Financial Position
Refer to the Annual Report attached.
Consolidated Statement of Change in Equity
Refer to the Annual Report attached.
Consolidated Statement of Cash Flow
Refer to the Annual Report attached.
Dividend
It is not proposed to pay dividends

	Year ended 30 June 2014	Year ended 30 June 2015
Net tangible assets per security	\$	\$
NTA per ordinary share	8.7	5.6

Control gained or lost over entities during the financial year:

50% of the equity in subsidiary Essential Oils of Tasmania Pty Ltd was sold during the year ended 30 June 2015 resulting in its deconsolidation from the group.

Other Information

Refer to the Annual Report attached.

Commentary on results for the period

Refer to the Annual Report attached.

Audit

The accounts have been audited and an unqualified opinion has been issued

Attachments

The Annual Report of Atlas Pearls and Perfumes Limited for the year ended 30 June 2015 is attached.

ATLAS

PEARLS AND PERFUMES

ATLAS PEARLS AND PERFUMES LTD
A.B.N. 32 009 220 053

ANNUAL REPORT **2015**

CORPORATE DIRECTORY

DIRECTORS

Geoff **NEWMAN**
B.Ec (Hons), M.B.A, F.C.P.A, F.A.I.C.D.

Timothy James **MARTIN**
B.Arts, M.B.A, G.A.I.C.D.

Stephen John **ARROW**

COMPANY SECRETARIES

Susan **HUNTER**
BCom, ACA, F Fin, GAICD, AGIA

Danielle **BRANDENBURG**
BCom/Arts, ACA, A Fin, AGIA

REGISTERED OFFICE

47-49 Bay View Terrace
Claremont
Western Australia 6010

P.O. Box 1048
Claremont
Western Australia 6910

Telephone: +61(0)8 9284 4249
Facsimile: +61 (0)8 9284 3031

Website:
<http://www.atlaspearlsandperfumes.com.au>

E-mail: atlas@atlaspearlsandperfumes.com.au

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

TAX ADVISERS

RSM Bird Cameron
8 St Georges Terrace
Perth WA 6000

BANKERS

Commonwealth Bank of Australia
150 St Georges Terrace
Perth
Western Australia 6000

SHARE REGISTRY

Computershare (WA) Pty Ltd
Level 11,
172 St George's Terrace
Perth
Western Australia 6000

HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade

Perth
Western Australia 6000

ASX Trading Code: ATP

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
LETTER FROM THE CHAIRMAN

Dear Shareholder

I am writing to you for the first time as Non-Executive Chairman of Atlas Pearls and Perfumes, with a sense of disappointment with the financial results for the year just-gone, but with a great deal of optimism for the future of the pearling industry and your company's position in it.

There is no doubt that the 2014/15 company Normalised EBITDA loss of \$1.24m and the resulting net loss after tax of \$8.1m was unacceptable to the board, the management and staff of Atlas Pearls and Perfume and its shareholders and other stake-holders. The impact of past decisions to seed a greater number of oysters and the resulting harvests of smaller pearls which so damaged the year's performance has been well documented and was progressively informed to the market as the position was better understood over the course of the year.

The financial impact was magnified by the capital demands of our Essential Oils of Tasmania business which coincided with weaker earnings from the core pearling operations.

Much has been learnt from this year and there are many positives to take forward into 2015/16 and beyond. In particular:

1. The goal of reducing the company's exposure to the cyclical pearl business by creating new revenue streams from by-products remains valid and significant progress has been achieved on this front.
2. There is great potential for improving the returns from the core pearling business through improved processes for managing "shell in the water" to lift retention rates and the size of harvested pearls.
3. By re-focusing the retail effort on the farm-shops and a reduced number of well-located outlets, these operations can be quickly returned to profitability.
4. Our key operational people are "world class" in the industry and I have absolute confidence in the team we now have in place both in Perth and Bali.

Looking forward, there are many positives which have emerged from the difficulties of 2014/15. We now know that we can achieve our by-product value adding objectives without going down the full fragrance retail path. Our action in selling half of Essential Oils of Tasmania allows that business to expand to its full potential as an industrial tourism venture while providing a tied outlet for our pearl protein and powder products.

The forecast improvement in pearl sizes was evident in the latter harvests of 2014/15 and that trend is continuing into 2015/16 and our reduced retail footprint is already showing marked improvement in trading performance.

Although we required a capital raising of \$3.1m before costs to get through the year, the underlying performance against a dramatically reduced revenue base has left us with a sustainably lower cost structure which will be rigidly maintained to ensure better results as sales recover.

In conclusion, I want to acknowledge the dedication of our remarkable team of employees at Atlas Pearls and Perfumes. Difficult times call for sacrifices, restraint, clear thinking and, often quick, and not always pleasant decisions. As well as acknowledging specifically the role of your CEO Pierre Fallourd in piloting the company through this challenging time, I take the opportunity to thank all of our people for their contribution over the most challenging of years.

Finally, my fellow directors Steve Arrow and Tim Martin have given great support to both Pierre and myself

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
LETTER FROM THE CHAIRMAN

as we have made the necessary changes over the past year, and on behalf of them, I thank all of our shareholders for your ongoing support and look forward to returning the company to profitability in 2015/16 and capitalising on the many growth opportunities ahead of us.

Geoff Newman

Chairman

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a stylized, cursive name.

28 August 2015

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
SUMMARY OF KEY FISCAL INDICATORS 2014/15

	30 June 15 \$'000	30 June 14 \$'000
Revenue from continuing operation	12,118	16,283
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	(1,235)	3,470
EBITDA margin	(10.2%)	21.31%
Depreciation & amortisation	589	303
Foreign exchange (gains)/losses	(792)	578
Revaluation and write-off of Agriculture Assets (oysters, pearls and crops)	6,697	(63)
Other non-operating costs/benefits	(496)	300
Inventory write off	-	(12)
Derivative instruments	(656)	436
Impairment of joint venture loans	149	-
Fair value (gain)/loss on EOT assets	245	-
(Gain)/Loss on sale of investment	245	-
Earnings/(loss) before interest and tax (EBIT)	(7,215)	1,929
EBIT margin	(59.5%)	11.8%
Finance/interest net costs/(income)	398	471
Tax (benefit)/expense	521	(355)
Net Loss after tax (NPAT)	(8,134)	1,814
Basic earnings/(loss) per share (cents)	(2.40)	0.61
Net Tangible Assets	23,974	28,416
Assets	30,942	40,823
Debt (Current & Non-current)	4,085	5,155
Shareholder funds	23,974	28,809
Debt/shareholder funds (%)	17%	18%
Number of shares on issue (million)	425.40	326.62

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REPORT

Following a challenging 12 months, the coming year will see the Atlas team's efforts geared towards further strengthening Atlas core business by rebuilding its comparative advantage of producing superior quality South Sea Pearls and bringing them to market at competitive prices. We will approach this with the core values of Focus & Consolidate, Reveal & Deliver, and Share & Sustain.

Focus & Consolidate

First and foremost, customers form the epicentre of our business model. Atlas is positioning itself to continue capturing current strong demand and price uplift from Asia and the re-emerging North American market.

Secondly, producing superior quality pearls is the only way to address either an upswing or downswing in demand. Only the best shells will be presented within the right seeding windows and given the appropriate cultivation period. Our strong focus on commercialisation and value adding will be reinforced.

Managing efficiently a 4 year value chain – from Hatchery to Harvest- requires skills and patience. A dedicated pearl farmer is both inspired and technically driven in their quest for the perfect pearl as they need to understand nature's cycles when managing human and mother of pearl interactions.

Reveal & Deliver

Marketing is all about revealing needs rather than creating them. Atlas's common denominator in its past and future investments and projects revolves around its customers' expectations, both at trading and retail level.

We believe that pearl attractiveness is driven by its perceived value and its full appreciation is an acquired taste which requires education.

By transforming pearls through matching, jewellery design and manufacturing and even extracting active ingredients from its mother of pearl shell, Atlas intends to further enhance pearl value and transcend its cultural and symbolic significance.

Atlas will pursue its quest towards understanding what makes a perfect pearl and isolate this one element that triggers the formation of a pearl and turns out to be compatible and beneficial to the rejuvenation of human tissues.

The most promising value adding projects in the area of jewellery and perfume or cosmetics have been identified and will be pursued under the most suitable management and finance format.

Share & Sustain

Each oyster that gives birth to a pearl through a modern hatchery pearl farming model goes through 3000 hands throughout its productive life.

Maintaining harmony among internal and external stakeholders is both a necessity and a key success factor for Atlas. The company successfully managed over 10 different nationalities within its ranks and has been operating in 5 very diverse cultural and religion environments for the past 25 years.

Atlas is committed to a transfer of knowledge mandate towards the communities within which it operates in Indonesia through local employment and cooperation.

By promoting a hatchery business model and environmental protection best practices as well as local community support and education the group ensures that natural resources remain unadulterated and that the activity is sustainable.

Atlas is first and foremost a team of dedicated and passionate individuals committed to deliver superior value to its customers through the best products and most efficient route to market. We look forward to the years to come.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REPORT

Pearling Operations Update

A new management team was appointed in early 2014 and has been on site since June 2014. They have implemented a series of production protocol realignments and controls to ensure that in the current more favourable market conditions attention is focused on quality and size so that the investments into new pearling sites, research and development, as well as human resources, initiated over the past 4 years bear the expected quality pearls and revenue growth.

Pearl farming is a 4 year business cycle, along which each animal is manipulated over 600 times. Each event occurring throughout the life of the shell is ultimately recorded in the pearl. Genetically superior host shells can provide faster growing/ stronger animals, while donor oysters will determine the colour and nacre deposition growth of the pearl.

It is a subtle combination of the right shell gene pool, amount of shell care, appropriate seeding skills and patience that will provide the best yield. All of these have to be adjusted to the local and global environment as well as local configuration; the former can vary from year to year, while the later can take years to fully understand.

Modern pearl farming is made up of production sequences that are intimately connected. It is the agility or the ability to positively react to a constantly changing environment that determines the success of sustainable pearl ventures. Beyond harvesting, grading and the ability to assemble batches of consistent and matching pearls as well as the ability to go to market at the right time can also significantly add value.



Research and Development

The Group is pleased to be undertaking the next Arc Linkage Project with James Cook University (JCU); "Advanced animal breeding in aquaculture: using genome-wide molecular breeding values for rapid animal improvement in the silver-lipped pearl oyster". This project will run for a period of 3 years and commenced in February 2015 and will further advance the intellectual property that the Group has developed in relation to its oyster breeding program.

The primary impediment to achieving rapid genetic progress in aquaculture is an inability to accurately and rapidly identify high-performance animals for selection as parents in animal breeding programs. This project aims to develop an innovative genomic selection breeding system for the silver-lipped pearl oyster to overcome current limitations associated with traditional animal improvement methods.

Hatchery

Spat (juvenile) production for the 2014/15 season was on target. Spawning facilities are also being upgraded to improve survival rates. Progressive R&D output benefits under the partnership with JCU will further enhance the capacity to select the most suitable parent oysters for pearling and trigger benefits in cultivation period and pearl quality.

Grow-Out

The Group continues to operate five pearl farms: Penyabangan (North Bali); Lembata (Flores); Alor (East Nusa Tenggara); Alyui (West Papua), and Punggu (Flores). Of these five farms, two operate as technical hubs and growout facilities; Penyabangan (North Bali) and Lembata (Flores).

The Atlas R&D team have also been undergoing trials at Lembata (2nd technical hub) to improve mortality rates by using different growing techniques. These new techniques minimise the need for intervention during the stressful stage of spat development and have historically resulted in major improvement in survival rates.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REPORT

The Group has recently secured two new water leases in the village of Nuri (south of Larantuka, East Flores) and Kukusan (Punggu, Flores) the site offers a diverse environment for spat to pearl cultivation. Test rafts were deployed in May 2015 at Nuri and are showing pleasing results.

One of the core competences of the Group on risk mitigation is to efficiently manage the distance between specialised production sites. Grow-out sites which are labour intensive are linked to pearl farming remote and nutrient rich sites, by a fleet of specialised vessels that allow oysters to be moved around in order to maximise the sites shell management capacity.

In 2015 we welcomed a new, state of the art purpose built ship, designed for oyster transportation; the KM Poernomo. This new vessel will reduce the time between seeding and delivery to less than three months. The vessel was fully operational for the main seeding window.



The "KM Poernomo"

Seeding

Following an internal audit of stock systems, technician performance, and operation rooms, new policies are being implemented to improve retention rates, pearl size and quality.

Management has also been trialling the use of seeding rafts which enable seeded oysters to be returned to the ocean faster than had they been seeded on land. Health check dives on oysters seeded on the rafts already show signs of faster return to the normal feeding process. The new ship KM Poernomo has been fitted with a seeding deck to further increase efficiencies.

Technicians and operation rooms have also undergone a complete review. Technicians will be provided with additional training by an independent expert. Operation rooms will be upgraded to further reduce the threat of bacterial infection.

Pearl Farming

The remaining three farms operate as pearl farms; that is they grow seeded oysters. The farms that operate as a pearl farm exhibit the conditions (currents, nutrients in the water etc.) that are required to grow healthy pearls. These conditions are different to those required to grow a virgin oyster.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REPORT

Harvesting

The agreed upon direction is to harvest all pearls from a particular batch at the optimal time and proceed with a second operation (second seeding with same shell) of the oysters that provide the best pearls.

Sample harvests will take place 3 months prior to the intended harvest date, with the objective of fine tuning harvest timing, providing a better harvest value indication, and allowing optimum second operation.

Pearling management has identified opportunities for joint ventures with partners-farmers throughout the value chain under the forms of subcontracted grow-out and/or pearl farming of respectively juveniles or seeded shells. This will ensure Atlas' internal capacity is maximised while the benefit of extra shell availability is not lost.

Trading

Atlas has experienced a consistent upward price trend for its South Sea pearls over the past 18 months in a market with growing demand for pearls of consistent colour and lustre for which Atlas is known. The Company held two auctions at the Japan Pearl Centre in Kobe during the half-year ended 31 December 2014. Prices during this period on a comparable piece basis have increased by approximately 10% when compared to the June 2014 auction result.

The recent prices achieved for similar pearls are more than 50% higher on average than when Atlas held its first auction in May 2012. There continues to be a high degree of confidence in the market's ability to absorb strong prices in the long term. Relative short supply in fine quality merchandise is also helping to boost prices

Japanese buyers continue to offer the strongest prices for Atlas production, with China undoubtedly being the largest consumer of white South Sea pearls. The Company sees increasing opportunities in the North American markets as their economy continues to rebound.

Wholesale

Atlas has continued to develop its distribution within the Australian market with a network of over one hundred regular wholesale, manufacturers and retail customers. This has resulted in an increased focus on strand and matched pair production, where greater margins may be realised.

Our Wholesale Jewellery Division continues to expand, with Pearl Distribution Manager Tim Jones relocating to the East Coast to further bolster sales. These wholesale opportunities add diversity to our revenue base and further enhance our valued-added growth strategy.

Retail

The Group's retail brand and positioning has undergone review over the past six months to strengthen its retail platform. While the Group continues to have an interest in Perfumes through its equity investment in Essential Oils of Tasmania Pty Ltd its core retail strength has now been identified as Industrial Pearl Tourism.

The decision has been made to consolidate the existing retail offering and shift towards industrial tourism. As part of this realignment the Bali urban stores located in Jimbaran Square, the Grand Hyatt Nusa Dua and Sanur were closed on the 30th of June 2015. To date the farm stores located in Alyui Bay and North Bali have been identified as Atlas's best performing retail outlets. As luxury tourism continues to grow in these pristine remote sites we see an opportunity to further build our outlets located in North Bali, Alyui, Punggu and Alor. The recently refurbished Seminyak store will remain as the Group's urban presence in Bali. The Group will also focus on collaborating further with luxury hotel groups to bring Atlas product in house through capsule collections and art installations which promote Atlas pearls, jewellery and Atlas industrial tourism outlets.

As part of this review Atlas has also been taking steps towards rationalising its finished products inventory by way of selective mark-down, alternative distribution, jewellery conversion and eventually deconstructing

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REPORT

obsolete designs in order to efficiently reduce aging and/ or irrelevant inventory to make space for faster moving and aligned items.

The design and manufacturing approach is now two pronged: produce and promote limited edition jewellery capsules to give the opportunity to consumers to select and own unique creations and privilege "made in Bali" jewellery to further strengthen the skills and expertise set up in-house.

This exercise in better articulating Atlas's core and retail business combined with pearl finished products is not only intended to balance inventory levels while boosting sales, but also to better convey our message to end consumers, and open doors for business opportunities along the luxury value chain.

Essential Oils of Tasmania

Atlas Pearls and Perfumes Ltd sold 50% of its interest in Essential Oils of Tasmania Pty Ltd to Westwood Properties Pty Ltd in February 2015. Atlas views Westwood Properties as a strategic partner who will jointly own the company and grow the business to the next level.

The transaction recognised the following benefits:

- It provided the working capital necessary to fund EOT's crop growing and processing as well as necessary capital equipment;
- It provides a capable and resourced partner with which to progress the EOT business; and
- Atlas retains a material investment in EOT and any future success that such an investment may bring.

The ultimate aim of Atlas and Westwood is to construct and operate a state of the art industrial tourism facility at the Brookfield, featuring fragrances and flavour extraction processes from raw crops to finished products as well as a retail store and entertainment and training area dedicated to essential oils and perfumes.

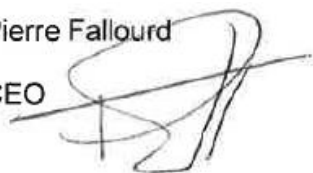
In 2015 Essential Oils of Tasmania launched its first retail product range called Wild Islands. Wild Islands currently comprises of five fragrances developed by the renowned French perfumer Michel Roudnitska, using uniquely Tasmanian essential oil extracts. The perfumes have been produced and bottled by Essential Oils of Tasmania. The soft launch of the product at various tourism markets in Tasmania has been extremely successful and several tourist retail outlets around Hobart are now stocking the range. The Group is exploring avenues by which to further expand the product's route to market.

Essential Oils of Tasmania continues to work on new business lines utilising local by-products and exploring projects with unique value add propositions including consultancy and R&D projects related to Sandalwood, Lavender and various types of berries.

A significant part of the investment into new equipment to expand the range of EOT's product to bio-active ingredients was made possible by a \$1m Austrade Grant with a matching commitment from the JV partners. The grant period was recently extended by 6 months in order to allow EOT to complete the project and successfully relocate to its new premises as it has outgrown its current location.

Pierre Fallourd

CEO



28 August 2015

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Atlas Pearls and Perfumes Ltd (formerly Atlas South Sea Pearl Limited) and the entities it controlled at the end of, or during, the period ended 30 June 2015.

1. DIRECTORS

The following persons were directors of Atlas Pearls and Perfumes Ltd during all or part of the financial period and up to the date of this report except where stated:

GEOFF NEWMAN, B.Ec (Hons), M.B.A, F.C.P.A ,F.A.I.C.D. (Age – 64)

INDEPENDENT NON EXECUTIVE CHAIRMAN (Chair of Audit and Risk Committee, Chair of Remuneration and Nomination Committee)

Mr Newman has over 26 years' experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005 he was Finance Director/CFO and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Ltd before he retired from the Coogee group of companies at the end of June 2006.

Appointed Chairman 16 February 2015
Director since 15 October 2010
(Last re-elected as a director – 30 May 2013)

Directorships of other listed companies held in the last three years:

* Nil

STEPHEN PAUL BIRKBECK (Age – 55)

EXECUTIVE CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER (Remuneration Committee)

Mr Birkbeck was the founder and former CEO of Mt Romance, an Australian company that has become one of the largest producers of sandalwood oil in the world. Mr Birkbeck has extensive marketing expertise, especially in the luxury goods markets. He has been presented with a number of excellence awards in relation to the success of Mt Romance and brings this extensive business development skill to the Board.

Resigned as Executive Chairman 16 February 2015.
Resigned as Chief Executive Officer 25 November 2014.
Appointed Chief Executive Officer 16 January 2012
Appointed Director on 15 April 2005
Appointed Chairman of the board on 21 December 2009
(Last re-elected as a director – 31 May 2011)

Directorships of other listed companies held in the last three years:

* Nil

NELSON ROCHER (Age - 30)

ALTERNATE DIRECTOR TO STEPHEN PAUL BIRKBECK

Mr Rocher has worked for the internationally recognised cosmetic and perfume group Yves Rocher, a market leader in France. He worked in the Yves Rocher marketing department as a product development manager with his focus and passion being the products, branding and marketing areas.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

1. DIRECTORS (CONT.)

NELSON ROCHER (Age - 30) Cont.

ALTERNATE DIRECTOR TO STEPHEN PAUL BIRKBECK

Appointed Alternate Director 18 July 2014.

Resigned as an alternate director for Stephen Paul Birkbeck 16 February 2015.

Directorships of other listed companies held in the last three years:

* Nil

TIMOTHY JAMES MARTIN, B.Arts, M.B.A, G.A.I.C.D. (Age – 43)

NON EXECUTIVE DIRECTOR (Remuneration and Nomination Committee)

Tim Martin has been an Executive Manager at Coogee Chemicals Pty Ltd since 2005, held the position of Managing Director from 2012 – 2015 and was appointed Executive Chairman in July 2015.

Prior to working at Coogee Tim worked in management roles within the packaged food manufacturing sector - supplying to national supermarket chains, and has ongoing interests in commercial property development.

He is also a director on the board of the Australian Plastics and Chemicals Industry Association (PACIA).

Appointed Director on 4 February 2013.

Elected as Director on 30 May 2013.

Directorships of other listed companies held in the last three years:

* Nil

STEPHEN JOHN ARROW (Age - 55)

INDEPENDENT NON EXECUTIVE DIRECTOR (Audit and Risk Committee)

Mr Arrow has been involved in the pearling industry in Western Australia and the Northern Territory since 1980 and is Managing Director and owner of Arrow Pearl Co Pty Ltd. Mr Arrow brings to the Board extensive pearling experience from many regions of the world as well as contacts within the industry.

Mr Arrow previously served on the board of Atlas Pearls and Perfumes Ltd from 29 June 1999 until 28 May 2008.

Appointed 2 January 2014

Directorships of other listed companies held in the last three years:

* Nil

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

1. DIRECTORS (CONT.)

JOSEPH JAMES UEL TAYLOR, B.Sc. (Biology), Ph.D. (Age – 48)

NON EXECUTIVE DIRECTOR, TECHNICAL DIRECTOR (Audit and Risk Committee, Remuneration Committee)

Dr Taylor is a marine biologist and aqua culturist whose PhD research specialised in the husbandry of *Pinctada maxima* pearl oysters. Since 1989, Dr Taylor has been involved in the management of aquaculture operations, mainly associated with South Sea pearl farming. He has acquired extensive knowledge about the biology of pearl oysters and has presented many research papers on this subject. Dr Taylor commenced employment with the Company in 1996 as the Project Manager and has overseen the development of the business to its current level of production.

Resigned as director 16 February 2015.

Appointed Director on 13 September 2000

Managing Director from 31 August 2001 to 1 June 2009

(Last re-elected as a director – 31 May 2010)

Directorships of other listed companies held in the last three years:

* Nil

2. COMPANY SECRETARY

The role of Company Secretary at the end of the financial period was shared by Ms Danielle Brandenburg and Ms Susan Hunter.

STEPHEN GLEESON, B.BUS, CPA

Prior to joining Atlas in 2012, Mr Gleeson held the position of CFO/Company Secretary of statewide recruitment company Skill Hire from 2008 to 2012. He also has international experience as CFO of Peter Lik USA and has previously acted as Company Secretary for the ASX listed company Golden Valley Mines NL. He has 26 years' experience in corporate restructuring and business re-engineering, and is a member of CPA Australia.

Resigned 16 February 2015

Appointed 24 April 2012.

DANIELLE BRANDENBURG, BCom/Arts, ACA, A Fin, AGIA

Ms Brandenburg joined Atlas in 2012 as Group Financial Controller and was appointed as Chief Financial Officer on 1 July 2015. Ms Brandenburg has over 10 years' experience in accounting and finance. Prior to her appointment with Atlas, Ms Brandenburg was Financial Controller for Wyllie Group Ltd and worked with BDO in their External Audit Division. She holds a Bachelor of Commerce and Arts, is a Member of the Australian Institute of Chartered Accountants, an Associate of the Financial Services Institute of Australasia, and a Member of the Governance Institute of Australia.

Appointed 16 February 2015. Resigning 30 August 2015.

SUSAN HUNTER, BCom, ACA, F Fin, GAICD, AGIA

Ms Hunter has 20 years' experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies and has held senior executive roles at Ernst & Young and PricewaterhouseCoopers in their Corporate Finance divisions and at Bankwest in their Strategy and Ventures division. She holds a Bachelor of Commerce, is a Member of the Australian

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

2. COMPANY SECRETARY (CONT.)

Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia.

Appointed 19 December 2012.

3. DIRECTORS' MEETINGS

The attendance at meetings of the Company's Directors including meetings of committees of Directors is shown below:

Director	Period	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meeting	
		Meetings Held Whilst in Office	Attended	Meetings Held Whilst in Office	Attended	Meetings Held Whilst in Office	Attended
S.P. Birkbeck ^{2,4}	01/07/14 – 30/06/15	4	4	-	-	1	1
G. Newman ^{1,2}	01/07/14 – 30/06/15	7	7	1	1	1	1
J.J.U. Taylor ^{1,2,4}	01/07/14 – 30/06/15	4	4	1	1	1	1
T. Martin ²	01/07/14 – 30/06/15	7	7	-	-	1	-
S.J. Arrow ^{1,3}	01/07/14 – 30/06/15	7	6	-	-	-	-

Notes

1 On 29 May 2015, the Company adopted a new Corporate Governance Plan and the Audit Committee was renamed the Audit and Risk Committee. The current members of the Committee are G. Newman (Chair) and S. Arrow Member of the Audit and Risk Committee.

2 On 29 May 2015, the Company adopted a new Corporate Governance Plan and formed a Remuneration Committee and a Nomination Committee. Prior to this date, the full Board acted as the Nomination Committee. The current members of these Committees are G. Newman (Chair) and T. Martin.

3 Attended Remuneration Committee as a guest.

4 Resigned as director on 16 February 2015.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Company's 2015 remuneration report which sets out remuneration information for Atlas Pearls and Perfumes Ltd's non-executive directors, executive directors and other key management personnel.

Name	Position
<i>Non-executive and executive directors</i>	
S. Birkbeck	Chairman (until 16 February 2015) & CEO (until 25 November 2014)
N. Rocher	Alternate Director (until 16 February 2015)
J. Taylor	Non-Executive Director (until 16 February 2015)
G. Newman	Independent Non-Executive Chairman (Chairman from 16 February 2015, Director prior to 16 February 2015)
T. Martin	Non-Executive Director
S. Arrow	Independent Non-Executive Director
<i>Other key management personnel</i>	
S Gleeson	Managing Director EOT (until 16 April 2015)
J.S Jorgensen	Chief Operations Officer PT Cendana Indopearl (until 23 January 2015)
R.Satchell	Chief Operations Officer Pt Cendana Indopearl (from 23 January 2015).
D Brandenburg	Chief Financial Officer (until 30 August 2015)
P Fallourd	Chief Executive Office (Vice President of Pearling until 25 November 2014).
S Mackay-Coghill	Vice President of Jewellery, Perfumes & Cosmetics (until 7 November 2014).

Changes since the end of the reporting period

The following changes have been made to the remuneration of the following key management personnel after 30 June 2015;

Chief Financial Officer and Joint Company Secretary – D Brandenburg

Ms D Brandenburg announced her resignation as Chief Financial Officer effective 30 August 2015.

Chief Financial Officer – T Harris

Mr T Harris was announced as her replacement and will be officially appointed Chief Financial Officer effective 31 August 2015. Mr Harris's contract was negotiated on 30 June 2015, he commenced with the company on the 6th of July 2015 to undertake a handover period.

Base salary for the 2015/16 financial year of \$175,000 inclusive of 9.5% superannuation, reviewed annually.

Bonus of 5% of EBITDA in excess of \$1.7m for 2015/16. Bonus capped at \$30,000 inclusive of tax and superannuation.

Chief Executive Officer – P Fallourd

Mr P Fallourd's contract was renegotiated on the 11 August 2015.

Base salary for the 2015/16 financial year of \$220,000 plus 9.5% superannuation, reviewed annually.

Bonus of 8% of EBITDA in excess of \$1.7m for 2015/16. Bonus capped at \$48,000 inclusive of tax and superannuation.

4. REMUNERATION REPORT (AUDITED)

Chief Operations Officer – R Satchell

Mr R Satchell was appointed as Chief Operations Officer on 1 January 2015. Mr R Satchell previously held the title of General Manager Strategy. Mr R Satchell's contract was renegotiated on the 19 August 2015.

Base salary for the 2015/16 financial year of \$160,000, reviewed annually.

Housing allowance of USD 12,500 per annum.

Bonus of 5% of EBITDA in excess of \$1.7m for 2015/16. Bonus capped at \$30,000 inclusive of tax and superannuation.

4.1 Remuneration Governance

4.1.1 Role of the remuneration and nomination committee

The remuneration and nomination committee is a committee on the board. It is primarily responsible for making recommendations to the board on:

- Non-executive director fees
- Remuneration levels of executive directors and other key management personnel
- The over-arching executive remuneration framework and operation of the incentive plan, and
- Key performance indicators and performance hurdles for the executive team.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interest of the company.

4.1.2 Non-Executive Director Remuneration Policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Board. Consideration is given to the remuneration of comparable companies when setting fee levels.

The Non Executive Directors' aggregate annual remuneration may not exceed \$350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30th May 2007. In the period ending 30 June 2015, the total non-executive directors' fees including retirement benefit contributions were \$233,596

The following fees have applied:

- Base fees for Non-Executive Directors - \$50,000 per annum as of 1 July 2014. Non-Executive Directors took a temporary 30% reduction in fees from 1 November 2014 for the year ended 30 June 2015. The Non-Executive Directors also agreed to salary sacrifice fees for shares from 1 November 2014.
- Additional fees of \$8,000 per annum for the Chairman of the Audit and Risk Committee up until 16 February 2015. The Chairman of the Audit and Risk Committee took a temporary 30% reduction in fees from 1 November 2014 for the year ended 30 June 2015 and also agreed to salary sacrifice fees for shares from 1 November 2014.
- Executive Chairman and CEO's package was \$351,000 per annum including superannuation up until 16 February 2015.
- The Independent Non-Executive Chairman's fee is \$78,000 per annum including superannuation from 17 February 2015.
- The Technical Director received an additional \$750 per day for pearl technical and Indonesian entity support up until 26 November 2014 where the fee was temporarily reduced to \$500 per day for the year ended 30 June 2015. The Technical Director resigned on 16 February 2015.

4. REMUNERATION REPORT (AUDITED)

4.1.3 Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders

The executive remuneration framework has three components;

- Base pay and benefits, including superannuation
- Short-term performance incentives, and
- Long-term incentives through participation in the Atlas South Sea Pearl Limited Employee Share Plan.

Employment contracts are in place between the Company (or its subsidiaries) and all key management personnel. Under these contracts, key management personnel are paid a base salary (which may be provided in the form of cash or non-financial benefits) in accordance with their skills and experience, as well as entitlements including superannuation and accrued annual leave and long service leave, in the event of termination.

Executives' salaries are reviewed annually and are adjusted to take into consideration the individuals' responsibilities and skills compared to others within the Company and the industry. There are no guaranteed base pay increases in any executives' contracts.

There were no short or medium term cash incentives provided to any executives of the company during the last financial period except where noted in section 4.2 of this report. Short or medium cash incentives are incorporated into some executives' salary packages at the time of this report. The framework provides a mix of fixed and variable pay with short and medium term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

An Employee Share Plan (ESP) provides some senior executives with incentive over and above their base salary (refer 4.5 below). The allocation of shares under the Employee Share Plan (ESP) is not subject to performance conditions of the Company. The reasons for establishing the ESP were:

- To align the interests of senior management with shareholders. The ESP provides employees with incentive to strive for long term profitability which is in line with shareholder objectives; and
- To provide an incentive for employees to extend their employment terms with the company. Pearl farming is a long term business and the experience of long serving senior employees is an important factor in the long term success of the Company.

Use of remuneration consultants

During the financial year ended 30 June 2015 the Company did not engage any remuneration consultants.

Voting and comments made that the Company's 2014 Annual General Meeting.

Atlas Pearls and Perfumes Ltd received more than 69% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration.

Relationship between Key Management Personnel Remuneration and Performance.

Each Key Management Personnel is remunerated on an individual basis. Some Key Management Personnel are entitled to bonuses based on a percentage of EBITDA.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.2 Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the Group for the current and previous financial period.

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation		Total	
			Salary Sacrifice for shares	Short term incentive cash bonus				Non-cash monetary benefit	Bonus Shares		Options
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Directors(Non-Executive)											
G. Newman ^{5,9}	2015	19,334	32,233	-	-	51,567	-	-	-	51,567	
	2014	63,800	-	-	-	63,800	-	-	-	63,800	
J.J.U. Taylor ^{1,9,10,15}	2015	86,358	7,393	-	-	93,751	8,906	-	(628)	102,029	
	2014	71,960	-	-	-	71,960	4,235	-	628	76,823	
T. Martin ^{6,9}	2015	16,667	23,333	-	-	40,000	-	-	-	40,000	
	2014	50,000	-	-	-	50,000	-	-	-	50,000	
S. Arrow ^{11,9}	2015	16,667	23,333	-	-	40,000	-	-	-	40,000	
	2014	27,500	-	-	-	27,500	-	-	-	27,500	
Directors (Executive)											
S.P. Birkbeck ^{1,2,9,15}	2015	168,937	38,095	-	-	207,032	17,833	-	(12,559)	212,306	
	2014	225,000	-	-	-	225,000	20,625	-	12,559	258,184	
N. Rocher ^{14,15,16}	2015	51,971	-	-	-	51,971	4,937	7,500	(2,974)	61,434	
	2014	18,812	-	-	-	18,812	-	-	2,974	21,786	
Total	2015	359,934	124,387	-	-	484,321	31,676	-	7,500	(16,161)	507,336
Total	2014	457,072	-	-	-	457,072	24,860	-	16,161	498,094	

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.2 Details of remuneration (cont.)

Name		Cash salary & fees	Short term benefits			Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation		Total
			Salary Sacrifice for shares	Short term incentive cash bonus	Non-cash monetary benefit				Bonus shares	Options	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Other Key Management Personnel											
S Gleeson ^{4,8,10,15}	2015	173,944	-	-	-	173,944	20,591	-	-	(6,660)	187,875
	2014	206,422	-	9,368	-	215,790	21,844	-	-	13,160	250,794
JS Jorgensen ^{3,9,15}	2015	133,269	-	-	-	133,269	10,423	-	-	(1,487)	142,205
	2014	165,000	-	-	33,205	198,205	-	-	-	1,487	199,692
R Satchell ^{3,7,9,16}	2015	120,000	9,795	10,000	16,208	156,003	2,192	-	5,000	9,279	172,474
	2014	-	-	-	-	-	-	-	-	-	-
C. Triefus ⁷	2015	-	-	-	-	-	-	-	-	-	-
	2014	59,849	-	-	19,940	79,789	-	-	-	-	79,789
D Brandenburg ^{4,8,9,16}	2015	145,494	14,247	4,301	-	164,042	15,584	-	7,500	18,559	205,685
	2014	141,672	-	8,547	-	150,219	13,542	-	-	1,424	165,185
P Fallourd ^{12,9,16}	2015	117,263	65,385	-	-	182,648	17,352	-	7,500	17,895	225,395
	2014	66,278	-	-	-	66,278	3,519	-	-	3,686	73,483
S Mackay-Coghill ^{13,8,15}	2015	31,638	-	-	-	31,638	3,010	-	-	(1,424)	33,224
	2014	66,222	-	25,000	-	91,222	1,354	-	-	1,424	94,000
Total	2015	721,608	89,427	14,301	16,208	841,544	69,152	-	20,000	36,162	966,858
Total	2014	705,443	-	42,915	53,145	801,503	40,259	-	-	36,464	862,943
Grand Total 2015	2015	1,081,542	213,814	14,301	16,208	1,325,865	100,828	-	27,500	20,001	1,474,194
Grand Total 2014	2014	1,162,515	-	42,915	53,145	1,258,575	65,119	-	-	37,343	1,361,037

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

Notes:

1. Dr J Taylor and Mr S Birkbeck are Directors of the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd.
2. Mr S Birkbeck was a key management personnel of the Group with the title of Chief Executive Officer. Mr S Birkbeck was appointed Chief Executive Officer as at 16 January 2012. Mr S Birkbeck resigned as Chief Executive Officer on 25 November 2014. Mr S Birkbeck signed as Executive Chairman on 16 February 2015.
3. Mr J Jorgensen was a key management personnel of the Group and was appointed to the position of Chief Operating Officer (COO) in September 2010. Mr J Jorgensen is the Chief Operations Officer of the Company's Indonesian subsidiary, P.T. Cendana Indopearls. Mr J Jorgensen's contract as Chief Operating Officer terminated on 23 January 2015. Mr R Satchell was appointed as Chief Operations Officer on the 23 January 2015.
4. Mr S Gleeson was appointed Chief Financial Officer on 1 February 2012. Mr S Gleeson resigned as Chief Financial Officer on 1 July 2014. D Brandenburg was appointed Chief Financial Officer on 1 July 2014. Mr S Gleeson was appointed as Managing Director for Essential Oils of Tasmania Pty Ltd on 1 July 2015. Mr S Gleeson's contract was terminated on 16 April 2015.
5. Mr G Newman was appointed 15 October 2010 as Non-Executive Director. Mr G Newman was appointed as Non-Executive Chairman on 16 February 2015.
6. Mr T Martin was appointed 4 February 2013 as Non-Executive Director.
7. Mr C Triefus was the Retail Production Manager. The Retail Production Manager manages the retail stores in Bali and co-ordinates all retail stock for the Group. Mr Triefus resigned as Retail Production Manager on 31 December 2013.
8. Bonuses were paid to the KMP Danielle Brandenburg based on the milestones achieved during the period. In 2014 Bonuses were paid to the KMPs, Mr S Gleeson, Ms S McKay-Coghill and Ms D Brandenburg Danielle based on the milestones achieved during 2014.
9. A number of key management took part in the 2015 and 2014 salary sacrifice schemes. In 2015, Mr P Fallourd, Ms D Brandenburg, Mr R Satchell all participated in the salary sacrifice scheme which finishes on 25 December 2015. Salary accrued for under the plan as at 30 June 2015 for these individuals was; Mr P Fallourd \$15,385, Ms D Brandenburg \$14,247, Mr R Satchell \$9,795. Mr G Newman, Mr T Martin, Mr S Arrow and Dr J Taylor salary sacrificed all director fees from the 1st of November until the 30th of June 2015. Fees accrued under the plan as at 30 June 2015 for the directors were; G Newman \$32,233; Mr T Martin \$23,333; Mr S Arrow \$23,333 and Dr J Taylor \$7,393. \$50,000 of Stephen Birkbeck's salary was accrued for under the 2014 ESSP scheme and was transferred to him in shares on 18 May 2015.
10. Non-Monetary benefits of other key management personnel included accommodation allowances, school fees and medical expenses, as per individual employment contracts.
11. Mr S Arrow appointed as Non Executive Director on 2 January 2014.
12. Mr P Fallourd appointed as Vice President of Pearling on 1 May 2014. Mr P Fallourd was appointed as Chief Executive Officer on 26 November 2015.
13. Ms S Mackay-Coghill appointed as Vice President Jewellery, Cosmetics & Perfume on 1 May 2014. Ms S Mackay-Coghill resigned as Vice President Jewellery, Cosmetics & Perfume on 7 November 2014. Ms S Mackay-Coghil worked on contract with the Company until 31 December 2014 but was not considered to be a Key Management Personnel after 7 November 2014.
14. Mr N Rocher appointed as an alternate director to S Birkbeck on 18 July 2014. Mr N Rocher resigned as alternate director on 16 February 2015.
15. Option benefit related expenses recognised in June 2014 year end have been reversed in 2015 for all those employees who have left the employment of the company during the year and are no longer eligible for to realise these options.
16. Bonus shares were issued to management during 2015 for achievement of performance related milestones.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.2.1 Details of remuneration – performance analysis

The following table indicates the percentage of remuneration relating to options and performance:

	30 June 2015	30 June 2014
Name	% Performance	% Performance
N Rocher	7.37%	14.1%
S Birkbeck	0.00%	4.9%
S Gleeson	0.00%	9.0%
J Jorgensen	0.00%	0.7%
D Brandenburg	14.76%	6.0%
P Fallourd	11.27%	5.0%
S Mackay-Coghill	0.00%	28.1%
J Taylor	0.00%	0.8%
R Satchell ¹	14.08%	N/A

1. R Satchell was appointed COO on 23 January 2015 and not considered Key Management Personnel during the year ended 30 June 2014.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.2.2 Relationship between remuneration and Atlas performance

The following table shows performance indicators as prescribed by the Corporations Act 2001 over the past 5 reporting periods:

	12 months	12 months	6 months	12 months	12 months
	2015	2014	2013	2012	2011
Profit/(loss) for the year / period	(8,134,049)	1,813,922	(2,194,645)	1,406,150	593,936
Basic earnings per share	(2.4)	0.61	(0.81)	0.68	0.43
Dividend payments	0	0	0	0	0
Increase / (decrease) in share price	(48%)	53%	(25%)	(60%)	(38%)
Total KMP incentives as a percentage profit/loss %	-0.8%	4.4%	0.0%	2.6%	8.8%

4.3. Service Agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Company.

Remuneration and other terms of employment for the Chief Executive Office, Chief Financial Officer, Chief Operations Officer and other key management personnel are also formalised in service agreements.

Details of key management personnel contracts are set out below:

4.3.1. Mr Stephen Birkbeck (Executive Chairman – resigned 16 February 2015, CEO – resigned 25 November 2014)

- Mr S Birkbeck was appointed as CEO commencing from 16 January 2012 and resigned as CEO on 25 of November 2014 and as Executive Chairman on 16 of February 2015.
- Base salary for the 2015 financial period of \$351,000 per annum inclusive of superannuation, reviewed annually for CEO role of Atlas.
- Termination conditions - either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.2. Mr Pierre Fallourd (CEO – appointed 26 November 2014)

- Base salary for the 2015 financial period of \$200,000 per annum inclusive of superannuation, reviewed annually.
- Termination conditions - either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

4.3.3. Mr Jan Jorgensen (Chief Operating Officer – employment terminated 23 January 2015)

- Base salary for the 2015 and 2014 financial period of \$165,000 per annum reviewed annually and also subject to various non-financial allowances relating to living in Indonesia.
- Entitled to commission on Pearl Meat sales of 15% of sales excluding VAT or GST.
- Entitled to commission on Mother of Pearl sales of 5% for annual sales in excess of \$300,000 excluding VAT or GST.
- Termination conditions – either party may terminate the contract of employment by giving two months' notice or a lesser amount as mutually agreed.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.3.4. Mr Richard Satchell (Chief Operations Officer – appointed 23 January 2015)

- Mr R Satchell was appointed Chief Operations Officer 23 January 2015. He was previously appointed General Manager Strategy.
- Base salary for the 2015 financial period of \$160,000 per annum reviewed annually and also subject to various non-financial allowances relating to living in Indonesia.
- Short-term incentive plan of 5% of Normalised EBITDA for the financial year ended 30 June 2015, where Normalised EBITDA is greater than \$1.7m, this is capped at a maximum bonus of \$30,000. The bonus is inclusive of taxes.
- Base salary for 2014 financial period of \$120,000 per annum reviewed annually and also subject to various non-financial allowances relating to living in Indonesia.
- 2014 commission entitlements included; 15% of Pearl Meat sales of 15% excluding VAT or GST and 5% of Mother of Pearl sales for annual sales in excess of \$300,000 excluding VAT or GST.
- Termination conditions – either party may terminate the contract of employment by giving two months' notice or a lesser amount as mutually agreed.

4.3.5. Mrs Danielle Brandenburg (Chief Financial Officer – appointed 1 July 2014 – resigned 30 August 2015)

- Base salary for the 2015 financial period of \$175,000 per annum inclusive of superannuation, reviewed annually.
- Bonus on 2% of real EBITDA growth on 13/14 to 14/15.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.6. Mrs Sonia Mackay-Coghill (Vice President of Jewellery, Perfumes & Cosmetics resigned 7 November 2014)

- Base salary for the 2015 financial period of \$200,000 per annum inclusive of superannuation, reviewed annually.
- Commission payable on 5% of sales in Australia above last year (excluding loose pearl sales and Showcase)
- \$25,000 advance on bonus paid.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.7. Mr Stephen Gleeson (Managing Director Essential Oils of Tasmania (appointed 1 July 2014) & Joint Company Secretary (appointed 24 April 2012), made redundant 16 April 2015)

- Base salary for the 2015 financial period of \$200,000 per annum inclusive of superannuation, reviewed annually.
- Bonus based on achieving various milestones (STIP) relating to essential oil sales, commissioning of the new pearl extraction plant, and various other grants. Bonus of 1% growth of 2014/15 EBITDA paid quarterly.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

4.3.8. Mr Nelson Rocher (Alternate Director – appointed 18 July 14 Head of Perfume Development – appointed 1 June 2014, resigned 16 February 2015)

- Base salary for the 2015 financial period of \$82,125 per annum inclusive of superannuation, reviewed annually.
- Termination conditions- either party may terminate the contract of employment by giving one months' notice or a lesser amount as mutually agreed.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.3.9. Other non - executives (standard contracts)

- Contract terminates on retirement.
- The Company may terminate the executive's employment agreement by providing 2 months written notice or providing payment in lieu of the notice period.
- Not entitled to any special termination payments under these contracts.

4.4. Additional Information of the remuneration report

4.4.1. Loans to Directors and Executives

Details of loans made to directors of the Company and other key management personnel of the Group under the Employee Salary Sacrifice Plan, including their personally related parties, are set out below:

Group	Balance at the start of the period	Loans provided during the period	Interest paid and payable for the period	Interest not charged	Balance at the end of the period	No in Group at the end of the period
	\$	\$	\$	\$	\$	
30 Jun 2015	375,000	-	-	10,725	375,000	2
30 Jun 2014	375,000	-	-	14,100	375,000	2

i. Individuals with loans above \$100,000 during the financial year

30 Jun 2015	Balance at the start of the period	Loans provided during the period	Interest paid and payable for the period	Interest not charged	Balance at the end of the period	Highest indebtedness during the period
Name	\$	\$	\$	\$	\$	\$
J. Taylor*	263,000	-	-	7,522	263,000	263,000
S. Adams*	112,000	-	-	3,203	112,000	112,000
	375,000	-	-	10,725	375,000	375,000

4.4. Additional Information of the remuneration report cont.

4.4.1. Loans to Directors and Executives

30 Jun 2014	Balance at the start of the year	Loans provided during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
Name	\$	\$	\$	\$	\$	\$
J. Taylor*	263,000	-	-	9,889	263,000	263,000
S. Adams*	112,000	-	-	4,211	112,000	112,000
	375,000	-	-	14,100	375,000	375,000

All loans to key management persons are under terms and conditions as set out in note 23 relating to the employee share plan.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the period and the amount of interest that would have been charged on an arms' length basis.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

*These loans have been provided for in a prior period.

There is no allowance for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from key management.

ii. Other loans to Key Management Personnel

The loan advance of \$25,000 to S Mackay-Coghill during year end 30 June 2014 was in advance of anticipated bonuses. Ms S Mackay-Coghill resigned on 7 November 2014, a consultancy arrangement was subsequently undertaken between 7 November 2014 and 31 December 2014 to repay the outstanding loan balance. As at 30 June 2015 the loan balance owing from Ms S Mackay-Coghill is nil.

4.4.2. Options

Performance options were issued to directors and key management personnel during the financial period end 30 June 2015 and 30 June 2014. The options were issued at nil cost to employees and will respectively expire on 31 December 2018 and 31 December 2016. The options are exercisable based on the completion of KPI's specific to each individual. See table at 4.5.10 for details.

4.4.3. Other Key Management Personnel transactions

- I. \$78,900 of the ESSP accrual above is for shares salary sacrificed by the Directors during the year ended 30 June 2015 under the Atlas South Sea Pearl Non-Executive Director Share Plan; Tim Martin \$23,333, Stephen Arrow \$23,333, Geoff Newman \$32,233. During the twelve months ended 30 June 2014 none of the directors salary sacrificed into the Non - Executive Director Fee Salary Sacrifice Share plan.
- II. \$46,818 of the ESSP accrual above is for shares salary sacrificed by the Other Key Management Personnel during the year ended 30 June 2015 under the Atlas South Sea Pearl Employee Share Plan; Pierre Fallourd \$15,385 (\$50,000 already issued out of total salary sacrifice of \$65,385); Danielle Brandenburg \$14,247; Joseph Taylor \$7,392; Richard Satchell \$9,795. 30 June 2014 accrual \$11,905 for shares salary sacrificed by Stephen Birkbeck under the Atlas South Sea Pearl Employee Share Plan.
- III. During the period, sales of individual pearls of small quantities were made to some staff and Directors on normal commercial terms.
- IV. During the 12 months ended 30 June 2015, \$Nil (2014: \$30,000) in research and development fees were charged to Atlas Pearls and Perfumes Ltd by Raintree Pearls and Perfumes Pty Ltd. Raintree Pearls and Perfumes Pty Ltd is controlled by Stephen Birkbeck.
- V. During the period ended 30 June 2015 Atlas Pearls and Perfumes Ltd did not sell any pearls on behalf of Arrow Pearls Pty Ltd. During the year ended 30 June 2014 Atlas received on consignment approximately \$1,750,000 of loose South Sea Pearls from Steve Arrow on the 5th of December 2013. Atlas received a sales commission of 5.0% based on the gross value of the pearls. Commission earned on the sale of loose pearls on behalf of entities controlled by key management personnel was \$Nil for the year end 30 June 2015 (30 June 2014: \$113,614). During the year ended 30 June 2014 Atlas paid the net proceeds of pearls sales to Arrow less the commission, in the form of 50% cash and 50% in shares until 10 million shares were acquired (capped at \$650,000). The shares were priced at \$0.065 per share.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5. Share based payments compensation

In 2006 and 2007 ordinary shares were issued to key management personnel of Atlas Pearls and Perfumes Ltd under an Employee Share Plan (ESP) that was approved by shareholders at the company's annual general meeting in May 2006. These shares have been issued to employees under the following terms:

- 4.5.1.** In 2007 shares were issued at a price of 40 cents each, 900,000 were issued on 17th April and 200,000 were issued on 10th May 2007 when the market price was 41 cents and 48 cents per share respectively. In 2006, 2,150,000 shares were issued at a price of 29 cents each on 30th May when the market price was 31 cents per share.
- 4.5.2.** Entitlement to 50% of the beneficial interest on the shares vested to employees after they have completed two (2) years of employment with the company from the date of issue of the shares, and entitlement to the remaining 50% of the beneficial interest in the shares vested to employees after they have completed three (3) years of employment with the company from the date of issue of the shares;
- 4.5.3.** Shares issued under the ESP have been paid for by employees who have been provided with an interest free, non-recourse loan by the Company. This loan is to be repaid from the proceeds of dividends paid in relation to these shares.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.4. The details relating to the allocation of shares to directors and key management personnel under the ESP are as follows:

Name	Date of Issue	No. of Shares Issued ⁽³⁾	Shares Vested to end of 2010	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Minimum value of grant yet to be vested ⁽¹⁾	Maximum value of grant yet to be vested ⁽²⁾
Joseph Taylor (resigned 16 February 2015)	10/5/07	200,000	100%	0%	2009 – 50% 2010 – 50%	Ordinary Shares	\$-	\$-
	30/5/06	1,000,000	100%	0%	2008 – 50% 2009 – 50%	Ordinary Shares	\$-	\$-

Notes –

1. The minimum benefit is based on the fact that the vesting criteria for the shares on issue have not yet been met.
2. The maximum value is based on the value that is calculated at the time that the shares were issued.
3. The above named individuals are only entitled to these shares when the recourse loan is repaid. As at 30 June 2015, none of these loans have been repaid. Hence, these shares remain as treasury shares in the employee share trust.

4.5.5. In 2012 key management personnel were invited to participate in the Atlas South Sea Pearl Limited Non-Executive Director Fee Sacrifice Share Plan and Employee Salary Sacrifice Share Plan that was approved by shareholders at the Company's Annual General Meeting on 30 May 2012. These shares have been issued to employees under the terms outlined in note 4.5.6.

The existing Employee Share Loan Plan was replaced by a new Employee Salary Sacrifice Share Plan and Non-Executive Director Plan at the AGM on the 30 May 2012.

4.5.6. The Atlas Employee Salary Sacrifice Share Plan

Please refer to Note 23 in the financial statements for details.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.6. The details relating to the allocation of shares to directors and key management personnel under the Employee Salary Sacrifice Share Plan are as follows for year end 30 June 2015 and year ended 30 June 2014:

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares to be Issued	Date of Issue	Shares Vested to June 2015	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Pierre Fallourd	17/11/14	555,556	-	-	100%	0%	2015 – 100%	Ordinary Shares	\$0.045	15,385
Pierre Fallourd	17/11/14	625,000	625,000	26/9/14	100%	0%	2015 – 100%	Ordinary Shares	\$0.080	50,000
Danielle Brandenburg	17/11/14	555,556	-	-	100%	0%	2015 – 100%	Ordinary Shares	\$0.045	14,247
Richard Satchell	15/12/14	266,667	-	-	100%	0%	2015 – 100%	Ordinary Shares	\$0.045	9,795
Stephen Birkbeck	07/03/14	586,077	769,231	18/05/15	100%	0%	2015 – 100%	Ordinary Shares	\$0.065	38,095

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares to be Issued	Date of Issue	Shares Vested to June 2014	Shares Forfeited in the year	Financial Year in which shares vest	Nature of shares	Share issue price	Total Value Salary Sacrificed
Stephen Birkbeck	07/03/14	183,154	-	-	100%	0%	2014 – 100%	Ordinary Shares	\$0.065	\$11,905

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.7. The Atlas Non-Executive Director Fee Sacrifice Share Plan

Please refer to Note 23 in the financial statements for details.

4.5.8. The details relating to the allocation of shares to directors and key management personnel under the Non-Executive Director Fee Salary Sacrifice Share Plan are as follows:

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares Issued	Date of Issue	Shares Vested to end of 2015	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Joseph Taylor	1/11/14	164,289	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	7,393
Geoff Newman	1/11/14	718,267	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	32,322
Tim Martin	1/11/14	518,512	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	23,333
Stephen Arrow	1/11/14	518,512	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	23,333

Notes –These shares were issued under the NED plan described above directly to the NEDs, for past services rendered.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.9. The details relating to the allocation of performance options to directors and key management personnel under the Atlas Pearls and Perfumes Ltd Employee Option Plan are as follows:

Name	Date of Grant	Entitlement No. of Options	Vesting Date	Expiry Date	Shares Forfeited in the year	Financial Year in which shares vest	Nature of shares	Value Per Options at 30 June 15	Value Per Options at 30 June 14	Option Exercise Price
Stephen Birkbeck ¹	13/05/14	10,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$12,559	\$0.0858
Joseph Taylor ¹	13/05/14	500,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$628	\$0.0858
Stephen Gleeson ²	24/02/14	2,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$5,948	\$0.0858
Stephen Gleeson ¹	02/06/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$712	\$0.095
Pierre Fallourd ²	24/02/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$8,616	\$2,974	\$0.0858
Pierre Fallourd ¹	02/06/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$9,279	\$712	\$0.095
Pierre Fallourd ³	30/6/15	2,000,000	30/6/18	31/12/18	0%	2018	Ordinary Shares	\$nil	-	\$0.059
Nelson Rocher ²	24/02/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$2,974	\$0.0858
Jan Jorgensen ²	24/02/14	500,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$1,487	\$0.0858
Danielle Brandenburg ¹	02/06/14	2,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$18,558	\$1,424	\$0.095
Sonia McKay-Coghil ¹	02/06/14	2,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$1,424	\$0.095
Richard Satchell ¹	02/06/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$9,279	\$712	\$0.095
Richard Satchell ³	30/6/15	1,000,000	30/6/18	31/12/18	0%	2018	Ordinary Shares	\$nil	-	\$0.059

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

Notes –

1. These unlisted options were approved by the shareholders at the EGM held on 13 May 2014
2. These unlisted options were approved by the Board of Directors on 24 February 2014
3. These unlisted options were approved by the Board of Directors on 29 May 2015

4.5.10. The details relating to the equity instruments held by key management personnel are as follows:

a. Equity instrument disclosures relating to key management personnel

1. Options and rights granted as compensation

There were 3,000,000 options issued to key management personnel as remuneration during the period ended 30 June 2015 (30 June 2014 – 21,000,000).

2. Option holdings

There were 8,000,000 options on issue to key management personnel during the period ended 30 June 2015 (30 June 2014 – 21,000,000).

b. Shareholdings

The number of shares in the company held during the financial period by each director of the company and the other key management personnel of the Group, including their personally related parties, are set out below.

Details of shares that were granted as compensation during the reporting period are provided at note 23 and in the Remuneration Report contained at section 4 of the Directors' Report.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.11. Cont. The details relating to the equity instruments held by key management personnel are as follows:

	Balance 01/07/14	Granted as Compensation	Options Exercised	Other Changes ⁽¹⁾	Balance 30/06/15
Parent Entity Directors					
Mr S.P. Birkbeck ⁽²⁾	43,127,199	-	-	769,231	43,896,430
Mr J.J.U. Taylor ⁽²⁾	1,400,000	-	-	-	1,400,000
Mr G. Newman	1,539,295	-	-	307,859	1,847,154
Mr T. Martin	19,156,745	-	-	56,028,922	75,185,667
Mr S. Arrow	11,508,089	-	-	2,301,618	13,809,707
Mr N. Rocher ⁽²⁾	6,612,185	100,000	-	-	6,712,185
Other key management personnel					
Mr J. Jorgensen ⁽²⁾	624,400	-	-	(500,000)	124,400
Mr S. Gleeson ⁽²⁾	3,649,072	-	-	-	3,649,072
Mr C. Triefus ⁽²⁾	-	-	-	-	-
Mr P. Fallourd	2,586,206	100,000	-	625,000	3,311,206
Ms S. Mackay - Coghill ⁽²⁾	-	-	-	-	-
Ms D. Brandenburg	100,000	100,000	-	-	200,000
Mr R. Satchell ⁽³⁾	-	-	-	111,111	111,111
	90,303,191	300,000	-	59,643,741	150,246,932

Notes –

1. Other changes refer to shares purchased or sold during the financial period. Removal of balance on resignation of Director/KMP or balance held at appointment of Director/KMP
2. Director/KMP retired or resigned in the financial period
3. Director/KMP appointed in the period

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

4. REMUNERATION REPORT (AUDITED)

4.5.11. Cont. The details relating to the equity instruments held by key management personnel are as follows:

c. Option holding

The number of options over ordinary shares in the parent entity held during the twelve months ended 30 June 2015 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 01/07/14	Granted	Exercised	Expired/ forfeited/other	Balance 30/06/15
Parent Entity Directors					
Mr S.P. Birkbeck	10,000,000	-	-	10,000,000	-
Mr J.J.U. Taylor	500,000	-	-	500,000	-
Mr G. Newman	-	-	-	-	-
Mr T. Martin	-	-	-	-	-
Mr S. Arrow ⁽¹⁾	-	-	-	-	-
Mr N. Rocher	1,000,000	-	-	1,000,000	-
Other key management					
Mr J. Jorgensen	500,000	-	-	500,000	-
Mr S. Gleeson	3,000,000	-	-	3,000,000	-
Mr C. Triefus	-	-	-	-	-
Mr P. Fallourd	2,000,000	2,000,000	-	-	4,000,000
Ms S. Mackay-Coghill	2,000,000	-	-	2,000,000	-
Ms D. Brandenburg	2,000,000	-	-	-	2,000,000
Mr R. Satchell	1,000,000	1,000,000	-	-	2,000,000
	22,000,000	3,000,000	-	17,000,000	8,000,000

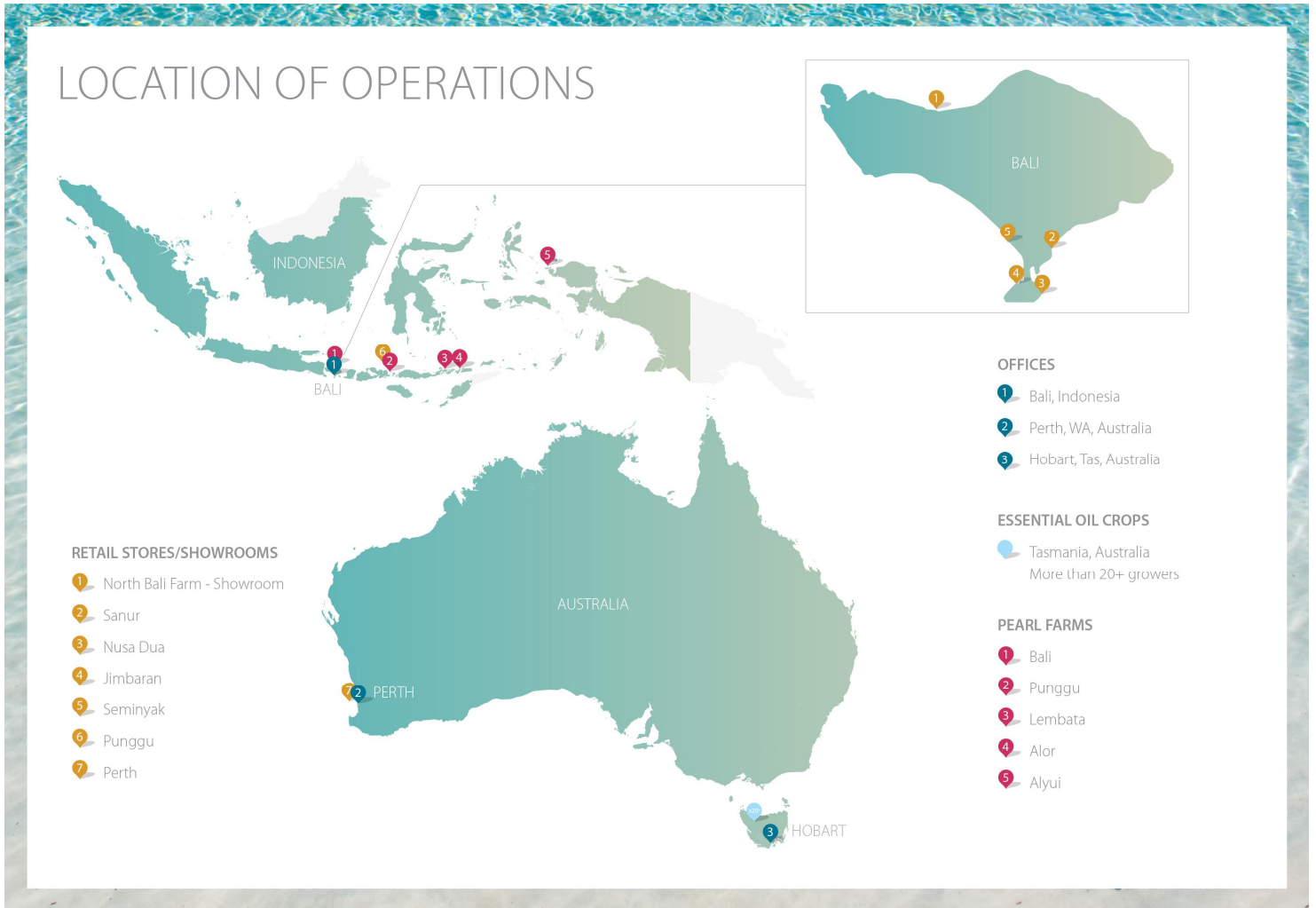
This is the end of the Audited Remuneration Report.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

5.1. Principal Activities

The Company is a producer of pearls and has an interest in perfumes (and cosmetics) through its investments in Essential Oils of Tasmania and World Senses. The Company has pearl farms in Indonesia with administrative and retail centres in Bali and Perth.



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5.2. Review of Operations and significant changes in the state of affairs

5.2.1. Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

On the 16th January 2015, a \$300,000 5 year term loan was received by Essential Oils of Tasmania Pty Ltd. Security is charged over specific plant and equipment owned by Essential Oils of Tasmania Pty Ltd to the value of the loan. Interest of 3.6% per annum is payable.

On the 11th February 2015, the number of Directors on the Board reduced from 5 members to 3. Mr Steven Birkbeck resigned as Executive Chairman and Dr Joseph Taylor resigned as a Non-Executive Director. Nelson Rocher, Mr Birkbeck's Alternate Director, has also resigned and remained actively involved in Atlas' daily operations until April 2015. Current Non-executive Director Mr Geoff Newman assumed the role of Chairman.

Also on 11th February 2015, Joint Company Secretary, Mr Stephen Gleeson, resigned from his position as Joint Company Secretary. He retained his role as Managing Director Essential Oil of Tasmania until 16 April 2015. Chief Financial Officer Ms Danielle Brandenburg has been appointed Joint Company Secretary.

On the 20th of April 2015, 50% of Essential Oils of Tasmania Pty Ltd ("EOT") was sold to Westwood Properties Pty Ltd. Westwood's investment was valued at A\$1.4m, comprising of \$280,000 for the shares purchased and the A\$1.12m in loans provided to EOT by Westwood. \$720,000 of the loan is to be used to repay existing loans previously provided by Atlas to EOT, \$400,000 will remain in EOT for a maximum period of 18 months as working capital. EOT has now been deconsolidated from the Group and is accounted for as an equity investment.

On the 24th of April 2015, Atlas Pearls and Perfumes Ltd closed its 1 for 5 non-renounceable pro rata entitlement offer. The offer which opened on the 25th of March 2015 was fully underwritten at an offer price of \$0.045 per New Share to raise up to \$3.1m (before costs). 16,074,730 new shares were issued at \$0.045 per share raising \$723,362.85, the resultant shortfall being 53,048,882 shares. The offer was underwritten by entities and persons related to the family of current director Mr. Timothy Martin.

On the 17th of February 2015 a \$500,000 bridging loan was secured from Jingie Investments Pty Ltd. On the 13th of April 2015 a further \$1,000,000 loan was secured from Jingie Investments Pty Ltd. The loans were unsecured and attracted an interest rate of 7%. Jingie Investments is a related party of Atlas Pearls and Perfumes Ltd director Tim Martin. The loans were repaid with funds raised under the non-renounceable pro rata entitlement offer.

On the 30th of June 2015 the company issued options under the Atlas Pearls and Perfumes Ltd Employee Option Plan to the following key Management Persons; Pierre Fallourd 2,000,000 options and Richard Satchell 1,000,000 options. The options have an exercise price of 5.9 cents each, an expiry date of 31 December 2018 and vest on 30 June 2018 where the following conditions have been met; achieving a minimum A\$2.75m average normalised EBITDA for the 3 years ending 30 June 2018 and that the individual remains directly engaged as an employee of Atlas Pearls and Perfumes Ltd until 30 June 2018.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5.2.2. Shareholder Returns

	12 Months Ending 30 June 2015 \$'000	12 Months Ending 30 June 2014 \$'000	6 Months Ending 30 June 2013 \$'000
Net profit/(loss) after tax	(8,134)	1,814	(2,195)
Basic EPS (cents)	(2.40)	0.61	(0.81)
Dividends paid	Nil	Nil	Nil
Dividends (per share) (cents)	Nil	Nil	Nil

The adjustments from NPAT to arrive at reported Normalised EBITDA for these periods are shown below:

	12 Months Ending 30 June 2015 \$'000	12 Months Ending 30 June 2014 \$'000	6 Months Ending 30 June 2013 \$'000
Net profit/(loss) after tax	(8,134)	1,814	(2,195)
Tax expense/(benefit)	521	(355)	(1,472)
Finance/Interest net costs	398	471	222
Depreciation & amortisation	589	303	136
Foreign Exchange (gain)/loss	(792)	578	(1,091)
Agriculture Standard revaluation (gain)/loss/ pearl adjustments	6,697	(63)	2,908
Other Non-Operating (income)/expense	(497)	300	242
Inventory write off	-	(12)	-
Derivative Instrument (gain)/loss	(656)	436	-
Impairment of JV loan	149	-	-
Fair value (gain)/loss on EOT assets	245	-	-
(Gain)/Loss on sale of investment	245	-	-
Normalised EBITDA	(1,235)	3,470	(1,250)

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5.2.3. Financial Position

	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Total Assets	30,942	40,823	35,676
Debt (Current & Non-current)	(4,085)	(5,155)	(5,274)
Other Liabilities	(2,883)	(6,859)	(4,605)
Shareholder funds	23,974	28,809	25,797
Debt / Shareholder funds	17%	18%	20%
Number of shares on issue (million)	425.4	326.62	287.039
Net tangible assets per share (cents)	5.6	8.7	9.0
Share price at reporting date (cents)	4.4	8.5	4.1

There has been a decrease in the net assets of the group of \$4.8M in the year ended 30 June 2015 (30 June 2014 - \$5.1M increase). Movements in the net worth of the economic entity are summarised below:

- Cash reserves increased to \$2.6M (30 June 2014 - \$1.7M) at 30 June 2015. During the period ended 30 June 2015 core debt was decreased by \$134,909 (30 June 2014 - \$119K).
- Trade receivables decreased to \$0.5M (30 June 2014 - \$3M) principally due to the timing of the June auction, funds from the auction held on the 11th and 12th of June 2015 were primarily receipted before 30 June 2015. The 30 June 2014 loose pearl auction was held on the 29th of June 2014.
- The valuation of oyster assets at 30 June 2015 was impacted by the harvest of smaller than average pearls during the 12 months ended 30 June 2015. Whilst it is anticipated that the majority of these smaller pearls were harvested by 30 June 2015, management has elected to be conservative in their approach and use of assumptions in the fair valuation of oysters which has resulted in a total asset value of \$14.5m at 30 June 2015 compared to \$19.3m at 30 June 2014. At 30 June 2015 the main drivers behind the decrease in value include a reduction in the average weight (momme per piece) and the sellable percent. The average weight decreased from 0.60 at 30 June 2014 to 0.55 at 30 June 2015. The average sellable percent decreased from 62% at 30 June 2015 to 52% at 30 June 2014. The number of oysters decreased 5% from 2,787,914 oysters at 30 June 2014 to 2,623,870 oysters at 30 June 2015. The number of pearls due to be harvested within six months of the year end reduced from 247,868 at 30 June 2014 to 132,777 at 30 June 2015. Pearls due for harvest within six months of the valuation date hold a higher value. The reduction in weight, sellable percent and quantity on hand was partially offset by an increase in the average sellable price, or ¥/momme increased on the back of a strengthening market from ¥11,000 at 30 June 2014 to ¥12,000 at 30 June 2015.
- Pearls on hand increased from 52,436 at 30 June 2014 to 94,046 at 30 June 2015; the net realisable value decreased from \$1.07M at 30 June 2014 to \$0.9M at 30 June 2015. 50,000 of the pieces on hand at 30 June 2015 were considered reject grade, these were sold in July 2015. A write-off of \$0.2M was recognised in relation to adjusting the fair value of loose pearls and jewellery costs for the period as inventory is required to be valued at either fair value (for biological harvested assets) or the lower of cost and net realisable value (30 June 2014 - \$1.2M). Pearl inventory on hand at 30 June 2015 and 30 June 2014 was lower grade after the large June auctions.
- Jewellery inventory was \$1.8M as at 30 June 2015, down from \$2.9M as at 30 June 2014. A provision for inventory obsolescence for \$0.8M was booked

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

during the year ended 30 June 2015 to provide for slower moving inventory lines.

- Borrowings were \$4M at 30 June 2015, \$1M lower than 30 June 2014 (\$5.1M) due to the maturity of convertible notes on issue during the year ended 30 June 2015. As at 30 June 2015 there were no convertible notes outstanding.
- Essential Oils of Tasmania Pty Ltd was deconsolidated from the Group during the year ended 30 June 2015. As at 30 June 2015 essential oil finished product made up \$Nil of the inventory balance at 30 June 2015 (30 June 2014: \$1.35M). During the year ended 30 June 2015 the group recorded write-ups of Lavender and Boronia crops of \$0.16M (year ended 30 June 2014: \$0.3M write-up).

5.2.4. Operating Results

Atlas recorded a net loss after tax for the period ended 30 June 2015 of \$8.1M, a decrease of \$9.9M (30 June 2014 – net profit after tax \$1.8M).

The operating revenue for the year ended 30 June 2015 was \$12.1M, compared to the year ended 30 June 2014 - \$16.3M. Pearl sales revenue was \$8.7M (30 June 2014 - \$11.9M), with retail and wholesale sales revenue of \$1.4M (30 June 2014 - \$1.45M). Essential oil sales recognised up until the 20 April 2015 (point of deconsolidation) were \$1.6M (12 months ended 30 June 2014 - \$2.02M). The number of jewellery retail outlets in Indonesia reduced to four by the 30 June 2015, with the closure of outlets in Sanur, Jimbaran and Nusa Dua (2014 total number of stores – seven).

Gross Profit percentage overall reduced to 50% in 2015 from 62% in 2014 due to the lower than average size and quality of loose pearls available for sale during the year ended 30 June 2015, the liquidation of slow moving jewellery inventory lines and the recognition of a provision for jewellery inventory obsolescence.

5.2.5. Review of Operations

5.2.5.1. Pearling

Demand and price for Atlas South Sea Pearls remains strong and Atlas is still considered the market leader in 9-13mm specialty pearl size of fine quality white and silver South Sea Pearls. Atlas remains committed to its current private auction sales strategy which has consistently resulted in strengthening prices. Atlas continues to sell pearls to 50 of the world's largest pearl traders, previously 70-80% of the Atlas harvest was sold to just four different customers.

Auction results steadily improved throughout the year reflective of an improvement in average size and quality of Atlas product and solid market demand. The June 2015 auction finished the year strongly with a result 10% above internal forecasts.

Management and the Board are committed to investing in the continued improvement of pearl quality and size and are not prepared to accept average results. Attention to detail and the careful allocation of resources amongst the pearling division will deliver these results.

The management team has performed a complete review of the pearl stock systems as well as shell checks and harvest sampling and is satisfied that the majority of the concerned shells and pearls were harvested by 30 June 2015, and that the average size and weight is expected to return to long-term historical averages during the financial year ended 30 June 2016. New controls and procedures are being implemented to improve retention rates and quality which will result in a greater return on investment over the next 5 year cycle. The Company continues to pioneer new research and development in collaboration with James Cook University which will further improve on the quality of Pinctada Maxima mother of pearl shells. The objective being to produce consistently stronger, faster growing shells, which produce increasingly higher quality larger, white South Sea Pearls.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5.2.5.2. Pearling Value Added

The Company is committed to maximising the value of its pearl harvest by identifying product most suitable for each of the following markets; international wholesale trade; domestic wholesale, international retail, domestic retail.

Atlas continues to refine its jewellery retail strategy and offering which has seen several large changes over the past 12 months.

During the year ended 30 June 2015, Atlas's Indonesian farm retail outlets continued to outperform its urban stores located in Bali. A subsequent reallocation of resources has been undertaken which resulted in the closure of Bali Urban stores located in Sanur, Jimbaran and Nusa Dua. Atlas's renovated flagship store located in Seminyak has benefited in the recent months from this reallocation.

The strategy behind Jewellery production has undergone a dramatic change over the past 18 months with productions and designs being restricted to limited release capsule collections designed specifically for the uniqueness of South Sea Pearls.

In an effort to further support this new strategy, old slower moving inventory lines are being heavily discounted and promoted.

The Company continues to view a strong successful retail platform as an important tool in sheltering the Company from the impact of any unforeseen shifts in the international loose pearl market.

5.2.5.3. Pearl By-Product Commercialisation

Atlas maintains an active interest in its investments in Essential Oils of Tasmania and World Senses as part of the Group's value-added strategy. The Company remains committed to the commercialisation of its Mother of Pearl By-Products through the innovative technology and processes being delivered by Essential Oils of Tasmania. Through World Senses Atlas continues to work with its joint venture partner Nomad Two Worlds to deliver these by-products to the international market with a particular focus on the North American cosmeceutical market.

Our ability to deliver Mother of Pearl powder and protein in a format suitable to the cosmetic industry has been significantly aided by the Commercialisation Australia Grant received by Essential Oils of Tasmania in 2014. This project and the Grant supporting it was due to be completed by 31 October 2015. Commercialisation Australia has approved a six month extension to the project which will provide Atlas and Essential Oils of Tasmania with more time to successfully execute the Commercialisation of the MOP powder and protein and the CO2 extraction technology behind these products.

5.2.5.4. Natural Extracts

Essential Oils of Tasmania continues to develop its core business as an exporter of food flavours and fragrances. The CO2 critical extraction plant made possible by the Commercialisation Australia Grant continues to open new doors for the Company through the ability to develop new ground breaking products. During the year ended 30 June 2015 the Company secured a 12 months consultancy contract for the processing of sandalwood for the fragrance industry. The successful commercialisation of Mother of Pearl powder and protein remains a high priority for the Company. And the Company successfully commercialised the Wild Islands range of perfumes, including the essence of the pearl, created by world-renowned master perfumer Michel Rouditska.

With the support of our new business partner, 50% owner of Essential Oils of Tasmania, Westwood Properties Pty Ltd, EOT will have a capable and resourced Tasmanian based partner with which to progress the business and provide it with the necessary working capital

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5.2.5.4. Natural Extracts (CONT.)

required to fund EOT's crop growing and processing as well as necessary capital expenditure.

Westwood Properties Pty Ltd is also committed to constructing a development on land owned by Westwood Properties overlooking the ocean on the outskirts of Hobart to accommodate all of EOT's newly acquired and assembled production lines for bio-actives, CO2 extraction units and perfume extraction/bottling lines. The ultimate aim of Westwood Properties and Atlas continues to be the construction and operation of a state of the art Industrial Tourism facility at the aforementioned development site, featuring fragrances and flavour extraction processes from raw crops to finished products as well as a retail store and entertainment and training area dedicated to essential oils and perfume.

5.2.5.5. Corporate Social Responsibility

We remain committed to being a global force in luxury Corporate Social Responsibility and intend to pioneer a cradle to cradle approach to the pearl and perfume supply chains by respecting the regional communities and environment we work in. Our approach to pearl by-products is central to this approach and is also opening new revenue streams and giving Atlas invaluable exposure to large multi-national purchasers of luxury ingredients. Core to our belief is optimising every aspect of our production, ensuring there is minimal wastage and that all the richness of the oyster and the pearl is realised in meaningful ways.

Atlas farming operations, whether they are land or sea-based, strive to consistently create and build stable economies in remote areas.

Atlas recognises that education and skill development represent empowerment and the betterment of the families and communities that make our business a success.

In particular, Atlas is proud to be a Company that actively facilitates women's empowerment in the remote areas of Indonesia. One hundred percent of Atlas's pearl technicians are women.

The employment opportunities made available to women has led to a noticeable shift from the dominant patriarchal family structure that prevails in many parts of Indonesia, to a family dynamic where income goes into education and family well-being.

5.2.5.6. Audit Opinion

The financial report has been audited independently and received an unmodified opinion with an emphasis of matter on going concern. Refer to Note 1.35 in the Notes to the Financial Statements for further detail on going concern. Refer to page 110 for the Independent Auditors Report and Opinion.

5.2.5.7. Personnel

Staff numbers at the end of the year were as follows:

	2015	2014	2013
Expatriates – Indonesia	18	21	15
Indonesian nationals – permanent	430	536	613
Indonesian nationals – part time	435	341	149
Australia	22	43	30
Total Personnel	905	941	807

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

2. DIVIDENDS

No dividends were declared and paid by the Company during period ended 30 June 2015 (2014 – nil).

3. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On the 1st of July 2015, Atlas Pearls and Perfumes Ltd announced the resignation of its Chief Financial Officer, Ms Danielle Brandenburg effective as of 30 August 2015 and the appointment of Mr Trevor Harris as Chief Financial Officer effective 31 August 2015.

4. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

New leases have been secured to potentially add 500,000 oysters at Punggu (Labuan Bajo) for a 30 year term. This is significant because of its geographical convenience and the high quality product emerging from the area. Additional suitability testing is being conducted at Punggu for a lease with a capacity of another 300,000 shells. There is a test running a Nuri in West Flores which looks promising however we are awaiting final test results for confirmation. Further to this we are in negotiations to deploy test rafts at Gili Banta (to the west of Komodo Island). There are several other sites that have been identified and additional more thorough test will be undertaken in the next 6 months.

At the moment our hatcheries deliver a lower survival rate that what is traditionally seen in the Australian industry, consequently this will be a primary area of focus for improvement in the coming 12 months. Success has been achieved in the optimal utilisation of survivors with routinely 80%+ seeding results with some basic improvements. We are several years away from optimal operating conditions (selective breeding program, saibo selection, on site seeding theatres, effective first ops cycling through to second and third ops). This is aside from the basic management improvements that better convey the status of the operation, creating more dependable forecasts, high quality budgets and effective deployment of resources to optimise revenue generation in a cost effective manner.

The KM Poernomo, our second pearl oyster transport vessel has been commissioned and is helping greatly to move oysters in a timely fashion optimising growth and nacre production. It is an essential tool for Atlas to maintain the managerial agility to optimise oyster performance.

The commissioning of the dedicated stud breeding facility will have an impact on the efficiency of the commercial farming programme by removing the need to maintain detailed comprehensive records of every pearl oyster family in the system. With family pedigree family lines now numbering in the hundreds, isolating the monitoring and selection programme to a dedicated team and facility frees the large-scale farms to rationalise stock and improving efficiency on the commercial scale and reduce husbandry costs. Furthermore, financial modelling analysis demonstrates that the stud farm is expected to be a profit centre within three years and is expected to produce the Best of Breed pearls creating a unique marketing position for a small premium grade crop. The availability of three hatcheries within the Atlas farm model is creating major risk mitigation and extending our production season by exploiting the environmental variation found in our different regional centres. A major spawning in August 2014 resulted in larvae being shared by the three hatcheries.

We are working tirelessly to ensure that this latest research and development project is not only a success from a scientific standpoint but that it is absolutely measured by its ability to generate commercial gains. Our research team is working tirelessly to ensure the integrity of the system and with benefits will collaborate with our improved operational systems in about 4 years to create additional boost to the company's performance moving forward.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

5. DIRECTORS' INTERESTS

The relevant interest of each current Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary Shares		Unlisted Options	
	Direct	Indirect	Direct	Indirect
G. Newman	-	1,847,154	-	-
S. Arrow	-	13,809,707	-	-
T. Martin ⁽¹⁾	4,256,545	70,929,122	-	-

- 14,900,200 indirect ordinary shares held by Mr T Martin are held by a private entity which Mr T Martin is 1 of 4 directors. This entity is classified as a related party.

6. OPTIONS

The Company had 32,582,005 options granted over unissued shares at the 30 June 2013. As part of the rights issue on 18 January 2013 a total of 30,240,735 unlisted options expiring 29 January 2014 exercisable at \$0.05 each were issued pursuant to the Company's non-renounceable entitlements Prospectus dated 16 November 2012. An additional 2,452,979 options were issued when the shortfall was taken up in March and April 2013. These options expired on 29 January 2014. Options exercised during the twelve months ended 30 June 2014 totalled 29,577,674. No listed options were on issue during the twelve months ended 30 June 2015.

During the year end 30 June 2015 7,500,000 in unlisted options were issued to certain employees and consultants of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan. 2,000,000 of the the unquoted options are exercisable at \$0.0858 on or before 31 December 2016 subject to vesting conditions specific to the consultant. 5,500,000 are exercisable at \$0.059, on or before 31 December 2018, subject to the following vesting conditions; achieving a minimum A\$2.75m average normalised EBITDA for 3 years ended 30 June 2018, and that the employee remains directly engaged as an employee of Atlas Pearls and Perfumes Ltd until 30 June 2018.

During the year end 30 June 2014 26,500,000 in unlisted options were issued to certain employees and consultants of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan. The unquoted options are exercisable at \$0.0858 (18,000,000) and \$0.095 (8,500,000) respectively, on or before 31 December 2016, subject to certain vesting conditions specific to each employee/consultant.

7. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

7.1. Indemnification

The Company has agreed to indemnify the following current directors of the Company; Mr S Arrow, Mr G Newman and Mr T Martin and the following former directors; Mr S Birkbeck, Dr J Taylor, Mr S Adams, Mr RP Poernomo , Mr G Snow, Mr R Wright and Mr I Murchison, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct which involves negligence, default, breach of duty or a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

7. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

7.2. Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums of \$16,440 (2014 - \$15,670) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

8. NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided during the period are set out below.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the period is compatible with general standards of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor independence requirements of the *Corporations Act 2001*. The nature of the service provided do not compromise the general principles relating to auditor independence because they relate to tax advice in relation to compliance issues and review of the tax provisions prepared by the Company. None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

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 during the period ended 30 June:

	30 June 2015	30 June 2014
	\$	\$
AUDIT SERVICES		
BDO Australian Firm:		
Audit and review of financial reports	102,379	111,966
Related practices of BDO Australian Firm	-	-
Total remuneration for audit services	102,379	111,966
TAXATION SERVICES		
BDO Australian Firm:		
Tax compliance services and advice	37,919	51,962
Related practices of BDO Australian Firm	-	-
Total remuneration for taxation services	37,919	51,962
Total remuneration for non-audit and taxation services	37,919	51,962

8. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied under section 237 of the *Corporations Act 2001* for leave of court 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. The Company has not been a party to any proceedings during the period.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
DIRECTORS' REPORT

9. 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 40.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, consisting of several overlapping, slanted strokes followed by a horizontal line.

Geoffrey Newman
Chairman
28 August 2015

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ATLAS PEARLS AND PERFUMES LIMITED

As lead auditor of Atlas Pearls and Perfumes Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atlas Pearls and Perfumes Limited and the entities it controlled during the period.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 28 August 2015

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
	Note	\$	\$
Revenue from continuing operations	2	12,118,312	16,283,183
Cost of goods sold		(5,891,435)	(6,230,257)
Gross profit		6,226,877	10,052,926
Other income	2	3,824,188	1,091,279
Marketing expenses		(454,199)	(360,364)
Administration expenses	3	(7,407,977)	(6,814,921)
Finance costs	3	(473,131)	(513,496)
Change in fair value less husbandry costs of oysters		(5,489,228)	1,971,116
Write-off of pearl and jewellery costs		(1,386,517)	(2,229,675)
Other expenses	3	(2,220,528)	(1,438,252)
Loss on sale of investment	34	(245,234)	-
Share of equity accounted investment	31	12,940	(299,971)
Profit/(Loss) before income tax		(7,612,809)	1,458,642
Income tax benefit	4	(521,240)	355,280
Profit/(Loss) after income tax for the period from continuing operations		(8,134,049)	1,813,922
Other comprehensive (losses)			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		(1,073,521)	(792,775)
Other comprehensive (losses) for the period, net of tax		(1,073,521)	(792,775)
Total comprehensive income/(losses) for the period		(9,207,570)	1,021,147
Profit/(loss) is attributable to:			
Owners of the Company		(8,134,049)	1,813,922
Total comprehensive income/(losses) is attributable to:			
Owners of the Company		(9,207,570)	1,021,147
Overall operations :			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share (cents)	5	(2.40)	0.61
Diluted earnings/(loss) per share (cents)	5	-	0.57

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

		2015 \$	2014 \$
Current assets	Note		
Cash and cash equivalents	6	2,632,311	1,665,207
Trade and other receivables	7	562,021	3,020,985
Derivative financial instruments	8	14,245	-
Inventories	9	3,030,227	6,114,013
Biological assets	10	3,565,680	8,414,231
Total current assets		9,804,484	19,214,436
Non-current assets			
Intangibles		276,854	392,875
Loans joint venture entities	25	1,597,015	67,896
Investments accounted for using Equity Method	30	292,940	3,025
Inventories	9	173,510	132,093
Biological assets	10	10,988,645	12,011,412
Property, plant and equipment	11	4,473,286	4,401,274
Deferred tax assets	14	3,335,614	4,599,784
Total non-current assets		21,137,864	21,608,359
Total assets		30,942,348	40,822,795
Current liabilities			
Trade and other payables	12	1,685,124	3,141,549
Borrowings	13	3,954,527	5,014,791
Derivative financial instruments	8	-	852,323
Current tax liabilities	14	225,528	(94,060)
Short-term provisions	15	-	57,298
Total current liabilities		5,865,179	8,971,901
Non-current liabilities			
Borrowings	13	130,208	140,168
Deferred tax liabilities	14	972,780	2,901,397
Total non-current liabilities		1,102,988	3,041,565
Total liabilities		6,968,167	12,013,466
Net assets		23,974,181	28,809,329
Equity			
Contributed equity	16	36,465,656	32,153,001
Reserves	17	(9,049,958)	(8,036,205)
(Accumulated losses)/ Retained profits	18	(3,441,517)	4,692,533
Total equity		23,974,181	28,809,329

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

Attributable to owners of Atlas Pearls and Perfumes Ltd

	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings/ (Accumulated loss)	Total equity
Note	\$	\$	\$	\$	\$
Balance at 1 July 2013	30,203,033	581,029	(7,866,003)	2,878,610	25,796,669
(Loss) for the period	18 -	-	-	1,813,922	1,813,922
Exchange differences on translation of foreign operations	17 -	-	(792,775)	-	(792,775)
Total comprehensive income / (loss) for the period	-	-	(792,775)	1,813,922	1,021,147
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	16 1,949,968	-	-	-	1,949,968
Employee share scheme	17 -	41,545	-	-	41,545
	1,949,968	41,545	-	-	1,991,513
Balance at 30 June 2014	32,153,001	622,574	(8,658,778)	4,692,532	28,809,329
Balances at 1 July 2014	32,153,001	622,574	(8,658,778)	4,692,532	28,809,329
Profit for the year	18 -	-	-	(8,134,049)	(8,134,049)
Exchange differences on translation of foreign operations	17 -	-	(1,073,521)	-	(1,073,521)
Total comprehensive income / (loss) for the period	-	-	(1,073,521)	(8,134,049)	(9,207,570)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	16 4,312,655	-	-	-	4,312,655
Employee share scheme	17 -	59,767	-	-	59,767
Balance at 30 June 2015	36,465,656	682,341	(9,732,299)	(3,441,517)	23,974,181

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Proceeds from pearl, jewellery and oyster sales		12,916,087	11,858,342
Proceeds from essential oil sales		1,544,324	1,738,829
Proceeds from other operating activities		441,896	443,514
Interest paid		(406,295)	(204,364)
Interest received		8,867	9,329
Payments to suppliers and employees		(13,904,890)	(13,743,885)
Income tax (paid)/received		(98,545)	(359,059)
		<hr/>	<hr/>
Net cash used in operating activities	24.2	501,444	(257,294)
Cash flows from investing activities			
Cash on sale of EOT investment		280,000	-
Payments for property, plant and equipment		(2,081,934)	(1,234,528)
Joint venture partnership contributions (paid)		(537,041)	(53,971)
		<hr/>	<hr/>
Net cash used in investing activities		(2,338,975)	(1,288,499)
Cash flows from financing activities			
Repayment of borrowings		(75,707)	(329,224)
Proceeds from issue of shares		3,160,563	1,808,715
Share transaction costs		(263,066)	(30,321)
		<hr/>	<hr/>
Net cash used in financing activities		2,821,790	1,449,171
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		984,259	(96,623)
Cash and cash equivalents at the beginning of the financial period		1,665,207	1,767,156
Effects of exchange rate changes on cash and cash equivalents		(17,155)	(5,326)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	6	2,632,311	1,665,207

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Atlas Pearls and Perfumes Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover the consolidated entity of Atlas Pearls and Perfumes Ltd and its subsidiaries. Atlas Pearls and Perfumes Ltd is a listed public company, incorporated and domiciled in Australia.

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

The financial statements were authorised for issue by the directors on 28 August 2015. The directors have the power to amend and reissue the financial statements.

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

1.2 Compliance with IFRS

The consolidated financial statements of the Atlas Pearls and Perfumes Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.3 New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

1.4 Historical Cost Convention

These financial statements have been prepared under the historical cost basis, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and biological assets at fair value less cost to sell.

1.5 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 Group'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 1.34.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.6 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atlas Pearls and Perfumes Ltd (“Company” or “parent entity”) as at 30 June 2015 and the results of its subsidiaries for the period then ended. Atlas Pearls and Perfumes Ltd and its subsidiaries together are referred to in this financial statement as the consolidated entity.

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 to direct the activities of 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 acquisition method of accounting is used to account for the acquisition of business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(i) Employee Share Trust

The Group has formed a trust to administer the Group’s employee share scheme. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by Atlas South Sea Pearl Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(ii) Joint Ventures

Joint venture entities

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the group’s share of movements in other comprehensive income of the investee in other comprehensive income. Details relating to the entity are set out in note 30.

When the group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.7 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 tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 consolidated financial statements. However, the deferred income tax is 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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

Deferred tax liabilities and assets 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 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.

1.8 Inventories

- (a) Pearls – The cost of pearls grown by the Group is the fair value less husbandry costs at the time the pearls are harvested. At each reporting date they are valued at the lower of cost and net realisable value.
- (b) Nuclei - quantities on hand at the period end are valued at the lower of cost and net realisable value.
- (c) Oysters – refer note 1.9.
- (d) Essential Oils - quantities on hand at the period end are valued at the lower of cost and net realisable value.
- (e) Other inventories – including jewellery, fuel, mechanical parts and farm spares at the period end are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

1.9 Biological Assets

Oysters are measured at their fair value less estimated husbandry costs. The fair value of these biological assets is determined by using the present value of expected net cash flows from the oysters, discounted using a pre-tax market determined rate.

Changes in fair value less estimated husbandry costs of these assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the period they arise.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

1.9 Biological Assets (Cont.)

The details of the Biological assets that are held by the economic entity as at 30 June 2015 are provided at Note 10.

1.10 Property, Plant & Equipment

Each class of property, plant & equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their cost, less subsequent depreciation for buildings.

Leasehold property is shown at cost and amortised over the shorter of the term of the unexpired lease on the property or the estimated useful life of the improvements on the property.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying value of plant and equipment and their useful lives are reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets which is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal.

The cost of fixed assets constructed within the economic entity includes the cost of materials and direct labour. Repairs and maintenance carried out on the assets are expensed unless there is a future economic benefit that will flow to the Group which can be reliably measured, in which case the value of the asset is increased.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Depreciation

Depreciation on property, plant and equipment is calculated on a straight line basis so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate	
	2015	2014
Freehold land	5-10%	5-10%
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	10-50%	10-50%

1.11 Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.11 Investments and Other Financial Assets (Cont.)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Unrealised gains and losses arising from changes in fair value are taken directly to equity. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(d) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on 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 consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

(e) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 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 consolidated statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.11 Investments and Other Financial Assets (Cont.)

(f) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for – sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are 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.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated statement of profit or loss and other comprehensive income. 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, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

1.12 Derivative instruments

Derivative instruments are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Gains and losses arising from changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income.

1.13 Impairment of assets

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 assets 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. Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.14 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the subsidiaries within the Group's entities 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 Australian dollars, which is Atlas Pearls and Perfumes Ltd's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, 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.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.15 Foreign Currency Translation (Cont.)

(b) Transactions and balances (cont.)

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

All foreign exchange gains and losses are presented in the Statement of Profit of Loss and Other Comprehensive Income within other income or other expenses unless they relate to financial instruments.

(c) Group Companies

The results and financial position of all group entities (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. 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;
2. Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates;
3. and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings are repaid, a proportional share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

1.16 Employee Benefits

Short Term Obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave 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 liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Wages and salaries, annual leave, sick leave and long service leave

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Share-based payments

Share-based compensation benefits are provided to employees via the Atlas Pearls and Perfumes Ltd Employee Share Plan. Information relating to this scheme is set out in note 23.

The fair value of shares granted under the Employee Share Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date that the employee enters into the plan and is recognised over the period during which the employee becomes unconditionally entitled to the shares.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.18 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, high liquid investments with original maturity or three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

1.19 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 and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (a) Sales Revenue comprises of revenue earned from the sale of products or services to entities outside the economic entity. Sales revenue is recognised when the goods are provided or when the fee in respect of services provided is receivable.
- (b) Interest Income is recognised as it accrues.

1.20 Leases

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

1.21 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. All trade receivables are generally due for settlement within 30 days.

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 Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, financial reorganisation, and default and delinquency in payments, more than 30 days overdue, are considered indicators that the trade receivable is impaired. The Group also considers the long term history of the debtor. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.23 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 and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised in the statement of profit or loss and other comprehensive income.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.24 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.

1.25 Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company and recognised in equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1.26 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at reporting date.

1.27 Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the statement of financial position.

Cash flows are included in the statement of cashflows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.28 Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period. The weighted average number of shares used for the basic earnings per share calculation is 339,521,538.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figure used in determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The weighted average number of shares used for the basic earnings per share calculation is 339,521,538.

1.29 Segment Reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of Directors and management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale. Management also considers the business from a geographical perspective and has identified four reportable segments. Discrete financial information about each of these operating businesses is reported to the board of Directors and management team on at least a monthly basis.

The wholesale business is a producer and supplier of pearls within the wholesale market. The retail business is the manufacture and sale of pearl jewellery and related products within the retail market.

The accounting policies used by the Group in reporting segments are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. These transactions are eliminated within the internal reports. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

Biological assets and pearl inventories

These are recognised at cost within the internal reports.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

1.31 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.32 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, 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 identifiable 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 net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurements of all amounts have been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of cash contribution is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1.33 Parent entity financial information

The financial information for the parent entity, Atlas Pearls and Perfumes Ltd, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Atlas Pearls and Perfumes Ltd.

(ii) Share-based payments

The grant by the company of ordinary shares to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. 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.

1.34 Critical accounting estimates and judgments

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. The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

1.34 Critical accounting estimates and judgments (cont.)

Key estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Critical judgements in applying the entity's accounting policies

– Doubtful debts provision

No provision has been recognised in respect of receivables owed to the group for the period ended 30 June 2015 or 30 June 2014.

– Impairment of jewellery

A provision for jewellery obsolescence of \$823,434 has been recognised in respect of the jewellery inventory holdings held by the group at 30 June 15. Judgement has been made in determining the amount of the provision based on the sales profile and recoverable value of jewellery.

– Write-off of pearl inventories and jewellery

There was a write-off of \$1,386,517 as at 30 June 2015 (30 June 2014 – \$2,229,674).

– Determination of net market value of inventories and biological assets

Agricultural assets include pearl oysters, both seeded and unseeded and pearls that have been harvested from the oysters which remain unsold. Seeded oysters are measured at their fair value using the net present value of expected future net cash flows attributed to this inventory less the estimated husbandry costs. The fair value of unseeded oysters is determined by reference to market prices for this type of asset in Indonesia. Pearls are measured at their fair value husbandry costs by reference to anticipated market prices for pearls upon harvest. Carrying amount of inventories and biological assets are disclosed in note 10.

Key assumptions that have been used to determine the fair market value of the oysters at 30 June 2015 are as follows:

	30 June 2015	30 June 2014
Average selling price for pearls ¹	¥12,000 per momme	¥11,000 per momme
¥ exchange rate	¥93.96:AUD1.00	¥95.52:AUD1.00
Average pearl size	0.55 momme	0.60 momme
Proportion of market grade pearls	52%	62%
Discount rate applied to cash flow	20%	20%
Mortality & Rejection rates	Historical comparison	Historical comparison
Average unseeded oyster value	\$1.47	\$1.32

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.34 Critical accounting estimates and judgments (cont.)

Sellable Actual Results for the year ended 30 June 2015

	01/07/14 – 31/12/14	01/01/15-30/06/15	Total
Total Weight Sold (Momme)	33,704	28,468	62,172
Average ¥/Momme	¥10,229 per momme	¥12,907 per momme	¥11,455 per momme
Total No. of Pearls sold	73,424	50,758	124,182

1. Average pearl prices are based on management's best judgement of the quality of pearls in the water at year end. Atlas expects the percentage of F-ops harvested to increase over the next two years, resulting in the harvest of heavier, rounder pearls. Management takes into consideration historical averages discounted for potential market volatility when calculating the average selling prices for pearls.

Biological assets are valued using estimated future yen rates. Biological assets recognised as current assets on the Statement of Financial Position represent the estimated value of the pearls to be harvested within the next 12 months. The yen rate used is based on the estimated yen rates for the next 18 months from Commonwealth Bank of Australia.

1.35 Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of the business.

The net loss after tax for the Group for the year ended 30 June 2015 amounted to a loss of \$8.1m (year ended 30 June 2014 \$1.8m profit).

At 30 June 2015 the Group had a working capital balance of \$3.9m (2014: \$10.2m); \$3.5m (2014: \$8.4m) of this balance comprised of unharvested oysters due for harvest during the next 12 months. As at the 30 June 2015 the Group had a net asset position of \$24m (2014: \$29m); \$14.6m (2014: \$19.3m) of this balance comprised of unharvested oysters.

Results for the 12 months ended 30 June 2015 were impacted by the harvest of smaller than average pearls, which has resulted in a total asset value of \$14.6m at 30 June 2015 compared to \$19.3m at 30 June 2014. As disclosed in note 10 management do anticipate the average weight and sellable percent of seeded oysters to return to long term averages over the next 12 months.

In response to this matter all operations and overheads have been reviewed to identify cost savings aligned with a refocus on the core pearling business whilst preserving the most prospective of the value-adding projects.

In accordance with the covenants of the existing facility agreement, Atlas was required to achieve an Annual Normalised EBITDA greater than \$1.5m for the year ended 30 June 2015. The Group has not met this requirement. The Commonwealth Bank of Australia ("CBA") has agreed in principle to a waiver of this covenant for the year ended 30 June 2015 and is now in the process of formalising the continuation of the existing debt facilities up until the 30 June 2016 subject to the following terms and conditions:

- Atlas will seek to refinance the facility with a new lender on or before 30 June 2016 and provide CBA with an update on their refinancing progress on a quarterly basis. The current facility limit is \$5,000,000. As at the reporting date the Company had drawn down \$3,816,805 (2014: \$3,951,715) and had undrawn facilities available of \$1,183,195 (2014: \$1,048,285). The loans can be drawn at any time.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

1.35 Going Concern (cont.)

- Continuation of the existing covenants;
 - Annual Normalised EBITDA greater than \$1.5m.
 - Minimum net worth of AUD \$18m
 - Ratio of net-worth equal to or greater than 60%
- Quarterly reporting of the Atlas Group to be provided within 35 days from the end of each period, including commentary for variances to budget +/- 10%.
- Atlas to notify the CBA of the loose pearl auction results within 7 days including relevant commentary.
- Principle repayment plan of \$1m during the FY15/16 with the schedule of repayments as follows:

Date of Repayment	Repayment Amount
30 September 2015	\$150,000
31 December 2015	\$100,000
31 March 2015	\$250,000
30 June 2015	\$500,000
<hr style="border-top: 1px solid black;"/> Total	<hr style="border-top: 1px solid black;"/> \$1,000,000

- A new agreement is expected to formalised and signed off with CBA in September 2015

However, without:

- the renegotiation of existing credit and debt facilities of the Group by the 30 June 2016;
- the international market for wholesale loose white south sea pearls maintaining existing demand levels and pricing;
- the Group meeting its auction forecasts;
- the Group generating profitable operations with positive cash flows;
- the realisation of assets at amounts greater than their carrying values, and/or
- the raising of debt or equity

there is a material uncertainty that may cast significant doubt over the groups' ability to continue as a going concern and therefore it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that different from those in the financial statements.

On this basis and considering the options available to the Group, the directors declared on page 109 that there are reasonable grounds to believe that the Group can pay its debts, as and when they fall due.

These financial statements do not include any adjustments relating to the recovery and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosure that may be necessary should the Group be unable to continue as a going concern.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
2. REVENUE FROM CONTINUING OPERATIONS		
Sales Revenue		
Sale of goods	11,774,319	15,933,177
Other Revenue		
Interest income	9,411	13,333
Other revenues	334,582	336,673
Revenue	12,118,312	16,283,183
Other Income		
Foreign exchange (losses)/gains realised	591,556	405,990
Foreign exchange (losses)/gains unrealised	1,119,368	-
Foreign exchange gains - financial instrument	14,245	-
Gain on conversion of convertible note	656,440	-
Gain on sale of assets	1,663	-
Grant funds	521,768	336,600
Insurance refund	-	16,922
Write back of dividend provision	-	9,768
Research and development tax offset	752,044	-
EOT Crop Revaluation	167,104	321,999
Other Income	3,824,188	1,091,279
3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS		
Administration expenses from ordinary activities		
Salaries and wages	4,442,619	4,226,756
Depreciation property, plant and equipment	588,557	302,686
Operating lease rental costs	673,159	707,575
Compliance and finance	821,506	571,833
Other	882,136	1,006,071
	7,407,977	6,814,921

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS (CONT.)		
Other expenses		
Loss on foreign exchange realised	363,456	-
Loss on foreign exchange unrealised	569,438	971,954
Loss on financial instruments unrealised	-	11,964
Loss on derivative financial instruments	-	435,732
Provision for employee entitlements	203,241	(6,290)
Write-off of crops	-	(11,982)
Write off of property, plan and equipment	259,537	-
Write-down on investments	245,234	-
Impairment of Joint venture loan	364,067	-
Share option expense	59,768	-
Other	155,787	36,874
	2,220,528	1,438,252
Finance costs		
Interest and finance charges payable	473,131	513,496
	473,131	513,496
Net loss/(profit) on foreign currency derivatives not qualifying as hedges	(14,245)	11,964
4. INCOME TAX EXPENSE		
a) The components of tax expense/(benefit) comprise:		
Current tax	1,155,519	(240,946)
Deferred tax	(634,279)	(114,334)
Prior period under/(over) provision	-	-
	521,240	(355,280)
b) Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease(increase) in deferred tax assets (excluding tax losses) (note 14)	1,294,338	(1,398,565)
(Decrease)increase in deferred tax liabilities (note 14)	(1,928,617)	1,284,231
	(634,279)	(114,334)

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
4. INCOME TAX EXPENSE (CONT.)		
c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax expense	(7,612,809)	1,458,642
Tax at the Australian tax rate of 30%	(2,283,843)	437,593
Tax effect of amounts which are not deductible in calculating taxable income:		
Loss of tax benefits on deconsolidation of subsidiary	202,036	-
Non-deductible expenses	374,174	26,224
Tax losses not brought to account	-	(8,923)
Sundry items	(352,908)	(667,992)
Permanent Differences (Indonesia)	(528)	(142,182)
Foreign timing difference no longer recognised	2,038,871	-
Difference in overseas tax rates	17,007	-
Research and development tax offset	526,431	-
Income tax expense/(benefit)	521,240	(355,280)
Weighted average effective tax rates	(7%)	(24%)
d) Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Other	(2,147)	-
Fair value adjustment on biological assets and agricultural produce	(1,880,258)	1,312,530
Prepayments	(696)	665
Convertible notes	128,382	-
Investment in subsidiary	87,999	-
Unrealised foreign exchange gain	(261,898)	43,634
Deferred tax assets		
Difference in accounting and tax depreciation	33,805	-
Stock	(1,809,069)	(1,116,863)
Accruals	21,983	-
Provisions	363,499	(105,977)
Unrealised foreign exchange losses	(117,059)	(180,228)
Unrealised foreign exchange gains	-	-
Other	(111,490)	4,503
Tax losses	30,169	(264,590)
Investment	289,172	-
Intangible Asset	34,821	-
Deferred tax (income)	(3,192,787)	(306,326)

For details of the franking account, refer to Note 19.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
5. EARNINGS /(LOSS) PER SHARE		
Basic earnings/(loss) per share (cents per share)	(2.40)	0.61
Diluted earnings per share (cents per share)	-	0.57
 Earnings reconciliation		
Net profit/(loss) used for basic earnings	(8,134,049)	1,813,922
After tax effect of dilutive securities		-
Diluted earnings/(loss)	(8,134,049)	1,813,922
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	339,521,538	297,634,113
Adjustments for calculation of diluted earnings per share: convertible notes	-	22,000,000
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	339,521,538	319,634,113

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 30 June 2015 as potential ordinary shares which may have a dilutive effect on the profit of the Consolidated Group.

Ordinary shares issued to employees under the Employee Share Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive.

	2015	2014
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash at bank	2,632,311	1,665,207
	2,632,311	1,665,207

Interest rate risk exposure

The Group's exposure to interest rate risk is disclosed in note 33. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash not available for use

The Group has cash held as a guarantee as part of their obligations under their lease agreement totalling \$100,000 (2014: \$112,153).

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
7. TRADE & OTHER RECEIVABLES		
CURRENT		
Trade receivables	236,146	2,339,893
Sundry debtors & prepayments	325,875	681,092
	562,021	3,020,985

(a) Impaired trade receivables

There were no impaired trade receivables for the group during the period ended 30 June 2015 or 30 June 2014.

(b) Past due but not impaired

As at 30 June 2015, trade receivables of \$211,586 (2014: \$289,325) were past due but not impaired in the Group. Within the Group these relate to a small number of independent customers for whom there is no recent history of default. Given the past history with this customer no impairment has been recognised in the financial period. The ageing analysis of these trade receivables is as follows:

	2015	2014
	\$	\$
Up to one month	164,917	163,797
2-3 months	11,205	43,466
3 months and above	35,464	82,062
	211,586	289,325

The other classes within trade and other receivables do not contain impaired assets other than those disclosed and are not past due.

(c) Other receivables

These amounts generally arise from transactions outside the normal operating activities of the Group. Collateral is not normally obtained.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. TRADE AND OTHER RECEIVABLES (CONT.)

(d) Foreign exchange and interest rate risk

The Group's exposure to interest rate risk and foreign exchange risk in relation to trade and other receivables is disclosed in note 33.

(e) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 33 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	\$	\$
Derivative financial assets		
Forward foreign exchange contracts	14,245	-
Derivative financial liabilities		
Forward foreign exchange contracts	-	26,443
Convertible notes	-	825,880
	-	852,323

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge a proportion of the exposure to fluctuations in foreign exchange rates in accordance with the Groups financial risk policies (refer note 33).

Derivative financial assets and liabilities comprise forward exchange contracts and an embedded derivative in the convertible note agreements (refer to note 16 for convertible note terms). Gains and losses arising from changes in fair value of foreign exchange hedging contracts and convertible notes are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Groups operating expenses mainly consist of materials and services purchased in Indonesian Rupiah. During the period ended 30 June 2015 the Group did not enter into any forward exchange contracts to purchase Indonesian Rupiah. The sale of pearls is denominated in Japanese Yen and so the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

See note 1.12 for details of accounting policy in relation to derivatives.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 33.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
9. INVENTORIES		
CURRENT		
Pearls – at fair value	904,501	1,067,815
Essential oil finished products – at cost	-	1,350,428
Other – at cost		
Jewellery	2,616,673	2,935,950
Jewellery Obsolescence provision	(823,434)	-
Pearl Meat	3,172	15,658
Mother of Pearl	30,302	332,693
Farm Consumables & Fuel	255,652	263,560
Cosmetics	43,361	147,910
	2,125,726	3,695,770
	3,030,227	6,114,013
NON CURRENT		
Nuclei – at cost	173,510	132,093
TOTAL INVENTORY	3,203,737	6,246,106

Inventories write-off expense of \$1,386,517 (2014: \$2,229,675) is included on the face of the statement of profit or loss and other comprehensive income. Write-off of pearls occurred when reviewing net realisable value versus cost.

10. BIOLOGICAL ASSETS

	2015	2014
CURRENT		
Oysters – at fair value	3,565,680	8,414,231
Crops – at fair value	-	-
	3,565,680	8,414,231
NON CURRENT		
Oysters – at fair value	10,988,645	10,930,028
Crops – at fair value	-	1,081,385
	10,988,645	12,011,412
Total Biological Assets	14,554,325	20,425,643

During the period ended 30 June 2015 no significant events occurred which impacted on oyster mortalities.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. BIOLOGICAL ASSETS (CONT.)

The details of the Biological Assets that are held by the Group as at period end are as follows:

Nature: Oysters (*Pinctada Maxima*)

	2015	2014
	<u>No.</u>	<u>No.</u>
Quantity held within the Group operations:-		
Juvenile and mature oysters which are not seeded	1,872,916	2,060,121
Nucleated oysters	750,954	727,793
	2,623,870	2,787,914

During the period ended 30 June 2015, the Group harvested 296,040 (2014: 272,479) pearls. A reconciliation of the movement in the fair market value of the oysters during the period is reflected as follows:

	2015	2014
	\$	\$
Oysters		
Carrying amount at beginning of the period	19,344,256	17,022,380
Value of new juvenile oysters recognised into stock	853,897	3,198,017
Increase in value of stock from change in pearl oyster development	10,066,990	13,808,040
Decrease in value through mortality	(5,005,697)	(5,182,524)
Decrease in value of Agriculture asset from harvest of pearls	(7,274,985)	(8,329,108)
Gain/(Loss) from changes to fair value less estimated husbandry costs	(5,489,228)	1,971,114
Exchange adjustment	2,059,092	(3,143,663)
Carrying amount at end of the period	14,554,325	19,344,256

Sensitivity analysis - Oysters

The mark to market estimation of the value of the biological assets (Oysters) is determined using the net present value of expected future net cash flows attributed to this inventory less the estimated husbandry costs. The primary assumptions used for this estimate are shown in Note 1.34. The following table summarises the potential impact of changes in the key non-production related variables:

	Selling Price (¥/momme)		
	-10%	No Change	+10%
	¥10,909 (Sellable Grade) ¥1,273 (Commercial Grade)	¥12,000 (Sellable Grade) ¥1,400 (Commercial Grade)	¥13,200 (Sellable Grade) ¥1,540 (Commercial Grade)
Discount rate	Profit \$	Profit \$	Profit \$
22%	(\$1,934,416)	(\$188,921)	\$1,716,910
20%	(\$1,774,589)	-	\$1,937,596
18.18%	(\$1,624,443)	\$177,526	\$2,145,016

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. BIOLOGICAL ASSETS (CONT.)

Sensitivity analysis – Oysters (Cont.)

	Selling Price (¥/momme)		
	-10% ¥10,909 (Sellable Grade) ¥1,273 (Commercial Grade)	No Change ¥12,000 (Sellable Grade) ¥1,400 (Commercial Grade)	+10% ¥13,200 (Sellable Grade) ¥1,540 (Commercial Grade)
FX rate	Profit \$	Profit \$	Profit \$
¥103.36	(\$3,335,195)	(\$1,731,299)	\$33,167
¥93.96	(\$1,761,270)	-	\$1,937,596
¥85.42	(\$37,338)	\$1,896,306	\$4,023,532

	Marketable Grade		
	-10% 48% (Sellable Grade) 52% (Commercial Grade)	No Change 52% (Sellable Grade) 48% (Commercial Grade)	+10% 58% (Sellable Grade) 42% (Commercial Grade)
Av. Weight	Profit \$	Profit \$	Profit \$
0.60	\$416,512	\$1,937,596	\$3,610,789
0.55	(\$1,376,036)	-	\$1,513,640
0.50	(\$3,005,625)	(\$1,761,451)	(\$392,859)

The Group is exposed to financial risk in respect of its involvement in primary production which consists of the breeding and rearing of oysters for the purpose of producing pearls. The primary financial risk associated with this activity occurs due to the length of time between the expenditure of cash in relation to the operation of the farm and the harvesting of the pearls and realisation of cash receipts from the sales to third parties. The Group ensures that it maintains sufficient working capital to ensure that it can sustain its operation through any delays in cash flow that may be reasonably foreseen.

Level 3 analysis:

The finance and operations departments undertake the valuation of the oysters. The calculations are considered to be level 3 fair values. The data is taken from internal management reporting and work completed by the executive within the respective field teams to determine the material inputs to the model. The inputs below are confirmed with the relevant executives and agreed with the Board of Directors every six months.

The main level 3 inputs used by the group for oysters are derived and evaluated as follows:

Input	2015	2014	Commentary
Average selling price	¥12,000 per momme	¥11,000 per momme	Obtain by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen Exchange rate	¥93.96: AUD 1	¥95.52: AUD 1	Based on forward Yen price per a financial institution.
Average Pearl size	0.55 per momme	0.60 per momme	Based on technical assessment of expected harvest output.
Marketable grade	52%	62%	Based on historical data for pearl size over the last 12 months
Discount rate	20%	20%	Based on analysis of comparable primary producers.
Mortality	Historical	Historical	Based on historical harvest mortality rates
Costs to complete	\$0.80	\$0.63	Based on historical averages of costs to complete and sell pearls per momme.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	\$	\$
(a) Non-Pearling Assets		
Plant and equipment		
- at cost	2,740,519	2,262,932
- accumulated depreciation	(1,404,238)	(1,142,376)
- EOT asset delist upon deconsolidation	(752,005)	-
	584,276	1,120,555
Leasehold improvements		
- at cost	1,314,614	1,037,198
- accumulated depreciation	(660,424)	(301,141)
- EOT asset delist upon deconsolidation	(41,905)	-
	612,285	736,057
Total non-pearling assets	1,196,561	1,856,613
(b) Pearling project		
Land (leasehold and freehold) and buildings		
- at cost	1,394,817	1,135,047
- accumulated depreciation	(287,195)	(198,265)
	1,107,622	936,782
Plant and equipment, vessels, vehicles		
- at cost	5,630,093	4,261,299
- accumulated depreciation	(3,460,990)	(2,653,420)
	2,169,103	1,607,879
Total pearling project	3,276,725	2,544,662
Total property, plant and equipment	4,473,286	4,401,274

Included in Pearling project land (leasehold and freehold) and buildings is \$317,680 (2014 - \$311,560) which represents construction of buildings in progress at cost.

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

(a) Non-Pearling Assets		
Plant and equipment		
Carrying amount at beginning of the year	1,120,555	919,611
Additions	557,871	482,805
Reclassifications /Disposals	(771,007)	-
Foreign exchange movement	(9,478)	27,814
Depreciation	(313,665)	(309,676)
Carrying amount at end of the year	584,276	1,120,555
Leasehold Improvements		
Carrying amount at beginning of the year	736,058	692,240
Additions	331,293	128,111
Foreign exchange movement	(157,298)	25,457
Reclassifications/Disposals	(204,066)	-
Depreciation	(93,699)	(109,750)
Carrying amount at end of the year	612,288	736,058

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. PROPERTY, PLANT AND EQUIPMENT (CONT.)

	2015	2014
	\$	\$
(b) Pearling project		
Leasehold land and buildings		
Carrying amount at beginning of the year	936,782	925,544
Additions	412,238	236,292
Acquisition of pearling operation	-	-
Disposals/reclassifications	-	-
Depreciation	(341,113)	(39,282)
Foreign exchange movement	99,715	(185,771)
Carrying amount at end of the year	1,107,622	936,782
Plant and equipment, vessels, vehicles		
Carrying amount at beginning of the year	1,607,879	1,976,059
Additions	915,911	387,319
Acquisition of pearling operation	-	-
Disposals / reclassifications	-	-
Depreciation	(525,128)	(391,558)
Foreign exchange movement	170,438	(363,942)
Carrying amount at end of the year	2,169,100	1,607,879
Total Carrying amount	4,473,286	4,401,275

Reconciliation of depreciation to the Statement of Profit of Loss and Other Comprehensive Income:

	2015	2014
	\$	\$
Depreciation charge (Note 11)	(1,273,605)	(850,266)
Capitalised depreciation charge	685,048	547,580
	(588,557)	(302,686)
Depreciation charge (Note 3)	(588,557)	(302,686)
Balance	-	-

Refer note 33 for information on non-current assets pledged as security by the Group.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

12. TRADE AND OTHER PAYABLES

	2015	2014
	\$	\$
CURRENT		
Trade payables	304,744	1,652,259
ESSP accrual	264,300	17,135
Other payables and accrued expenses	1,116,080	1,472,154
	1,685,124	3,141,549

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

Other payables include accruals for annual leave of \$1,024,240 and \$827,853 in the consolidated entity for 30 June 2015 and 30 June 2014 respectively. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. All amounts are expected to be settled wholly within the next 12 months.

(b) Risk Exposure

Information about the Groups exposure to foreign exchange risk is provided in note 33.

13. BORROWINGS

	2015	2014
	\$	\$
CURRENT		
Secured		
Bank loan	3,816,805	3,951,715
Other bank loan	122,204	2,800
Lease liabilities	15,518	61,651
Total secured current borrowings	3,954,527	4,016,165
Unsecured		
Other	-	4,108
Convertible notes	-	994,518
Total current borrowings	3,954,527	5,014,791
NON CURRENT		
Secured		
Other bank loan	125,036	89,665
Lease liabilities	5,172	50,503
Total secured non current borrowings	130,208	140,168
Unsecured		
Convertible notes	-	-
Total non current borrowings	130,208	140,168

(a) Security and fair value disclosure

Information about the security relating to secured liabilities and the fair value is provided in note 33.

(b) Risk Exposure

Information about the Group's exposure to risks arising from borrowings is provided in note 33.

(c) Convertible Notes

During the year all convertible notes were redeemed for ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement. A derivative liability of \$825,880 (Note 8) had been recognised on 30 June 2014. On

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. BORROWINGS (CONT.)

redemption of the convertible notes for ordinary shares during the year, the derivative liability was fair valued. A gain of \$656,440 has been recognised at 30 June 2015 on the unwinding of derivative liability post valuation of the convertible note at time of issue. Refer to Note 16.

14. TAX

	2015	2014
(a) Liabilities		\$
CURRENT		
Income tax payable	225,528	94,060
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to -		
Agricultural and biological assets at fair value	756,345	2,636,603
Prepayments	54	749
Investment in subsidiary	87,999	-
Convertible notes	128,382	-
Other	-	2,147
Unrealised foreign exchange gains	-	261,898
Total deferred tax liabilities	972,780	2,901,397
 (b) Assets		
Deferred tax assets comprises temporary differences attributable to -		
Tax allowances relating to property, plant & equipment	34,864	1,059
Agricultural and biological assets at fair value	496,135	2,305,204
Accruals	21,983	-
Provisions	572,948	209,449
Intangible asset	34,821	-
Investment	289,172	-
Unrealised foreign exchange losses	145,758	262,817
Other	93,287	204,777
	1,688,968	2,983,306
Tax losses recognised	1,646,647	1,616,478
Total deferred tax assets	3,335,615	4,599,784

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

14. TAX (CONT.)

The Company believes that the deferred tax asset relating to tax losses recognised is available to be carried forward based upon the Company's projections of future taxable amounts.

(c) Reconciliations

The overall movement in deferred tax account is as follows:

Opening balance	1,698,387	(1,392,059)
(Charge)/credit to statement of profit or loss and other comprehensive income	3,192,787	306,326
Other movements	(2,528,790)	2,784,120
Closing balance	2,362,384	1,698,387

15. PROVISIONS

	2015	2014
	\$	\$
CURRENT		
Employee benefits	-	57,298
Total current provisions	-	57,298
Number of employees	905	941

Employee benefits provisions have been recognised in relation to long service leave for Australian and expatriate employees. The current provision for long service leave includes 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 amount presented as non-current represents amounts where an agreement is in place to pay the entitlements over a period of time longer than the next 12 months.

Reconciliation of provisions:

Balance at beginning of period	57,298	92,037
Provisions released due to de-consolidation of subsidiary entity	(57,298)	-
Provisions released	-	(34,739)
Closing balance	-	57,298

16. CONTRIBUTED EQUITY

	2015	2014	2015	2014
	No. of Shares	No. of shares	\$	\$
Issued and fully paid-up capital	414,327,191	319,485,425	36,465,656	32,315,473
Ordinary Shares				
Balance at beginning of period	319,485,425	281,737,162	32,153,001	30,203,033
Shares issued ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	94,841,766	37,748,263	4,704,603	2,080,093
Share transaction costs	-	-	(391,948)	(130,125)
Balance at end of period	414,327,191	319,485,425	36,465,656	32,153,001
Treasury Shares				
Balance at beginning of period	7,131,027	5,301,616		
Acquisition of shares by Trust under Plan	7,000,000	6,291,051		
Shares released	(3,059,618)	(4,461,640)		
Balance at end of period	11,071,409	7,131,027		

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

16. CONTRIBUTED EQUITY (CONT.)

Treasury shares are shares in Atlas Pearls and Perfumes Ltd that are held by the Atlas Pearls and Perfumes Ltd Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee share plan.

- (1) On 10 September 2014, 2,000,000 shares were issued at an issue price of \$0.05 to a convertible note noteholder, who elected to exercise its conversion right and redeem all of its convertible notes to ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement.
- (2) On 2 March 2015, 7,000,000 shares were issued at an issue price of \$0.05 to a convertible note noteholder, who elected to exercise its conversion right and redeem all of its convertible notes to ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement.
- (3) On 10 March 2015, 10,000,000 shares were issued at an issue price of \$0.05 to a convertible note noteholder, who elected to exercise its conversion right and redeem all of its convertible notes to ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement.
- (4) On 1 May 2015, 69,123,612 shares were issued at an issue price of \$0.045. 16,074,730 shares were issued to multiple shareholders under the fully underwritten 1 for 5 non-renounceable pro rata entitlement offer of fully paid ordinary shares. A further 53,048,882 were issued to the underwriter of the entitlement offer.
- (5) On 26 May 2015, 7,000,000 shares were issued at an issue price of \$0.045 into the Atlas South Sea Pearl Employee share plan. 3,059,618 treasury shares were issued during the year. Only when shares are issued are they recognised in the ordinary shares balance.
- (6) On 30 June 2015, 3,658,536 shares were issued at an issue price of \$0.041 to a convertible note noteholder, who elected to exercise its conversion right and redeem all of its convertible notes to ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement.
- (7) Total shares issued during the year ended June 2015 is 94,841,766 (2,000,000 in September 15, 17,000,000 in March 15, 69,123,612 in May 15, 3,658,536 in June 15, with 3,059,618 Treasury shares issued over the course of the year).

(i) Rights

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders (where applicable) and creditors and are fully entitled to any proceeds of liquidation in proportion to the number of shares held.

Treasury shares are shares in Atlas Pearls and Perfumes Ltd that are held by the Atlas South Sea Pearl Limited Executive Share Plan Trust for the purpose of issuing shares under the Atlas South Sea Pearl Employee Share Plan.

(ii) Options

Information relating to the Atlas South Sea Pearl Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the end of the reporting period, is set out in note 23. See summary detail below:

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

16. CONTRIBUTED EQUITY (CONT.)

1. On 27 February 2014, 7,500,000 unlisted options were issued to certain employees and consultants of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan, as approved by the Board on 24 February 2014. The unquoted options are exercisable at \$0.0858 each on or before 31 December 2016, subject to certain vesting conditions specific to each employee/consultant.
2. On 4 June 2014, 8,500,000 unlisted options were issued to certain employees and consultants of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan, as approved by shareholders on 13 May 2014. The unquoted options are exercisable at \$0.095 each on or before 31 December 2016, subject to certain vesting conditions specific to each employee/consultant.
3. On 4 June 2014, 10,000,000 unlisted options were issued to former Director Stephen Birkbeck and 500,000 unlisted options to former Director Joseph Taylor, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan, as approved by shareholders on 13 May 2014. The unquoted options are exercisable at \$0.0858 each on or before 31 December 2016, subject to certain vesting conditions specific to each director
4. On 15 August 2014, 2,000,000 unlisted options were issued to certain consultants of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan, as approved by shareholders on 13 May 2014. The unquoted options are exercisable at \$0.0858 each on or before 31 December 2016, subject to certain vesting conditions specific to each employee/consultant
5. On 30 June 2015, 5,500,000 unlisted options were issued to certain employees of Atlas Pearls and Perfumes Ltd, pursuant to the Atlas Pearls and Perfumes Ltd Employee Option Plan, as approved by shareholders on 13 May 2014. The unquoted options are exercisable at \$0.059 each on or before 31 December 2018, subject to certain vesting conditions specific to each employee/consultant.

(iii) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group has no external requirements imposed upon it in relation to capital structure except those noted in note 33 as part of the covenants relating to the financing arrangements with Commonwealth Bank.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
17. RESERVES		
Foreign Currency Translation Reserve	(9,732,299)	(8,658,779)
Employee Share Reserve	682,341	622,574
Total Reserves	<u>(9,049,958)</u>	<u>(8,036,205)</u>

Movements :

Foreign Currency Translation Reserve -		
Balance at beginning of year	(8,658,778)	(7,866,003)
Currency translation differences arising during the Year	(1,073,521)	(792,775)
Balance at end of year	<u>(9,732,299)</u>	<u>(8,658,778)</u>

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries to the reporting currency.

Employee Share Reserve -

Balance at beginning of period	622,574	581,029
Movement in Employee Share Reserve	59,767	41,545
Balance at end of year	<u>682,341</u>	<u>622,574</u>

The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.

18. (ACCUMULATED LOSSES)/ RETAINED PROFITS

	2015	2014
	\$	\$
Reconciliation of retained earnings/(Accumulated losses):		
Balance at beginning of year	4,692,532	2,878,610
Net profit/(loss) for the year	(8,134,049)	1,813,922
Movement in equity distribution account	-	-
Dividends paid	-	-
Balance at end of year	<u>(3,441,517)</u>	<u>4,692,532</u>

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

19. DIVIDENDS

No dividends have been paid or declared in respect of the 2015 financial year or the period ended 30 June 2014.

	2015	2014
	\$	\$
Dividend Franking Account		
Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 30%.	1,278,704	1,278,704

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

- (i) Franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

20. OPTIONS

The Company had 34,000,000 options granted over unissued shares at the 30 June 2015 (30 June 2014 – 26,500,000). The 34,000,000 options granted over unissued shares at 30 June 2015 were issued under the Atlas Pearls and Perfumes Ltd Employee Option Plan. Information pertaining to the plan including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 23.

21. COMMITMENTS

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2015	2014
	\$	\$
Within one year	432,468	419,247
Later than one year, but not later than five years	1,900,161	1,881,569
Later than five years	-	362,367
	2,332,629	2,663,183

Non - cancellable operating leases

The Group leases premises under non-cancellable operating leases expiring in 6 years. On renewal the terms of the leases are renegotiated.

There are no capital commitments in place in relation to the acquisition of property, plant and equipment. Fixed assets are replaced in the normal course of business operations and the company does not anticipate any material capital outlay for such replacement costs in the coming year.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

22. CONTINGENCIES

The 2008 tax audit for PT Cendana Indopearls was completed during the prior year reporting period and a liability in the order of IDR 3,504,206,185 or AUD \$350,000 has been assessed by the Indonesian Tax Office. PT Cendana Indopearls are in agreement with an amount in the order of AUD \$50,000 and have appealed the balance of AUD \$300,000 via the appeal process. A number of attendances at the Tax Trial Court Surabaya, Indonesia, have taken place. The final judgement from the tax court is now expected, and is due to be received before December 2015.

In relation to the 2007 tax case, an outstanding receivable of IDR 1,722,574,935 or AUD \$170,000 was refunded to PT. Cendana Indopearls in May 2015. This was related to interest deductions made from the 2007 Income Tax Refund which PT. Cendana Indopearls disputed.

The 2012 tax audit of PT Cendana Indopearls is being carried out. The review process is still under way with no findings having as yet been provided by the tax auditors.

Atlas Pearls and Perfumes Ltd has a bank guarantee with the Commonwealth Bank of Australia for AUD\$100,000 at 30 June 2015 (30 June 2014: \$112,153). This guarantee has been taken out to secure the rental of the Atlas Pearls and Perfumes corporate offices in Claremont, Western Australia.

23. SHARE BASED PAYMENTS

In May 2006, an employee share plan was established which entitles the Board of Directors to offer shares to key management personnel within the Group. A total of 1,100,000 shares were issued during 2007 to six (6) employees including the managing director at a price of 40 cents per share which was a one (1) cent and eight (8) cent discount to the market at the dates of issue being 17th April 2007 and 10th May 2007 respectively. An interest free, non-recourse loan was provided to the key management staff to pay for these shares. This loan will be repaid by the employees from the proceeds of dividends that they are entitled to from the ownership of the shares. 50% of the shares vested to the employees after two (2) years employment from the time of issuing the shares and the remaining 50% vested to the employees after they have completed three (3) years of employment from the time of issuing the shares. Employees are only entitled to the shares if the loan is repaid in full.

1,900,000 shares remain on issue as at 30 June 2015 with debt of \$375,000 outstanding by employees from the initial loan of \$1,063,500 that was made when the shares were allocated to employees. Refer Remuneration Report (page 19) for details of equity held and loans outstanding to Key Management Personnel.

Shares issued to the employees are acquired and held in trust for the employees. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements.

The fair value of shares issued under the scheme is independently determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the share, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share.

The shares rank equally with other fully paid ordinary shares.

Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.16.

At the company's annual general meeting in May 2007, shareholders approved the allocation of a maximum of 4,000,000 shares to senior executives under the employee share plan within three years of the approval of the plan. No shares were issued in the current year under this allocation.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

There were no shares issued under the plan in 2011. In 2012 the plan was replaced with a new Employee Salary Sacrifice Share Plan and Non-Executive Director Fee Salary Sacrifice Share Plan. At the AGM on the 30 May 2012 it was resolved to cease issuing Shares under this existing Employee Share Loan Plan that was approved by Shareholders at the Company's annual general meeting in May 2006.

This existing Employee Share Loan Plan was replaced by a new Employee Salary Sacrifice Share Plan and Non-Executive Director Plan at the AGM on the 30 May 2012.

The Atlas Employee Salary Sacrifice Share Plan

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 29th of June 2012 506,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at \$0.055 per share. Also, on the 4th of September 2012 5,814,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at \$0.05 per share.

On 15 March 2013 a further 2,931,616 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at \$0.05 per share. During the period ended 30 June 2013, 5,594,000 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees. Of the 5,594,000 shares issued out of the trust during the six months ended 30 June 2013, 300,000 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$15,000.

During the period ended 30 June 2014 an additional 6,291,051 shares were acquired on market and issued into the Atlas Pearls and Perfumes Limited Employee Share Trust and issued out 4,461,640 shares to employees and contractors. Of the 4,461,640 shares issued out of the trust during the period ended 30 June 2014, 361,298 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$23,484.37. A further 1,798,077 were issued to contractors who were issued shares in lieu of cash payment. The total value settled totalled \$98,950.

During the period ended 30 June 2015 an additional 7,000,000 shares were issued into the Atlas Pearls and Perfumes Limited Employee Share Trust, whilst 3,059,618 shares were issued out to employees and contractors. Of the 3,059,618 shares issued out of the trust during the period ended 30 June 2015, 461,111 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$32,500. A further 1,171,968 were issued to contractors who were issued shares in lieu of cash payment. The total value settled totalled \$76,746.

To participate in the Salary Sacrifice Plan, Eligible Employees are required to salary sacrifice a minimum of 10% of their annual base salary into Shares. There is no maximum percentage or value cap to the amount that each Eligible Employee can sacrifice.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30 of May 2012, the issue price per Share is 5 cents.

The Employee Share Plan is open to Eligible Participants being any Eligible Employee; or conditional upon the company obtaining any necessary ASIC relief to extend the operation of ASIC Class Order 03/184 (or similar class order) to them:

- i. any Eligible Contractor; or
- ii. Eligible Casual Employee,

Who is declared by the Board to be an Eligible Participant for the purposes of the Plan.

An Eligible Employee means: a full time or part time employee (including an executive director) of a Group Company.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

An Eligible Contractor means:

(a) An individual that has:

- i. Performed work for a Group Company, for more than 12 months; and
- ii. Received 80% of more of their income in the preceding year from a Group Company; or

(b) A company where each of the following are satisfied in relation to the company:

- i. Throughout the previous 12 months the company has had a contract in place with a Group Company, for the provision of the services of an individual (contracting individual) to a Group Company;
- ii. The contracting individual has performed work for a Group Company, for more than 12 months;
- iii. The contracting individual has been the only member for the company for more than 12 months; and;
- iv. More than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received from a Group Company.

The Board may determine the terms and conditions of the Salary Sacrifice arrangement for which Shares are offered in lieu of that Remuneration.

The number of Shares to be issued, transferred or allocated to the Trustee to be held on behalf of a Participant will be the dollar amount of the Salary Sacrifice divided by the issue price per Share outlined in the Invitation. In the case of fractional entitlements, the number of Shares to be issued, transferred or allocated to the Trustee to be held on behalf of a Participant will be rounded up to the nearest whole Share, unless otherwise determined by the Board from time to time.

Shares to be acquired by Eligible Participants under the Salary Sacrifice plan are held in the trust until such time that the Shares are fully paid for. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. As at 30 June 2015 3,059,618 of the shares issued to the Atlas South Sea Pearl Limited Employee Share Trust had been issued to Eligible Participants (30 June 2014: 4,461,640 shares).

The shares rank equally with other fully paid ordinary shares.

Where shares are issued to employees of subsidiaries of the Group, the transactions are treated in accordance with the accounting policy at note 1.16.

The Atlas Non-Executive Director Fee Sacrifice Share Plan

On the 26 June 2012 828,000 shares were issued into the Atlas South Sea Pearl Limited Non-Executive Director Trust at \$0.05 per share. A further 250,000 shares were issued on the 4 September 2012 into the Atlas South Sea Pearl Limited Non-Executive Director Trust at \$0.05 per share. All shares have been issued to recipients from the Atlas South Sea Pearl Limited Non-Executive Director Trust.

The Non-Executive Director Salary Sacrifice Share Plan is open to Eligible Participants, being any Non-Executive Director who is declared by the Board to be an Eligible Participant for the purpose of the Plan.

The Company's Non-Executive Directors will receive a portion of their Director's fee in the form of Shares. The Company agrees to issue or procure the transfer of Shares to eligible Non-Executive Directors, in lieu of the amount of Directors' fees that each eligible Non-Executive Director has agreed to sacrifice from their monthly Directors' fees each financial year.

The issue price for Shares under the Salary Sacrifice Plan will be determined from time to time by the Board of Directors (in their discretion). For the participants who entered into conditional salary sacrifice arrangements before the AGM on the 30 May 2012, the issue price per Share is 5 cents.

Refer to Note 16 for movement in share plan, under treasury shares

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

Atlas Pearls and Perfumes Ltd Employee Option Plan

At the EGM on 13 May 2014 it was resolved to approve the Atlas Pearls and Perfumes Ltd Employee Option Plan. On 24 February 2014, the Board adopted the Atlas pearls and Perfumes Ltd Employee Option Plan (Plan) under which eligible participants may be granted Options to acquire Shares in the Company.

The intention of the Plan is to reward and to provide ongoing incentives to Directors, executives, employees, consultants and contractors of the Company.

The Directors, executives, employees and contractors of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the plan is an appropriate method to:

- (a) Reward Directors, executives, employees, consultants and contractors for their past performance;
- (b) Provide long term incentives for participation in the Company's future growth;
- (c) Motivate Directors, executives, employees, consultants and contractors and general loyalty; and
- (d) Assist to retain the services of valuation Directors, executives, employees, consultants and contractors.

The Plan will be used as part of the remuneration planning for Directors, executives, employees and contractors. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Corporate Governance Council Guidelines recommend that remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals. The Board considers that the Plan will assist the Company in structuring the remuneration packages of its executives in accordance with the Guidelines.

The amount of options that will vest depends on the individual's Key Performance Indicators. An option which has vested but has not been exercised will immediately lapse upon the first to occur of:

- (i) Close of business on the Expiry Date;
- (ii) The transfer or supported transfer of the Option in breach of Clause 7(a) of the plan;
- (iii) Termination of the Participant's employment or engagement with the Company or an Associate Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
- (iv) The day which is six months after an event which gives rise to a vesting under clauses 4(a) to 4(d) of the plan.

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary. The options expire on the 31 December 2016 and 31 December 2018.

The exercise price of options is based on 143% (June 2014: 143%) of the volume weighted average share price at which the company's shares are traded on the Australian Stock Exchange (ASX) during the week up to and including the date of the grant.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

	2015 Average exercise price per share option	Number of options	2014 Average exercise price per share option	Number of options
As at 1 July 2014	-	-	0.089	26,500,000
Granted during the year	0.066	7,500,000	-	-
Exercised during the year*	-	-	-	-
Forfeited during the year	-	-	-	-
As at 30 June	0.066	7,500,000	0.089	26,500,000
Vested and exercisable at 30 June 2015	-	-	-	-

- The weighted average exercise price per share option during the year ended 30 June 2015 was \$0.066 (2014: \$0.089).

	Expiry Date	Exercise Price	Share Options 30 June 2015	Share Options 30 June 2014
24 February 2014	31 December 2016	0.0858	7,500,000	7,500,000
13 May 2014	31 December 2016	0.0858	10,500,000	10,500,000
2 June 2014	31 December 2016	0.0950	8,500,000	8,500,000
15 August 2014	31 December 2016	0.0858	2,000,000	-
30 June 2015	31 December 2018	0.0590	5,500,000	-
Total			34,000,000	26,500,000
Weighted average remaining contractual life of options outstanding at end of period			1.83 years	2.51 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was \$0.16 (5,500,000 options) and \$0.51 (2,000,000) (2014: \$0.20). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2015 and 30 June 2014 are detailed below.

On the 24th of February 2014 7,500,000 options exercisable at \$0.0858 each on or before 31 December 2016 were issued to employees and contractors of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014. The options issued on the 24th of February have a fair value of \$0.020. This valuation imputes a total value of approximately \$151,720 for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2016.
- (ii) Exercise price - \$0.086;
- (iii) Grant date - 24 February 2014;
- (iv) Share price at grant date: \$0.063
- (v) Expected price volatility of the company's shares: 60%;
- (vi) Expected dividend yield: 0%;
- (vii) Risk-free interest rate: 3.06%

On the 13th of May 2014 10,000,000 options exercisable at \$0.0858 each on or before 31 December 2016 were issued to Stephen Birkbeck on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014.

On the 13th of May 2014 500,000 options exercisable at \$0.0858 each on or before 31 December 2016 were issued to Joseph Taylor on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014.

The options issued on the 13th of May 2014 have a fair value of \$0.020. This valuation imputes a total value of approximately \$214,020 (respectively \$203,829 for Mr Birkbeck and \$10,191 for Dr Taylor) for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2016.
- (ii) Exercise price - \$0.086;
- (iii) Grant date – 13 May 2014;
- (iv) Share price at grant date: \$0.065
- (v) Expected price volatility of the company's shares: 60%;
- (vi) Expected dividend yield: 0%;
- (vii) Risk-free interest rate: 3.06%

On the 2nd of June 2014 8,500,000 options exercisable at \$0.095 each on or before 31 December 2016 were issued to employees and contractors of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014. The options issued on the 2nd of June 2014 have a fair value of \$0.019. This valuation imputes a total value of approximately \$164,017 for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2016.
- (ii) Exercise price - \$0.095;
- (iii) Grant date – 2 June 2014;
- (iv) Share price at grant date: \$0.067
- (v) Expected price volatility of the company's shares: 60%;
- (vi) Expected dividend yield: 0%;
- (vii) Risk-free interest rate: 3.06%

On the 15th of August 2014 2,000,000 options exercisable at \$0.0858 each on or before 31 December 2016 were issued to a contractor of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014. The options

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

issued on the 15th August 2014 have a fair value of \$0.51. This valuation imputes a total value of approximately \$101,609 for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2016.
- (ii) Exercise price - \$0.0858;
- (iii) Grant date – 15 August 2014;
- (iv) Share price at grant date: \$0.11
- (v) Expected price volatility of the company's shares: 60%;
- (vi) Expected dividend yield: 0%;
- (vii) Risk-free interest rate: 3.06%

On the 30th of June 2015 5,500,000 options exercisable at \$0.059 each on or before 31 December 2018 were issued to employees of the Company on the terms and conditions set out in the Explanatory Memorandum ratified at the Extraordinary General Meeting held on the 13th of May 2014. The options issued on the 30th June 2015 have a fair value of \$0.016. This valuation imputes a total value of approximately \$90,215 for the proposed Options. The value may go up or down as it will depend in part on the future price of a Share.

The Black & Scholes methodology has been used, together with the following assumptions:

- (i) Options are granted for no consideration and vest based on the individual's Key Performance Indicators. Vested options are exercisable for a period of six months after vesting or the earlier of 31 December 2018.
- (ii) Exercise price - \$0.0590;
- (iii) Grant date – 30 June 2015;
- (iv) Share price at grant date: \$0.044
- (v) Expected price volatility of the company's shares: 60%;
- (vi) Expected dividend yield: 0%;
- (vii) Risk-free interest rate: 3.06%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the group, the subsidiaries compensate Atlas Pearls and Perfumes Ltd for the amount recognised as expense in relation to these options.

Other Share Based Payments

On the 17 December 2013, 5,251,969 shares were issued at an issue price of \$0.065 each to Arrow Pearl Co Pty Ltd. Arrow Pearl Co Pty Ltd is an entity controlled by Stephen Arrow. The purpose of the issue was the reimbursement for the sale of Arrow Pearl Co Pty Ltd pearls at the December 2013 auction in accordance with an arrangement to remit the proceeds in Atlas Shares at \$0.065 each.

At the Extraordinary General Meeting held on 13 May 2014, the issue of 4,748,031 shares to Arrow Pearl Co Pty Ltd was ratified. The purpose of the issue was the reimbursement for the sale of Arrow Pearl Co Pty Ltd pearls at the February 2014 auction in accordance with an arrangement to remit the proceeds in Atlas Shares at \$0.065 each.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions and option related valuation expenses recognised during the period as part of employee benefit expense were as follows:

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. SHARE BASED PAYMENTS (CONT.)

	2015	2014
	\$	\$
Shares issued under the employee share plan	27,500	25,016
Option expense	59,768	41,545
	87,268	66,561

The share based payment expenses arising from the salary sacrifice share plan is nil as the plan does not give additional benefit to the employees as shares are issued in lieu of cash salary and cash bonus. The value of the shares originally issued to the trust is at the value sacrificed by the employee under the plan.

24. NOTES TO THE CASH FLOW STATEMENT

24.1 Reconciliation of cash

For the purposes of the statement of cashflows, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cashflows is reconciled to the related items in the Statement of Financial Performance as follows:

	2015	2014
	\$	\$
Cash at bank (Note 6)	2,632,311	1,665,207
Balances per statement of cashflows	2,632,311	1,665,207

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. NOTES TO THE CASH FLOW STATEMENT (CONT.)

24.2 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	2015	2014
	\$	\$
Profit/(loss) after income tax	(8,134,049)	1,813,922
Depreciation and amortisation	588,557	302,686
(Gains)/Losses on Equity Investments	202,036	299,971
Share based payments	59,767	66,561
Foreign exchange (losses) unrealised	547,021	971,954
Inventory revaluations (losses)	-	(11,982)
Impairment of JV loan	149,091	-
Derivative instrument gains/(losses) unrealised	(656,440)	435,732
Agricultural asset fair value (losses) and inventory write-offs	6,697,385	(63,439)
Decrease/(increase) in trade and other debtors	2,373,152	(1,861,060)
Decrease/(increase) in inventories	454,190	(2,275,043)
(Decrease)/Increase in trade and other creditors	(1,595,637)	918,473
Increase/(Decrease) in Provision	139,091	(140,834)
Increase in taxes	(322,720)	(714,236)
Net cash obtained/(used in) operating activities	501,444	(257,294)

As at the date of this report the Company has not entered into any non-cash financing or investing activities except as follows:

During the period ended 30 June 2014 Atlas Pearls and Perfumes Ltd sold pearls on behalf of Arrow Pearls Pty Ltd. Atlas received on consignment approximately \$1,750,000 of loose South Sea Pearls from Steve Arrow on the 5th of December 2013. Atlas received a sales commission of 5.0% based on the gross value of the pearls. Atlas paid the net proceeds of pearls sales to Arrow less the commission, in the form of 50% cash and 50% in shares until 10 million shares were acquired (capped at \$650,000). The shares were priced at \$0.065 per share.

Also, during the period ended 30 June 2015, 3,059,618 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees and contractors (30 June 2014: 4,461,640). Of the 3,059,618 shares issued out of the trust, 461,111 (2014: 361,298) shares were issued to employees who did not salary sacrifice shares, but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$32,500 (2014: \$23,484). A further 1,171,968 (2014:1,798,077) were issued to contractors who were issued shares in lieu of cash payment. The total value settled totalled \$76,746 (2014:\$98,950).

During the year ended 30 June 2014, the Company entered into a finance agreement with Microsoft to finance a new accounting software package for the group Microsoft Navision. At 30 June 2015 the balance of the loan was \$247,240 (30 June 2014: \$92,465). There were no other new loans to acquire property, plant and equipment entered into during the year ended 30 June 2015. During the year ended 30 June 2015, the Company did not issue any ordinary shares to acquire any new investments.

Also, during the year ended 30 June 2015, all convertible notes were redeemed for ordinary shares. The shares were issued at the lower of 5 cents or 90% of the 10 day volume weighted average in line with the convertible note agreement. The convertible notes were fair valued on maturity and a derivative instrument fair value gain of \$656,440 realised (30 June 2014: loss of \$435,732).

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE CASH FLOW STATEMENT (CONT.)

24.3 Credit facilities

As at 30 June 2015, the Company had in place a loan facility with the Commonwealth Bank with a limit of \$5,000,000 (30 June 2014 - \$5,000,000). This facility has been partially utilised, see note 33 for further disclosure. Information about the security relating to secured liabilities and the fair value is provided in note 33.

25. RELATED PARTY TRANSACTIONS

a. Subsidiaries

Interests in subsidiaries are set out in note 29.

b. Joint venture

World Senses Pty Ltd was formed on the 29th November 2012 as a joint venture between Nomad Two Worlds Global Trading Pte Ltd and Atlas Pearls and Perfumes Ltd.

At 30 June 2015, there is loan balance of \$456,015 owing from World Senses to Atlas (30 June 2014 - \$140,857). This balance consists of salary and administration recharges and accounting charges, offset by pearl cosmetic products and pearl protein extraction assets transferred to Atlas. At 30 June 2015, there is loan balance of \$72,961 (30 June 2014: \$72,961) owing to World Senses from Perl'Eco. This balance consists of pearl jewellery sold to Perl' Eco by World Senses. An impairment of \$383,054 has been booked against the loan due to the net liability position on the World Senses Pty Ltd accounts.

Essential Oils of Tasmania Pty Ltd acquired in January 2013 as a 100% subsidiary. On 20th April 2015 50% of the investment in the entity was sold to Westwood Properties Pty Ltd. Post this sale Essential Oils of Tasmania has been deemed a joint venture and has been equity accounted for.

As at 30 June 2015, there is a loan balance of \$1,596,815 owing from Essential Oils of Tasmania Pty Ltd to Atlas. This balance consists of admin and expense recharges, and funding advances.

The parent entity has a 50% interest in Brookfield Tasmania Pty Ltd. At 30 June 2015, there is loan balance of \$200 (30 June 2014: \$nil) owing from Brookfield Tasmania Pty Ltd. This balance relates to money advanced to Brookfield Tasmania Pty Ltd to cover bank fees.

	2015	2014
	\$	\$
Due from World Senses	456,015	140,857
Due to World Senses	(72,961)	(72,961)
Impairment of World Senses	(383,054)	-
Due from Essential Oils of Tasmania	1,596,815	-
Due from Brookfield Tasmania Pty Ltd	200	-
	1,597,015	67,896

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

25. RELATED PARTY TRANSACTIONS CONTINUED (CONT.)

c. Key management personnel compensation -

	2015	2014
	\$	\$
Short-term employment benefits	1,325,865	1,258,575
Post-employment benefits	100,828	65,119
Long Term benefits	20,001	37,343
Share based compensation	27,500	
	1,474,194	1,361,037

Detailed remuneration disclosures are provided in section 4.2 of the remuneration report.

d. Transactions with other related parties

The following balances are outstanding at the end of the reporting period in transactions with related parties:

	2015	2014
	\$	\$
Current payables (reimbursement of travel)	-	31,058
Director fees payable	78,900	9,000
Current receivables (wholesale purchase of jewellery)	35,000	-
	113,900	40,058

e. Loans to/from related parties

	2015	2014
	\$	\$
<i>Loans to key management personnel</i>		
Beginning of the year	400,000	375,000
Loans advanced	-	25,000
Loans repaid	(25,000)	-
End of year	375,000	400,000

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

26. REMUNERATION OF AUDITORS

During the period, 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:

	2015	2014
	\$	\$
a. BDO Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	102,379	111,966
Total remuneration for audit and other assurance services	102,379	111,966
 <i>Taxation Services</i>		
Tax compliance services and advise	37,919	51,962
Total remuneration for taxation services	37,919	51,962
 Total remuneration of BDO Australia	140,298	163,928
 b. Related practices of BDO Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	-	-
Total remuneration for audit and other assurance services	-	-
 <i>Taxation Services</i>		
Tax compliance services and advise	-	-
Total remuneration for taxation services	-	-
 Total remuneration of related practices of BDO Australia	-	-
 Total remuneration of BDO Australia and related practices	140,298	163,928

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. SEGMENT REPORTING

(a) Segment information provided to the Board of Directors and management team

- (i) The segment information provided to the Board of Directors and management team for the reportable segments for the period ended 30 June 2015 is as follows:

30 June 2015	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia \$	Indonesia \$	Australia \$	Indonesia \$	Australia \$	\$	\$
Total segment revenue	8,697,181	9,132,094	555,144	592,988	1,589,540	-	20,566,947
Inter-segment revenue	-	(8,875,225)	-	-	-	-	(8,875,225)
Revenue from external customers	8,738,163	298,484	555,144	592,988	1,589,540	-	11,774,319
Normalised EBITDA	(1,715,598)	770,330	(290,162)	(197,745)	198,507	-	(1,234,668)
Adjusted net operating profit/(loss) before income tax	(2,675,153)	805,565	(340,106)	(446,009)	135,881	-	(2,519,822)
Depreciation and amortisation	267,311	177,137	46,289	41,807	56,013	-	588,557
Revaluation of Biological Assets	-	6,864,489	-	-	(167,104)	-	6,697,385
Totals segment assets	4,672,176	18,945,577	1,541,652	850,314	-	-	26,009,719
Total assets includes:	<hr/>						
Additions to non – current assets (other than financial assets or deferred tax)	232,354	2,075,193	4,379	338,289	314,142	-	2,964,357
Total segment liabilities	(685,300)	(968,320)	(23,147)	(8,357)	-	-	(1,685,124)

Included within the net operating profit for wholesale loose pearls in Indonesia is an impairment charge of \$nil in relation to the impairment of oysters.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. SEGMENT REPORTING (CONT.)

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2014 is as follows:

30 June 2014	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia \$	Indonesia \$	Australia \$	Indonesia \$	Australia \$		
Total segment revenue	12,040,978	7,944,875	555,755	896,076	2,023,581	-	23,461,265
Inter-segment revenue	(17,541)	(7,510,548)	-	-	-	-	(7,528,089)
Revenue from external customers	12,023,437	434,327	555,755	896,076	2,023,581	-	15,933,176
Normalised EBITDA	185,168	3,074,888	(185,226)	(27,060)	422,542	-	3,470,312
Adjusted net operating profit/(loss) before income tax	(374,017)	2,892,311	(235,238)	(93,835)	368,088	-	2,557,308
Depreciation and amortisation	109,293	43,167	43,123	51,967	55,136	-	302,686
Revaluation of Biological Assets	-	1,971,114	-	-	321,999	-	2,293,113
Totals segment assets	13,181,788	17,966,654	1,192,564	956,946	4,084,381	-	37,382,333
Total assets includes: Additions to non – current assets (other than financial assets or deferred tax)	128,458	563,131	40,034	105,070	397,835	-	1,234,528
Total segment liabilities	(2,030,664)	(784,221)	(23,001)	(181,392)	(1,027,094)	-	(4,046,371)

Included within the net operating profit for wholesale loose pearls in Indonesia is an impairment charge of \$11,982 in relation to the impairment of oysters.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. SEGMENT REPORTING (CONT.)

(b) Other segment information

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations in the statement of profit or loss and other comprehensive income as follows:

	2015	2014
	\$	\$
Total segment revenue	20,649,544	23,461,265
Intersegment eliminations	(8,875,225)	(7,528,089)
Interest income	9,411	13,333
Other revenues	334,582	336,674
Total revenue from continuing operations (note 2)	12,118,312	16,283,183

Major customers

A Japanese wholesaler accounted for 12% of external revenue in the period ended 30 June 2015 (2014 - 11%). These revenues are attributable to the Australian wholesale loose pearl segment.

The entity is domiciled in Australia. The result of its revenue from third party customers in Australia is \$627,605 (2014: \$907,756) in relation to wholesale loose pearl sales. Revenue for wholesale loose pearls from third party customers based in other countries during the period ended 30 June 2015 was \$8,034,402 (2014: \$10,981,121). 83% of the total loose pearl sales revenue during the period ended 30 June 2015 (2014: 84%) was to Japanese based customers.

In relation to retail jewellery sales the above segment reporting is based on the location of the sale, whether in Australia or Indonesia as the nature of the retail business relies on one off sales transactions with customers from a variety of locations.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. SEGMENT REPORTING (CONT.)

(b) Other segment information (cont.)

- (ii) Adjusted net operating profit
Segment net operating profit/(loss) before income tax reconciliation to the statement of profit or loss and other comprehensive income.

The Board of Directors and the management team review on a monthly basis the performance of each segment by analysing the segment's net operating profit before tax. A segment's net operating profit before tax excludes non-operating income and expense such as interest paid and received, foreign exchange gains and losses whether realised or unrealised, fair value gains and losses and impairment charges.

A reconciliation of adjusted net operating profit/(loss) before income tax is provided as follows:

	2015 \$	2014 \$
Net operating profit /(loss) before tax	(2,519,822)	2,557,308
Intersegment eliminations	-	-
Changes in fair value of biological and agricultural assets	(6,697,385)	63,439
Impairment expense	(149,091)	11,982
Foreign exchange gains	1,325,765	216,375
Foreign exchange losses	(533,490)	(794,303)
Other	961,214	(596,160)
Profit/(loss) before income tax from continuing operations	(7,612,809)	1,458,641

- (iii) Segment assets
Assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2015 \$	2014 \$
Segment assets	26,009,719	37,382,333
Intersegment eliminations	-	533,159
Unallocated:		
Other	-	534
Investments	-	3,025
Joint Venture Loans	1,597,015	67,896
Deferred tax assets	3,335,614	4,599,784
Fair value adjustments on biological and agricultural assets	-	(1,763,936)
Total assets as per the statement of financial position	30,942,348	40,822,795

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$1,253,739 (2014: \$2,674,188). The total located in Indonesia is \$14,658,559 (2014: \$14,134,400).

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. SEGMENT REPORTING (CONT.)

(b) Other segment information (cont.)

(iv) Segment liabilities

Liabilities are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015	2014
	\$	\$
Segment liabilities	1,685,124	4,046,371
Intersegment eliminations (note 28(a))	-	-
Unallocated:	-	-
Other	-	4,800
Current tax liabilities	225,529	(94,060)
Borrowings	4,084,734	5,154,959
Deferred tax liabilities	972,780	2,901,397
Derivative financial instruments	-	-
Total liabilities as per the statement of financial position	6,968,167	12,013,467

(v) Normalised EBITDA reconciliation

	2015	2014
	\$	\$
Net profit/(loss) before tax	(7,612,809)	1,458,642
Finance/Interest (rec)/paid	397,426	470,755
Depreciation/Amortisation	588,557	302,686
FX (gain)/loss	(792,275)	577,928
Agriculture standard revaluation	6,697,385	(63,439)
Inventory write-off	149,091	(11,982)
Other non-operating (income)/expense	(5,603)	299,971
Gain on derivative instruments	(656,440)	435,732
Normalised EBITDA	(1,234,668)	3,470,313

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

28. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.6.

Name of entity	Class of shares	Percentage owned 30 June 2015	Percentage owned 30 June 2014	Place of incorporation
Perl'Eco Pty Ltd ⁽¹⁾	Ord	100%	100%	Australia
Tansim Pty Ltd	Ord	100%	100%	Australia
P.T. Cendana Indopearls	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia
Essential Oils of Tasmania ⁽²⁾	Ord	-	100%	Australia

(1) Previously named Sharcon Pty Ltd

(2) Essential Oils of Tasmania Pty Ltd was acquired on 15 January 2013. On 20 April 2015 50% of Essentials of Tasmania Ltd was sold to Westwood Properties Ltd. Hence, it is no longer consolidation due to the relinquishment of control of the entity. The investment in Essential Oils of Tasmania Pty Ltd is now equity accounted for as a joint venture.

The ultimate parent entity, Atlas Pearls and Perfumes Ltd, is incorporated in Australia.

29. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2015 \$	2014 \$
Share in World Senses joint venture partnership (note 31)	-	-
Share in Brookfield Tasmania joint venture partnership	-	3,025
Share in Essential Oils of Tasmania joint venture partnership	<u>292,940</u>	<u>-</u>
	<u>292,940</u>	<u>3,025</u>

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

30. INTERESTS IN JOINT VENTURES

(a) Joint venture

The parent entity has a 50% interest in World Senses Pty Ltd, which is a resident in Australia and the principal activity of which is the commercialisation of Atlas and Essential Oils of Tasmania's R&D, products and export markets.

The parent entity has a 50% interest in Brookfield Tasmania Pty Ltd, which is a resident in Australia and the principal activity of which is to develop a manufacturing and tourism facility.

The parent entity has a 50% interest in Essential Oils of Tasmania Pty Ltd, which is a resident in Australia and the principal activity of which is to grow and produce essential oils.

The interest in World Senses Pty Ltd and Essential Oils of Tasmania Pty Ltd is accounted for in the financial statements using the equity method of accounting (refer to note 30). The joint venture is unlisted hence no quoted fair value is disclosed. Information regarding to the joint venture is set out below.

<u>World Senses</u>	2015	2014
	\$	\$
Joint Ventures' assets and liabilities		
Current assets	294,262	294,366
Non-current assets	441,333	257,118
Total assets	<u>735,595</u>	<u>551,484</u>
Current liabilities	40,490	41,754
Non-current liabilities	1,145,134	529,808
Total liabilities	<u>1,185,624</u>	<u>571,562</u>
Net assets	<u>(450,029)</u>	<u>(20,078)</u>
Joint Venture's revenues, expenses and results		
Revenues	-	113,098
Expenses	(613,999)	(970,158)
Loss before income tax	<u>(613,999)</u>	<u>(857,060)</u>
Reconciliation to carrying value		
Opening net asset 1 July	(20,078)	580,183
Profit/(loss) for the period	(429,951)	(600,261)
Closing net assets	<u>(450,029)</u>	<u>(20,078)</u>
Group's share in %	50%	50%
Group share in \$	(214,975)	(300,131)
Carrying value	-	-

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

31. INTERESTS IN JOINT VENTURES CONT.

<u>Essential Oils of Tasmania</u>	2015	2014
	\$	\$
Joint Ventures' assets and liabilities		
Current assets	2,903,227	-
Non-current assets	1,843,737	-
Total assets	<u>4,746,964</u>	-
Current liabilities	1,106,322	-
Non-current liabilities	3,054,762	-
Total liabilities	<u>4,161,084</u>	-
Net assets	<u>585,880</u>	-
Joint Venture's revenues, expenses and results		
Revenues	2,142,671	-
Expenses	<u>(1,789,035)</u>	-
Profit before income tax	<u>353,636</u>	-
Reconciliation to carrying value		
Opening net asset 1 July	-	-
Profit/(loss) for the period	<u>585,878</u>	-
Closing net assets	<u>585,878</u>	-
Group's share in %	50%	N/A
Group share in \$	292,940	-
Carrying value	292,940	-
Share of equity accounted investment		
Profit before income tax	353,636	
Income tax	32,380	
Profit after tax	386,016	
Profit for the period to 20 April 2015	<u>360,137</u>	
Profit post sale of interest	<u>25,879</u>	
Group share of Profit	12,940	

(b) Contingent liabilities relating to joint ventures

Each of the partners in World Senses Pty Ltd are jointly and severally liable for the debts of the joint venture. The assets of the joint venture do not exceed its' debts.

Each of the partners in Essential Oils of Tasmania Pty Ltd are jointly and severally liable for the debts of the joint venture. The assets of the joint venture do not exceed its' debts.

There have been no legal claims lodged against the joint ventures. The joint ventures do not have any contingent liabilities in respect of a legal claim lodged against the joint venture.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

32. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015	2014
	\$	\$
Statement of financial position		
Current assets	3,484,479	4,419,122
Total assets	27,541,788	24,800,754
Current liabilities	7,482,837	7,159,650
Total liabilities	5,367,163	5,044,219
Shareholders equity		
Issued capital	36,465,658	32,153,002
Reserves	-	-
Share-based payment reserve	682,341	622,574
(Accumulated losses)	(12,158,169)	(9,714,552)
	24,989,830	23,061,024
(Loss) for the period	(2,815,205)	(3,304,489)
Total comprehensive (loss)	(2,815,205)	(3,304,489)

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

The parent entity did not provide financial guarantees during the period (2014: Nil).

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors.

The Group holds the following financial instruments:

	2015	2014
	\$	\$
Financial Assets		
Cash and cash equivalents	2,632,311	1,665,207
Trade and other receivables	354,845	2,773,752
Derivative financial instruments	14,245	-
	3,001,401	4,438,959
Financial Liabilities		
Trade and other payables	759,971	2,313,695
Borrowings	4,084,734	5,154,959
Derivative financial instruments	-	852,323
	4,844,705	8,320,977

Market Risk

(i) Foreign exchange risk

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen, Indonesian Rupiah, US Dollar and Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management manages their foreign exchange risk against their functional currency. Group companies are required to hedge a proportion of their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward exchange contracts and options under the guidance of the Board of Directors.

The majority of the Group's cash reserves are held in Australian banks with AAA ratings.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

The Groups exposure to foreign currency risk at the reporting date expressed in Australian dollars, was as follows:

	30 June 2015			30 June 2014		
	JPY \$	USD \$	EUR \$	JPY \$	USD \$	EUR \$
Cash and cash equivalents	1,210,196	71,281	651	639,550	163,445	21,561
Trade and other receivables	71,546	-	-	1,782,738	256,058	-
Trade and other payables	(3,261)	(4,058)	-	565,957	119,872	1,483
Borrowings	(709,238)	-	-	2,706,030	-	-
Forward exchange contracts – buy foreign currency	14,245	-	-	-	-	-
Forward exchange contracts – sell foreign currency		-	-	(26,443)	-	-

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

Group Sensitivity Analysis

Sensitivity analysis is based on exchange rates in US Dollars, Japanese Yen and Euro increasing or decreasing by 10% and the affect on profit and equity.

	Statement of Financial Position Amount AUD 2015 2014		Foreign Exchange Rate Risk							
			30 June 2015				30 June 2014			
			-10%		10%		-10%		10%	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Assets										
Cash	2,632,311	1,665,207	142,459	-	(116,557)	-	91,617	-	(74,960)	-
Trade and other receivables	354,845	2,773,752	7,950	-	(6,504)	-	226,533	-	(185,345)	-
Derivatives	14,245	-	1,583	-	(1,295)	-	-	-	-	-
Financial Liabilities										
Trade and other payables	759,971	2,313,695	(813)	-	665	-	(76,368)	-	62,483	-
Borrowings	4,084,734	5,154,959	(78,804)	-	64,476	-	(300,670)	-	246,003	-
Derivatives	-	852,323	-	-	-	-	(2,938)	-	2,404	-
Total Increase/(Decrease)			72,373	-	59,215	-	(61,826)	-	50,585	-

Majority of the exposure above relates to the borrowings held in Yen.

Not shown in the table above, is the exposure to exchange movements on the intercompany loan denominated in Australian dollars made to the Indonesian subsidiaries. At the period end this loan stood at AUD\$6,291,336. The intercompany loans are eliminated on consolidation.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its borrowings. Given that borrowings are all due within 12 months and are at fixed interest rates the Group considers that any fair value interest rate risk or cash flow risk will be immaterial.

(iii) Price risk

The Group is exposed to fluctuations in pearl prices. This product is not traded as a commodity on an open market and as such the price risk cannot be hedged.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to wholesale and retail customers, including outstanding receivables. The Group considers the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are required to be settled in cash or using major credit cards, thus mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 98. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

All cash balances held at banks are held at internationally recognised institutions. The Australian Government has guaranteed all deposits held with Australian banks, cash held in Indonesia is not covered by this guarantee. The majority of other receivables held are with related parties and within the Group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Trade receivables

	2015	2014
	\$	\$
Retail customers – no credit history	-	-
Wholesale customers – existing customers with no defaults in the past	202,050	1,928,369
Total trade receivables	202,050	1,928,369
Derivative financial assets	-	-

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments such as term deposits that are highly liquid.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 6) on the basis of expected cash flows. This is generally carried out by the Board of Directors on a Group basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring debt financing plans.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

Financing arrangements

The Group had access to the following borrowing facilities at the reporting date.

Fixed rate	2015	2014
	\$	\$
Expiring within one year – Foreign currency loan trade	5,000,000	5,000,000
	5,000,000	5,000,000

The bank loan with the Commonwealth Bank of Australia (“CBA”) has been renegotiated in principle and the facility is due to be extended until the 30 June 2016. The new facility agreement is currently being finalised with sign off by all parties expected in September 2015.

The current bank loan is secured by a registered company charge by CBA over the whole of the assets and undertaking including uncalled capital of Atlas Pearls and Perfumes Ltd and its related entities except for the shares and assets of Essential Oils of Tasmania Pty Ltd and World Senses Pty Ltd.

The bank loan provided under a Japanese Yen Domestic Foreign Currency Advance facility has a facility limit equivalent to AUD\$1,875,000. As at 30 June 2015 the Company had drawn down \$698,532. This facility is subject to a fixed interest rate plus the Japanese BBSY. As at 30 June 2015 this fixed interest rate was 3.55%. Under the new facility agreement the fixed interest rate is 6.08%. This facility expires on 30 June 2016.

The bank loan provided under an Australian Dollar Bills Discount facility has a facility limit of AUD \$3,125,000. As at 30 June 2015 the company had drawn down \$3,120,000. This facility is subject to a fixed interest rate plus LIBOR. As at 30 June 2014 this fixed interest rate was 5.3%. Under the new facility agreement the fixed interest rate is 6.08%.

The facility is also subject to a monthly line fee of 0.05% calculated on the facility limit, A\$5,000,000. The new facility will also attract a once of establishment fee of \$23,104 and an ongoing monthly management fee of A\$4,825.

As at the reporting date the Company had drawn down \$3,816,805 (2014: \$3,951,715) and had undrawn facilities available of \$1,183,195 (2014: \$1,048,285). The loans can be drawn at any time.

The Company has agreed to the following principal repayments of its debt facility with CBA:

<i>Date of Repayment</i>	<i>Repayment Amount</i>
30 September 2015	\$150,000
31 December 2015	\$100,000
31 March 2015	\$250,000
30 June 2015	\$500,000
Total	\$1,000,000

The Company will be required to meet three financial undertakings to comply with the lending conditions imposed by the bank as follows:

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

- Earnings before interest, tax, depreciation, amortisation and exceptional items (Normalised EBITDA) will be greater than and at least equal to;
- \$1,500,000 for the 12 months 1 July 2015 to 30 June 2016
- Minimum net worth of the borrower (Atlas) will at all times be greater than \$18,000,000; and
- The ratio of net worth of the borrower to total tangible assets of the borrower will at all times be equal to or greater than 60%.

For the year ended 30 June 2015 the Company has agreed in principal with CBA for a waiver for a breach of its 30 June 2015 Normalised EBITDA covenant. Normalised EBITDA for the 12 months ended 30 June 2015 was a loss of \$1.2m, the covenant for this period was a profit of \$1.5m.

A new other bank loan (unsecured) provided by Microsoft Finance was provided during the year ended 30 June 2014 to acquire the accounting software Microsoft Navision. Further loans have been drawn down during the year ended 30 June 2015 in relation to Microsoft Navision expenditure. The liability at 30 June 2015 was \$247,240 (2014: \$92,465).

Lease liabilities provided by St George Bank were effectively secured by the rights to the leased assets, recognised in the financial statements, which revert to the lessor in the event of default. The value of the loans relating to Lease liabilities as at the reporting date was \$20,689 (30 June 2014: \$112,064).

During the year ended 30 June 2015 all convertible notes issued during the six month period ended 30 June 2013 matured. During the period ended 30 June 2013 Atlas issued Convertible Notes for a total value of \$1,100,000. The Convertible Notes had a maturity date of 2 years after issue, attracted an interest rate of 6% payable six monthly in arrears and were redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercised its conversion right, the Company had to comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average. If the Noteholder did not exercise its conversion right the face value was redeemable in cash at the date of expiry.

The fair value of bank loans equals their carrying amount, as the impact of discounting is not significant. The fair value of convertible notes is reviewed half-yearly to determine the fair value of the derivative liability component.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on their remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CONSOLIDATED ENTITY	30 June 2015						30 June 2014					
	Less than 6 Months	6-12 months	Between 1 & 2 years	Between 2 & 5 years	Total contractual cash flows	Carrying amount (asset)/ Liabilities	Less than 6 Months	6-12 months	Between 1 & 2 years	Between 2 & 5 years	Total contractual cash flows	Carrying amount (asset)/ Liabilities
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Derivatives												
Trade payables	759,971	-	-	-	759,971	759,971	2,313,694	-	-	-	2,313,694	2,313,694
Borrowings	67,883	3,886,644	130,208	-	4,084,735	4,084,735	4,047,184	1,142,848	56,955	55,668	5,302,655	5,154,959
Total non-derivatives	827,854	3,886,644	130,208	-	4,844,706	4,844,706	6,360,878	1,142,848	56,955	55,668	7,616,349	7,468,653
Derivatives												
Net settled (Non deliverable forwards)	33,443	(19,198)	-	-	14,245	14,245	4,546	21,793	-	-	26,339	26,339
Gross settled												
-(inflow)	4,200,000	600,000	-	-	4,800,000	4,800,000	1,400,000	2,100,000	-	-	3,500,000	3,500,000
-outflow	(4,166,557)	(619,198)	-	-	(4,785,755)	(4,785,755)	(1,395,454)	(2,078,207)	-	-	(3,473,661)	(3,473,661)
Total Derivatives	33,443	(19,198)	-	-	14,245	14,245	4,546	21,793	-	-	26,339	26,339

Borrowings, includes the loan to the Commonwealth Bank (CBA), and is classified as an amount due between 6-12 months. This loan is drawn as a bank bill facility which has a maturity date of 30 June 2016.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014 on a recurring basis:

30 June 2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Liabilities				
Derivative financial instruments	-	-		-
Forward foreign exchange contracts	-	14,245	-	-
Total Liabilities	-	14,245		-

30 June 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Liabilities				
Derivative financial instruments	-	-	825,985	-
Forward foreign exchange contracts	-	26,339	-	-
Total Liabilities	-	26,339	825,985	-

(b) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. As at 30 June 2015 there are no level 3 related instruments in place.

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the period ended 30 June 2015. There were also no changes made to any of the valuation techniques applied as of 30 June 2014.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

33. FINANCIAL RISK MANAGEMENT (CONT.)

(c) Fair values of other financial instruments

The group also has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values as at 30 June 2015:

	2015	2015	2014	2014
	\$	\$	\$	\$
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current borrowings				
Bank Loan	-	-	-	-
Other bank loan	125,036	125,036	89,665	89,665
Convertible note	-	-	994,518	1,142,214
Lease liabilities	-	-	1,863	1,863
	125,036	125,036	1,086,046	1,233,742

Due to their short-term nature, the carrying amounts of the current receivables, current payables and current borrowings are assumed to approximate their fair value.

34. DISPOSAL OF A BUSINESS

Sale of 50% of Essential Oils of Tasmania during year ended 30 June 2015

On 20 April 2015 the parent entity sold 50% of the issued share capital of Essential Oils of Tasmania Ltd (EOT) to Westwood Properties PTY LTD (Westwood), a Tasmanian based private entity. Westwood have purchased 50% of the shareholding for \$280,000. In addition Westwood has committed to providing loan funding to EOT of \$1.12m to repay Atlas intercompany loan balances. \$720,000 of funding has been utilised to repay existing loans previously provided by Atlas Pearls and Perfumes Ltd to EOT, whilst \$400,000 will remain in EOT as working capital, for a maximum period of 18 months.

The sale transaction has been undertaken to provide (a) the working capital necessary to fund EOT's crop growing and processing as well as necessary capital expenditure, (b) a capable and resourced partner with which to progress the EOT business; and (c) allows Atlas remains a material investment in EOT and any future success that the investment will realise.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

34. DISPOSAL OF A BUSINESS (CONTD.)

(a) Details of the sale consideration, the net assets disposed of and gain/ (loss) on sale are as follows:

	\$
Consideration received or receivable:	
Cash	280,000
Fair value of contingent consideration	-
Total disposal consideration	280,000
Fair value of net assets sold	(525,234)
Loss on sale before income tax and reclassification of foreign currency translation reserve	(245,234)
Reclassification of foreign currency reserve	-
Income tax expense on gain	-
Loss on sale after income tax	(245,234)

As a result of the sale of 50% of equity in EOT, it is deemed that Atlas Pearls and Perfumes Ltd and Westwood Properties Pty Ltd jointly control the entity, and as noted by AASB 11, the entity must thus be equity accounted for as a Joint Venture in Atlas Pearls and Perfumes Ltd group accounts.

The carrying amount of the assets and liabilities as at the date of sale at 20 April 2015 were:

	Fair value \$
Cash	195,876
Trade receivables	518,214
Other current assets	56,032
Income tax receivable	85,527
Inventories	1,472,242
Biological assets	1,509,435
Plant and equipment	794,619
Joint venture	56,299
Trade payables	(513,085)
Intercompany loans	(1,672,643)
Borrowings	(866,321)
Deferred tax liability	(303,323)
Other liabilities	(282,404)
Net Assets	1,050,468
50% of Net Assets	525,234

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES
 NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

34. DISPOSAL OF A BUSINESS (CONTD.)

(b) Financial performance

The financial performance presented is related to the period 1 July 2014 to 20 April 2015 when Essential Oils of Tasmania was a 100% consolidated entity of Atlas Pearls and Perfumes Ltd:

	\$
Revenue	1,589,540
Expenses	1,272,874
Profit before Income tax	316,666
Income tax expense	43,471
Profit after Income tax	360,137
Loss on sale of investment (see (a) above)	(245,234)
Profit from operation	114,903

35. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2015 unless disclosed in Note 1. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. The initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the company.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments.	1 Jan 18	1 July 18
AASB 15	Revenue from Contracts with Customers	Revenue will be recognised when control of the goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 <i>Revenue</i> .	1 Jan 17	1 July 17

Any other amendments are not applicable to the Group and therefore have no impact.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On the 1st of July 2015, Atlas Pearls and Perfumes Ltd announced the resignation of its Chief Financial Officer, Ms Danielle Brandenburg effective as of 30 August 2015 and the appointment of Mr Trevor Harris as Chief Financial Officer effective 31 August 2015.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and :
 - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of the performance for the period ended on that date; and
 - (ii) comply with Accounting Standards, and the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- (b) the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.
- (d) in the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (e) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the period ended 30 June 2015 comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Geoffrey Newman
Chairman
Perth, Western Australia

28 August 2015

INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls and Perfumes Limited

Report on the Financial Report

We have audited the accompanying financial report of Atlas Pearls and Perfumes Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which

has been given to the directors of Atlas Pearls and Perfumes Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Atlas Pearls and Perfumes Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the renegotiation of existing credit and debt facilities, the group generating profitable operations and positive cash flows, and or the successful raising of additional debt or equity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Atlas Pearls and Perfumes Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 28 August 2015