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**ATLAS**  
PEARLS AND PERFUMES



*Nature's creation...from our hands to your heart.*

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# RESPECT & INTEGRITY

RESPECT AND INTEGRITY OF ALL THE PEOPLE WE INTERACT WITH, AS WELL AS THE RELIGIONS, CULTURES, BELIEFS AND LAWS OF THE COUNTRIES WHERE THE GROUP OPERATES IS EXPECTED AT ALL TIMES.

*Atlas employs more than 800 people.  
Our staff originate from 10 different nationalities, cultures and religions.*





# PASSION & COMMITMENT

PASSION AND COMMITMENT ARE THE KEY DRIVERS  
TOWARDS CREATING, ADDING AND DELIVERING  
SUPERIOR QUALITY ALONG OUR VALUE CHAIN.

*Atlas Pearls has two decades of pearling history and is considered a world leader in eco-pearling.*

*The company operates five pearl farms throughout the Indonesian Archipelago.*

*These nutrient-rich waters produce some of the world's best silver and white South Sea pearls.*

*It is a 6-day boat trip from Bali to our most remote pearl farm in Alyui, West Papua.*



Atlas Alyui farm, Raja Ampat.



Atlas North Bali farm.

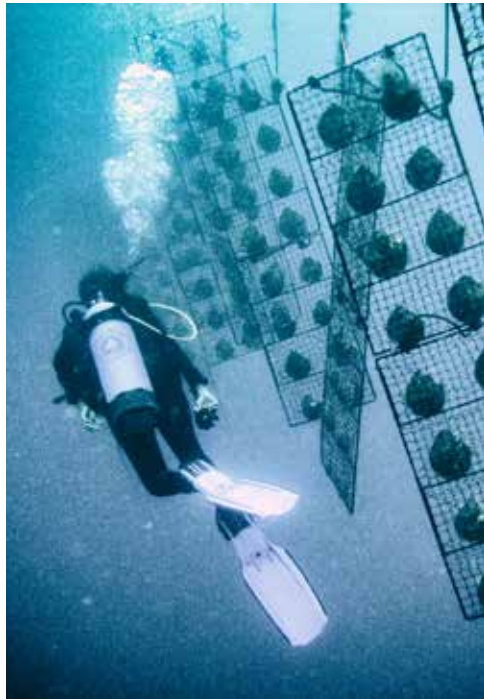


Atlas Pungu farm, Labuan Bajo.



Atlas Lembata farm, Nusa Tenggara.





# CARE & UNDERSTANDING

CARE AND UNDERSTANDING MUST PREVAIL IN OUR DEALINGS WITH THE PEOPLE AND ANIMALS WE LOOK AFTER.

*The journey of a pearl can take up to 5 years from hatchery to harvest. Each pearl is a living testimony of this journey and will reflect the influence man and nature had over the life of each mother of pearl oyster harvested.*



# COMMUNICATION & TEAMWORK

TOGETHER WE HAVE THE POWER TO EXPONENTIALLY  
MULTIPLY THE IMPACT AND MEANING OF INDIVIDUAL  
PERFORMANCE.

*During its lifetime each oyster is handled or moved over 600 times.  
3000 hands will nurture an Atlas creation before it is delivered to your hands.*





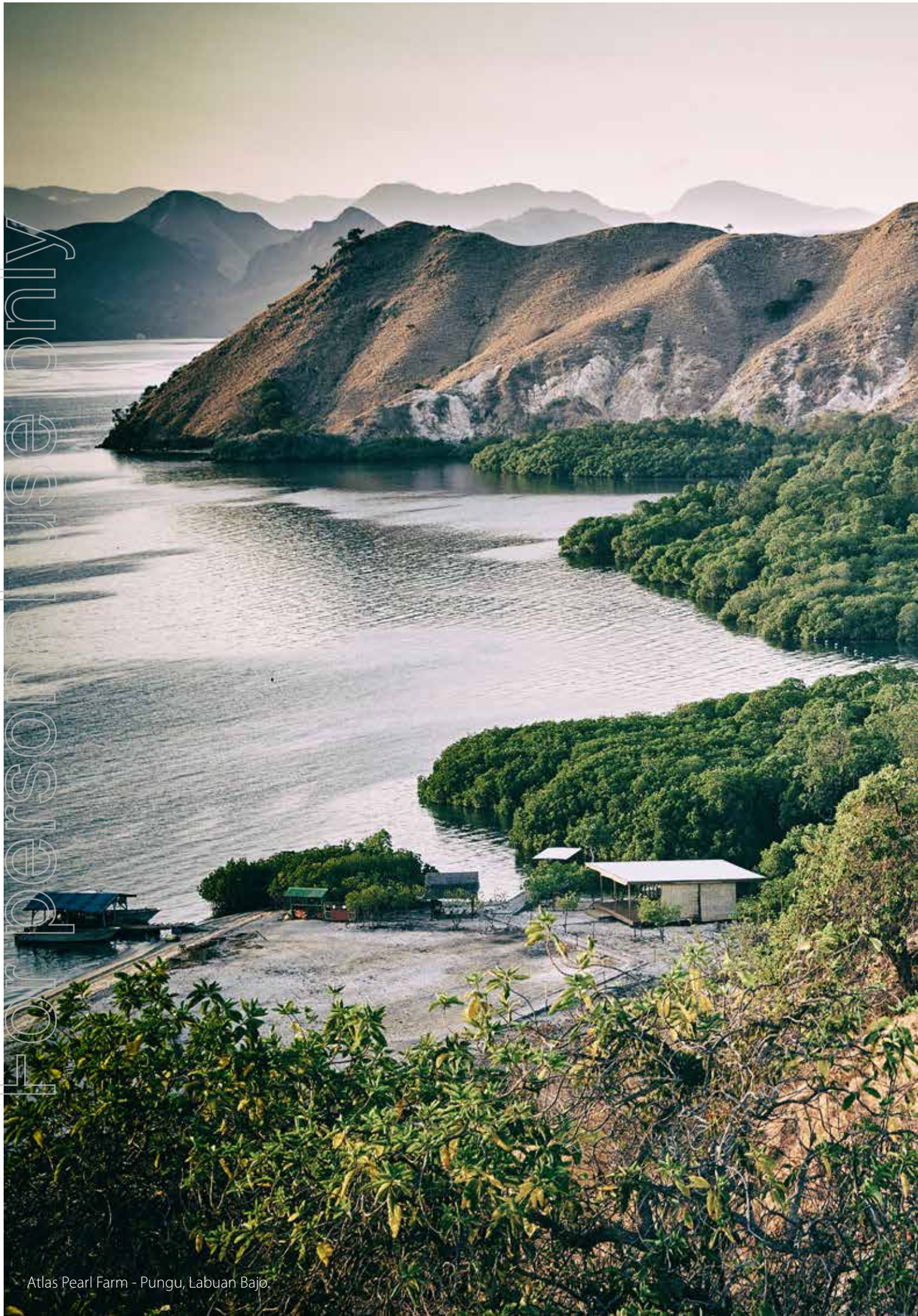


# INTUITION & INIATIVES

INTUITION AND INITIATIVES WILL BE ENCOURAGED AT ALL TIMES IN OUR QUEST TOWARDS EXCELLENCE.

*The beauty and soul of the South Sea pearl is our inspiration. • We are driven by innovation and embrace positive changes.*





Atlas Pearl Farm - Pungu, Labuan Bajo.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Financial Results	Compared to actual for previous 12 months ending 30 June 2015		12 months ending 30 June 2016 \$
Total revenue from ordinary activities	Up	52%	18,434,855
Profit from ordinary activities after tax attributable to the owners of Atlas Pearls and Perfumes Ltd	Up	112%	968,103
Net Profit attributable to the owners of Atlas Pearls and Perfumes Ltd	Up	117%	1,585,319
Dividends	Amount per security		Franked Amount per security
Dividend per ordinary share in respect of 30 June 2016 financial period	0.0 cents		0.0 cents

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

	Year ended 30 June 2015 \$	Year ended 30 June 2016 \$
<b>Net tangible assets per security</b>		
NTA per ordinary share	5.6	5.9

<b>Control gained or lost over entities during the financial year:</b> No control gained or lost during the financial year.
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<b>Other Information</b> Refer to the Annual Report attached.
<b>Commentary on results for the period</b> Refer to the Annual Report attached.
<b>Audit</b> The accounts have been audited and an unqualified opinion has been issued
<b>Attachments</b> The Annual Report of Atlas Pearls and Perfumes Limited for the year ended 30 June 2016 is attached.



CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2016

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**

Pierre **FALLOURD**  
M.B.A

CHIEF FINANCIAL OFFICER

Trevor **HARRIS**  
BCom, CPA, GDip Law\_ACG, AGIA

COMPANY SECRETARY

Susan **HUNTER**  
BCom, ACA, F Fin, GAICD, 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  
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Website: <http://www.atlaspearlsandperfumes.com.au>  
E-mail: [atlas@atlaspearlsandperfumes.com.au](mailto: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

LETTER FROM THE CHAIRMAN

FOR THE YEAR ENDED 30 JUNE 2016

Dear Shareholder

It is pleasing to write to you in this, my second year as Chairman, to report that Atlas has enjoyed a strong re-bound in earnings over the course of the 2015/16 year.

This year's financial result of a positive \$3.76m EBITDA represents a significant improvement over 2014/15. This is very heartening for the board, and a fitting recognition of the efforts of the Atlas Pearls' team.

As encouraging as the re-bound is, it is important to acknowledge that the 2015/16 result was aided by some favorable external factors – particularly:

1. Improving pearl market and client appreciation of our pearls, and
2. An increase in reported revenues realised due to the strengthening of the Japanese yen against the Australian dollar.

Together with effective cost management and an engaged team, these influences have helped our core financial performance recover back to historical levels. I firmly believe that the issues of 2014 are now well behind us.

As most of us know this is a business with a 4 year production cycle, and perhaps of more significance than this year's financial recovery is the groundwork that has been done to secure the future of the company and provide a platform for growth.

The impacts of changes in seeding and husbandry practices in 2015 has resulted in consistently improved post op seeding retention and oyster survival, and has the potential to result in increasing harvest volumes. In addition, while our expectations around enhanced pearl quality from these changes are yet to be reflected in reported financial results, harvest of the first of the crops to benefit from these changes will occur from December this year.

Current evolutions at a hatchery level are also promising and are expected to provide further opportunities for organic growth in seeding numbers 2 to 3 years from now.

On a separate topic, the board has assessed its position on our 50% owned subsidiary Essential Oils of Tasmania (EOT) based on evaluation of offers to purchase our interest. It is our opinion that the company adds more strategic value as a diversified revenue stream than the offers reflect. The board has taken a prudent approach to valuing our interest in this year's accounts, but remains confident in the future possibilities. As a result, Atlas intends to retain this interest and together with our Tasmanian partner expand the company's footprint and grow the business into a significant provider of world class products into major international markets.

From a corporate perspective, we again have a “matter of emphasis” note in this report relating to our debt facilities with CBA. The reduction of our debt facility from \$5M to \$4M though our own profitability is a significant achievement of the last year, however the core of the debt remains. As advised to the market in June 2016, the company's CBA facilities have been extended to June 2017 and Atlas will again reduce borrowings and net debt over the course of this year. It is however clear that if we are to make the most of the opportunities ahead of us, we must take innovative approaches to making our capital structure more robust. The company has started on this process and our improved performance, coupled with our significant footprint in Asia, opens up partnering opportunities to do this.

Having said that, I want to assure all shareholders that the Board is acutely aware of the commitment and loyalty shown by shareholders in the past, and we will do our best to manage an outcome which has the minimum dilutive effect on your existing investment.

Finally, on behalf of my fellow directors, I want to acknowledge the incredible performance of our skilled and dedicated employees over the past two years. Over that period, and many longer, they have shared the highs and lows of the company's financial performance along with you, our shareholders. Throughout they have shown an unwavering commitment to your company's future, and their loyalty and knowledge is the company's greatest asset. The year ahead will present both new challenges and opportunities, and with strong, supportive leadership from our Managing Director Pierre Fallourd, our CFO Trevor Harris, our COO Mark Longhurst, and our Sales Manager Tim Jones, we now have in place an outstanding team of people to capitalize on the bright future ahead of us.



30th August 2016



SUMMARY OF KEY FISCAL INDICATORS 2015/16

FOR THE YEAR ENDED 30 JUNE 2016

	30 June 16 \$'000	30 June 15 \$'000
Revenue from continuing operation	18,434	12,118
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	3,762	(1,235)
EBITDA margin	20.4%	(10.2%)
Depreciation & amortisation	(399)	(589)
Foreign exchange gains/(losses)	(750)	792
Revaluation and write-off of Agriculture Assets (oysters, pearls and crops) gains/(losses)	1,827	(6,697)
Other non-operating (costs)/benefits	(281)	496
Derivative instruments gains/(losses)	(268)	656
Impairment of joint venture loan	(816)	(149)
Fair value gain/(loss) on EOT assets	-	(245)
Gain/(Loss) on sale of investment	-	(245)
Earnings/(loss) before interest and tax (EBIT)	3,076	(7,215)
EBIT margin	16.7%	(59.5%)
Finance/interest net costs/(income)	288	398
Tax benefit/(expense)	(1,819)	(521)
Net Profit/(Loss) after tax (NPAT)	968	(8,134)
Basic earnings/(loss) per share (cents)	0.23	(2.40)
Net Tangible Assets	25,162	23,974
Assets	34,808	30,942
Debt (Current & Non-current)	4,225	4,085
Shareholder funds	25,825	23,974
Debt/shareholder funds (%)	16%	17%
Number of shares on issue (million)	425.40	425.40

MANAGING DIRECTOR’S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

My main focus as CEO of Atlas since being appointed on 24 November 2014, and now as Managing Director of both Atlas Pearls and Perfumes and its subsidiary PT Cendana Indopearls in Indonesia, has been to build and maintain a solid communication bridge between the group’s operations in Indonesia, Western Australia and Tasmania.

FOCUS AND CONSOLIDATE

Last year was very much about focusing and consolidating the company’s core pearling business, by applying pearling best practices, re- aligning processes and further engaging people. Reshaping our corporate structure has allowed Atlas Pearls to trim overheads by \$856, 000 or 11% . Overall operating expenses were reduced from \$7 million in 2014/15 to \$6 million in 2015/16.

The first wave of reforms were geared towards shell management. This, along with strong demand and favourable JPY/ AUD exchange rates, delivered a 52% turnover increase, and a 400% EBITDA increase to reach \$18.4m and \$3.76m respectively, as well as a return to a more historically “normalised” oyster stock valuation.

This year is about anchoring the company on solid foundations to ensure both quantity and quality targets are hit consistently.

Two more waves of improvements are expected between 2017 and 2020 when, subject to seeding and hatchery reforms, oysters reach harvest time.

REVEAL AND DELIVER

Our ability to add value to our core product and to aim at the right market, at the right time has been another prime area of focus.

Trading revenues grew an outstanding 92% to reach a record \$15.4 million. The combined revenue of value added activities –primarily wholesale and retail- grew 23% to reach a record \$2.3million.

The streamlining of our jewellery operations led to a significant inventory reduction by \$1 million, or 79%, to align inventory level to the 600 days target, making Atlas pearl jewellery a profitable and attractive proposition to retailers and end consumers alike.

Atlas’ perfume arm, Essential Oils of Tasmania, also delivered a record revenue year with a 20% increase to reach \$2.5m in revenue and is also aiming at growing more value added activities to boost income.

Going forward, cost efficient sales and marketing initiatives will continue to drive Atlas value added endeavours.

SHARE AND SUSTAIN

People are driving changes and handling challenges as a result of the agility of the organization and its ability to consistently create value.

Effective communication is the key to an efficient value chain along which synergies can be developed. At the centre of this value chain are skilled, inspired and aligned people.

Significant efforts have been invested to provide the right skillset and depth of knowledge to the organization by bringing in the right talent. While simultaneously ,providing opportunities for the growth of local and expat staff.

Atlas has been able to double its pearl production every 5 years since it harvested 50,000 pearls in 2000 to reach 300,000 plus in 2015.

The past 12 months have demonstrated the ability of the Atlas team to turn around the business and further to that, build the foundations on which the company will grow. Atlas is now well-positioned to take hold of its solid competitive advantage.

We can now consider Atlas Pearls and Perfumes’ growth over the next 5 and 10 years with more confidence thanks to the alignment and engagement of its people, further pearl quantity and quality improvements and overarching strong market support.

Thank you and well done to the Atlas team.



Pierre Fallourd  
Managing Director



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 2016.

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.FC (HONS),M.B.A, F.C.P.A ,F.A.I.C.D. (AGE – 65)**  
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

**TIMOTHY JAMES MARTIN**  
**B.ARTS, M.B.A, G.A.I.C.D. (AGE – 44)**  
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 - 56)**  
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

**PIERRE FALLOURD, M.B.A (AGE – 42)**  
MANAGING DIRECTOR (CEO)

Mr Fallourd has over 15 years’ experience in pearling and is highly recognised in the pearl and jewellery industry for his role in developing and marketing Golden Pearls globally. He is a specialist in managing the pearl value chain and maximising the use and value of each pearl harvested. Pierre is fundamental to Atlas’ cradle to cradle strategy of extracting and maximising all aspects of the pearl and its by-products. Mr Fallourd joined the company in March 2013 as vice president pearling and has been CEO of Atlas since November 2014.

Appointed Managing Director 4 January 2016  
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 Mr Trevor Harris and Ms Susan Hunter.

**TREVOR HARRIS**  
**BCOM, CPA, GDIP COMP LAW\_ACG, AGIA**

Mr Harris joined Atlas on 31 August 2015 as Chief Financial Officer and was appointed joint Company Secretary 4 January 2016. Mr. Harris has over 20 years’ experience in financial management in a wide variety of industry sectors. As well as being a qualified CPA accountant, he holds a postgraduate qualification in Commercial Law and is a Chartered Company Secretary. Mr Harris has filled multi-disciplinary roles with companies such as Alcyone Resources Ltd, Shield Mining Ltd, Sphere Minerals Limited, BGC Australia and Toll Holdings.

Appointed 4 January 2016.

**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

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		Meetings Held Whilst in Office	
G. Newman	01/07/15 – 30/06/16	6	6	2	2	-	-
T. Martin	01/07/15 – 30/06/16	6	6	2	2	-	-
S.J. Arrow	01/07/15 – 30/06/16	6	6	2	2	-	-
P. Fallourd¹	04/01/16 – 30/06/16	3	3	-	-	-	-

Notes:  
1 P Fallourd was appointed to the board on the 4<sup>th</sup> January 2016.

4. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

4.1 PRINCIPAL ACTIVITIES

Atlas Pearls and Perfumes is a Company that produces South Sea Pearls, with farming operations throughout Indonesia, and retail stores in Perth and Bali. The company also has a 50% interest in Essential Oils of Tasmania, a company providing essential oils, pearl shell by-products and perfumes to local and international markets.

4.2 REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

4.2.1 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 30 August, Ms Danielle Brandenburg resigned as Chief Financial Officer and Joint Company Secretary, and was replaced as Chief Financial Officer by Mr Trevor Harris. On 4 January 2016, Mr Pierre Fallourd, Chief Executive Officer, was appointed to the Board of Directors in the position of Managing Director. On 4 January 2016, Mr Trevor Harris, Chief Financial Officer, was appointed to the position of Joint Company Secretary. On 20 June 2016, the company announced the successful extension of its’ Debt facility with CBA for a further 12 months to 30 June 2017.

4.2.2 SHAREHOLDER RETURNS

	12 Months Ending 30 June 2016 \$’000	12 Months Ending 30 June 2015 \$’000	12 Months Ending 30 June 2014 \$’000
Net profit/(loss) after tax	968	(8,134)	1,814
Basic EPS (cents)	0.23	(2.40)	0.61
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 2016 \$’000	12 Months Ending 30 June 2015 \$’000	12 Months Ending 30 June 2014 \$’000
Net profit/(loss) after tax	968	(8,134)	1,814
Tax expense/(benefit)	1,819	521	(355)
Finance/Interest net costs	288	398	471
Depreciation & amortisation	399	589	303
Foreign Exchange (gain)/loss	750	(792)	578
Agriculture Standard revaluation (gain)/loss/ pearl adjustments	(1,827)	6,697	(63)
Other Non-Operating (income)/expense	281	(497)	300
Inventory write off	-	-	(12)
Derivative Instrument (gain)/loss	268	(656)	436
Impairment of JV loan	816	149	-
Fair value (gain)/loss on EOT assets	-	245	-
(Gain)/Loss on sale of investment	-	245	-
Normalised EBITDA	3,762	(1,235)	3,470

4.2.3 FINANCIAL POSITION

	30 June 2016 \$’000	30 June 2015 \$’000	30 June 2014 \$’000
Total Assets	34,808	30,942	40,823
Debt (Current & Non-current)	(4,225)	(4,085)	(5,155)
Other Liabilities	(4,759)	(2,883)	(6,859)
Shareholder funds	25,825	23,974	28,809
Debt / Shareholder funds	16%	17%	18%
Number of shares on issue (million)	425.4	425.4	326.62
Net tangible assets per share (cents)	5.9	5.6	8.7
Share price at reporting date (cents)	3.2	4.4	8.5

There has been an increase in the net assets of the group of \$1.85M in the year ended 30 June 2016 (30 June 2015 - \$4.8M decrease).

4.2.4 OPERATING RESULTS

Atlas recorded a net profit after tax for the period ended 30 June 2016 of \$0.96M, an increase of \$9.1M (30 June 2015 – net loss after tax \$8.1M).

The operating revenue for the year ended 30 June 2016 was \$18.4M, compared to the year ended 30 June 2015 - \$12.1M. Pearl sales revenue was \$16.0M (30 June 2015 - \$8.7M), with retail and wholesale sales revenue of \$1.9M (30 June 2015 - \$1.4M). Client appreciation for a consistent Atlas product has driven healthy yen/momme pricing at Auction, and favourable movements in the exchange rate between the Japanese Yen and the Australian Dollar have further increased gains over this financial year. Subsequent to the consolidation of Retail stores to four in May / June 2015, 2015/16 retail sales decreased by 10%, but overall operating margins improved significantly due to the rationalisation of costs.

Gross Profit percentage overall improved to 54% in 2016 from 50% in 2015. This gain was predominantly due to revenue gains as operating costs remain well controlled and within predicted ranges.

Other operating expenses fell from \$7M in 2014/15 to \$6M in 2015/16 as a result of management restructuring and cost cutting efforts in the prior year.

The company also reduced its core debt with the CBA from \$5M to \$4M.



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2016

**4.2.5 REVIEW OF OPERATIONS****4.2.5.1 PEARLING**

Pearling operations in Indonesia continue to perform effectively. Unusually warm waters in the growing areas driven by an El Nino effect was effectively managed by the farming teams resulting in negligible seeded stock losses.

Impacts were felt in juvenile and virgin stocks, with water temperatures causing increased losses on sea deployment from hatchery. This had implications for 2017/18 numbers available for seeding, however stock has been sourced from external providers in the same area and internal growth targets are now expected to be met.

Improvements in seeding processes and shell husbandry made in 2015 are now effectively embedded as standard operating procedures, and the company continues to evaluate the effectiveness of second operations. The initial shells to benefit from these improved seeding techniques are scheduled to be harvested in December 2016.

The second wave of improvements are now focused at a Hatchery level. With spat survival a key measure in predicting the availability of seedable oysters in any year, improvements in this part of the supply chain are critical in the efforts to grow harvest volumes. New and experienced staff members from Australia have been recruited to roll out industry leading food production systems, and review hatchery practices all the way to sea deployment. At the same time our hatchery sites are being reviewed in terms of marine environment, with alternate/additional sites continually being evaluated.

Harvest profiles continue to recover from 2014/15, with gains seen in most quality parameters. This was clearly reflected in two record auction results in March and June of this year. With the 16/17 harvest falling heavily in the first half of 2017, the company is becoming more and more confident that auction results in the New Year will continue to reflect the improving harvest profile.

**4.2.5.2 PEARLING VALUE ADDED**

The Company has continued this year with its efforts to maximise the value of its pearl harvest by customising its offerings at wholesale and retail levels, both domestically and internationally. While promoting our own wholesale sales, the Company is also engaged at an industry level to increase the value perception of South Sea Pearls and re-open international markets such as South East Asia and the USA.

On a retail level, the company undertook a re-structure of its Bail retail offering in June of 2015, closing three retail stores in Bail, retaining one retail store in Seminyak, and four farm based industrial tourism stores. The Flagship store remains on Bayview Terrace in Claremont, Western Australia.

The results of this structure this year has been a minor decline in sales volumes, but a significant increase in overall performance of the retail division due to the reduced cost base. As disclosed last year, the company continued to reduce the holdings of older, slower moving inventory via promotions and significant discounts. This process is complete, and the coming year is expected to benefit fully from the release of new capsule collections, designed both internally and in collaboration with international designers. The company remains committed to a strong retail presence, with refined efforts to build the Atlas brand ongoing.

**4.2.5.3 DIVERSIFICATION AND PEARLING BY-PRODUCTS**

During the year, the Company evaluated its options in the area of diversification of its revenue stream. The company remains committed to generating the maximum value from each Oyster, and the commercialisation of Mother of Pearl By-Products is a key opportunity. Pursuit of commercial outcomes by becoming a key supplier of pearl powder and proteins into the international cosmeceutical market remains of significant strategic value, and in conjunction with our partner Nomad Two Worlds, the company is well advanced to achieve this in the next 2 years.

**4.2.5.4 NATURAL EXTRACTS**

As part of the company's ongoing focus on core business detailed in last year's annual report, the company placed its 50% ownership in Essential Oils of Tasmania (EOT) as for sale during the year. After the evaluation of numerous offers, strategic discussions at a board level and discussions with our partner Westwood holdings, the Company has decided against a sale and made a fresh commitment to develop EOT as a strong diversified revenue stream. The Board of Atlas has taken a prudent approach to the valuation of Atlas's interest EOT in this year's accounts, but is driving a strategic assessment of the businesses operations.

EOT will now transition from being a direct farmer to a 100% contract farming model, leveraging its relationships within the Tasmanian Farming Industry and reducing capital costs. Material increases in capacity are being negotiated to deliver economies of scale for products competing in the bulk sector, while at the same time efforts are being made to refine and expand the company's footprint in high margin retailed niche products, both domestically and internationally.

A number of research projects using Tasmanian grown by-products from other farming industries are expected to deliver commercial outcomes in the next year, and EOT's role in the production of pearl powder and protein has the potential to add further value as product development moves to market release. A place in the evolving Medicinal Cannabis industry remains a medium term strategic vision.

**4.2.5.5 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 1.33 in the Notes to the Financial Statements for further detail on going concern. Refer to page 65 for the Independent Auditors Report and Opinion.

**4.2.5.6 PERSONNEL**

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

	2016	2015	2014
Expatriates – Indonesia	22	18	21
Indonesian nationals – permanent	422	430	536
Indonesian nationals – part time	444	435	341
Australia	19	22	43
Total Personnel	907	905	941

**5. DIVIDENDS**

No dividends were declared and paid by the Company during period ended 30 June 2016 (2015 – nil).

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2016

**6. EVENTS SINCE THE END OF THE FINANCIAL YEAR**

There have been no material events since the end of the financial year.

**7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The company expects to both consolidate and evolve the gains made across the business this year.

Oysters for harvest over the next 2 years are in the water, so the focus will be on shell care and cost control and client management to see the best possible outcomes over that period. As detailed above, the first of the harvests made under our new seeding practices are scheduled to be harvested from December 16 onwards and will provide significant feedback on the success of the changes.

Looking forward further, current efforts at a hatchery level have the possibility of delivering increases in seedable oysters 2 years from now, providing an internal platform for growth. In the interim the company will also evaluate JV opportunities within the Indonesian archipelago with local oyster growers to boost oyster holdings. The company intends to pursue a growth agenda while retaining a quality focus.

At a corporate level, the company will continue to reduce its debt position via repayments to the CBA from internal cash flows, and evaluate opportunities to restructure any remaining debt with minimal impacts on existing stakeholders.

**8. 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 <sup>(1)</sup>	4,256,545	103,329,122	-	-
P. Fallood	3,311,206		2,000,000	-

1. 17,880,240 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. The balance of the indirect shares are held by related parties of Mr T Martin.

**9. OPTIONS**

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.

During the year end 30 June 2015 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. 2,000,000 of 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. There were no listed or unlisted options issued during the year ended 30 June 2016.

During the year ended 30 June 2016, of the 28,500,000 options with performance conditions maturing at 30 June 2016, none were deemed vested, as no individual met their respective performance conditions in relation to said options. As such, all options were lapsed/forfeited as at 30 June 2016. At 30 June 2016, the total quantity of unlisted options on issue is 5,500,000.

**10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS****10.1 INDEMNIFICATION**

The Company has agreed to indemnify the following current directors of the Company; Mr S Arrow, Mr G Newman, Mr T Martin, and Mr P Fallood 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.

**10.2 INSURANCE PREMIUMS**

Since the end of the previous financial year the Company has paid insurance premiums of \$22,110 (2015 - \$16,440) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

**11. 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*.



## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## 11. NON AUDIT SERVICES CONTINUED...

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 2016 \$	30 June 2015 \$
<b>AUDIT SERVICES</b>		
BDO Australian Firm:		
Audit and review of financial reports	86,000	86,000
BDO Indonesian Firm:		
Audit and review of financial reports	17,011	16,379
<b>Total remuneration for audit services</b>	<b>103,011</b>	102,379
<b>OTHER SERVICES</b>	<b>40,000</b>	
<b>Total remuneration for other services</b>	<b>40,000</b>	-
<b>TAXATION SERVICES</b>		
BDO Australian Firm:		
Tax compliance services and advice	-	37,919
Related practices of BDO Australian Firm		-
<b>Total remuneration for taxation services</b>	<b>-</b>	37,919
<b>Total remuneration for non-audit and taxation services</b>	<b>40,000</b>	37,919

## 12. 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.

## 13. REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Company's 2016 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>	
G. Newman	Independent Non-Executive Chairman
T. Martin	Non-Executive Director
S. Arrow	Independent Non-Executive Director
P. Fallourd	Managing Director (Chief Executive Officer until 4 January 2016)
<i>Other key management personnel</i>	
R. Satchell	Chief Operations Officer Pt Cendana Indopearl (23 January 2015 – 20 April 2016).
M Longhurst	Chief Operations Officer Pt Cendana Indopearl (From 1 March 2016).
D Brandenburg	Chief Financial Officer (until 30 August 2015)
T Harris	Chief Financial Officer (from 31 August 2015)

*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 2016;

## Chief Financial Officer – T Harris

Mr T Harris' contract was renegotiated on the 1 July 2016. Base salary for the 2016/17 financial year of \$190,000, inclusive of 9.5% superannuation, reviewed annually.

## 13.1 REMUNERATION GOVERNANCE

## 13.1.1 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-archiving 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.

## 13.1.2 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 2016, the total non-executive directors' fees including retirement benefit contributions were \$178,114.

The following fees have applied:

- Base fees for Non-Executive Directors - \$50,000 per annum
- The Independent Non-Executive Chairman's fee is \$78,000 per annum
- The Managing Directors base package is \$240,900, with an additional \$20,000 per annum payable for directors' duties from 4 January 2016

## 13.1.3 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

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## 13.1.3 EXECUTIVE REMUNERATION POLICY AND FRAMEWORK CONTINUED...

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 13.2 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 13.5 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 2016 the Company did not engage any remuneration consultants.

*Voting and comments made that the Company's 2015 Annual General Meeting.*

Atlas Pearls and Perfumes Ltd received more than 98% of "yes" votes on its remuneration report for the 2015 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.



## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## 13.2 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	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors(Non-Executive)</b>											
G. Newman <sup>5,8</sup>	2016	78,000	-	-	-	78,000	-	-	-	-	78,000
	2015	19,334	32,233	-	-	51,567	-	-	-	-	51,567
J.J.U. Taylor <sup>1,8,9,14,15</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	86,358	7,393	-	-	93,751	8,906	-	-	(628)	102,029
T. Martin <sup>6,8</sup>	2016	50,114	-	-	-	50,114	-	-	-	-	50,114
	2015	16,667	23,333	-	-	40,000	-	-	-	-	40,000
S. Arrow <sup>8,10</sup>	2016	50,000	-	-	-	50,000	-	-	-	-	50,000
	2015	16,667	23,333	-	-	40,000	-	-	-	-	40,000
<b>Directors (Executive)</b>											
S.P. Birkbeck <sup>1,2,8,14,15</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	168,937	38,095	-	-	207,032	17,833	-	-	(12,559)	212,306
N. Rocher <sup>13,14,15</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	51,971	-	-	-	51,971	4,937	-	7,500	(2,974)	61,434
P. Fallourd <sup>7,8,11,16</sup>	2016	219,712	9,615	48,000	-	277,327	21,786	-	-	28,899	328,012
	2015	117,263	65,385	-	-	182,648	17,352	-	7,500	17,895	225,395
<b>Total</b>	<b>2016</b>	<b>397,826</b>	<b>9,615</b>	<b>48,000</b>	-	<b>455,441</b>	<b>21,786</b>	-	-	<b>28,899</b>	<b>506,126</b>
<b>Total</b>	<b>2015</b>	<b>477,197</b>	<b>189,772</b>	-	-	<b>666,969</b>	<b>49,028</b>	-	<b>15,000</b>	<b>1,734</b>	<b>732,731</b>

<b>Other Key Management Personnel</b>											
S. Gleeson <sup>4,9,14</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	173,944	-	-	-	173,944	20,591	-	-	(6,660)	187,875
J.S. Jorgensen <sup>3,8,14</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	133,269	-	-	-	133,269	10,423	-	-	(1,487)	142,205
R. Satchell <sup>3,14</sup>	2016	191,570	12,205	-	18,490	222,265	-	-	-	(24,764)	197,501
	2015	120,000	9,795	10,000	16,208	156,003	2,192	-	5,000	9,279	172,474
D. Brandenburg <sup>4,7,8,14</sup>	2016	61,379	-	-	-	61,379	5,831	-	-	(19,983)	47,227
	2015	145,494	14,247	4,301	-	164,042	15,584	-	7,500	18,559	205,685
S. Mackay-Coghill <sup>7,12,14</sup>	2016	-	-	-	-	-	-	-	-	-	-
	2015	31,638	-	-	-	31,638	3,010	-	-	(1,424)	33,224
T. Harris <sup>4,7,8,16</sup>	2016	159,567	-	30,000	-	189,567	15,159	-	-	8,216	212,942
	2015	-	-	-	-	-	-	-	-	-	-
M. Longhurst <sup>3,7,16</sup>	2016	169,004	-	30,000	20,432	219,436	-	-	-	14,783	234,219
	2015	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2016</b>	<b>581,520</b>	<b>12,205</b>	<b>60,000</b>	<b>38,922</b>	<b>692,647</b>	<b>20,990</b>	-	-	<b>(21,748)</b>	<b>691,889</b>
<b>Total</b>	<b>2015</b>	<b>604,345</b>	<b>24,042</b>	<b>14,301</b>	<b>16,208</b>	<b>658,896</b>	<b>51,800</b>	-	<b>12,500</b>	<b>18,267</b>	<b>741,463</b>
<b>Grand Total 2016</b>	<b>2016</b>	<b>979,346</b>	<b>21,820</b>	<b>108,000</b>	<b>38,922</b>	<b>1,148,088</b>	<b>42,776</b>	-	-	<b>7,151</b>	<b>1,198,015</b>
<b>Grand Total 2015</b>	<b>2015</b>	<b>1,081,542</b>	<b>213,814</b>	<b>14,301</b>	<b>16,208</b>	<b>1,325,865</b>	<b>100,828</b>	-	<b>27,500</b>	<b>20,001</b>	<b>1,474,194</b>

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## 13.2 DETAILS OF REMUNERATION CONTINUED...

Notes:

- Dr J Taylor and Mr S Birkbeck are Directors of the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd.
- Mr S Birkbeck was 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 resigned as Executive Chairman on 16 February 2015.
- 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 was the Chief Operations Officer of the Company's Indonesian subsidiary, PT. 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. Mr Satchell resigned 20 April 2016. Mr M Longhurst took over as Chief Operations Officer following Mr Satchell's resignation.
- Mr S Gleeson was appointed Chief Financial Officer on 1 February 2012. Mr S Gleeson resigned as Chief Financial Officer on 1 July 2014. Mr S Gleeson's contract was terminated on 16 April 2015. D Brandenburg was appointed Chief Financial Officer on 1 July 2014. D Brandenburg resigned 30 August 2015. T Harris was appointed Chief Financial Officer on 31 August 2016.
- 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. Mr T Martin was appointed 4 February 2013 as Non-Executive Director.
- Bonuses were accrued for T Harris, M Longhurst and P Fallourd based on milestones achieved during the period. These are all variable bonuses dependant on year end results. Refer to Note 13.3 Service Agreements for further detail on short term incentive plan for each KMP. In 2015, D Brandenburg and R Satchell were paid bonuses.
- A number of key management took part in the 2016 and 2015 salary sacrifice schemes. In 2016, Mr P Fallourd \$9,615 and R Satchell \$12,438 participated in the salary sacrifice scheme which finished on 25 December 2015. In 2015, Mr P Fallourd, Ms D Brandenburg and Mr R Satchell all participated in the salary sacrifice scheme. Mr G Newman, Mr T Martin, and Mr S Arrow salary sacrificed all director fees from 1 November 2014 to 30 June 2015. Dr J Taylor salary sacrificed all director fees from 1 November 2014 to 16 February 2015 (date of his resignation). Fees accrued under the plan as at 30 June 2016 for the directors were; G Newman \$32,233; Mr T Martin \$23,333; Mr S Arrow \$23,333 and Dr J Taylor \$7,393.
- Non-Monetary benefits of other key management personnel included accommodation allowances, school fees and medical expenses, as per individual employment contracts.
- Mr S Arrow appointed as Non-Executive Director on 2 January 2014.
- 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. Mr P. Fallourd was appointed Managing Director on 4 January 2016.
- Ms S Mackay-Coghill resigned as Vice President Jewellery, Cosmetics & Perfume on 7 November 2014. Ms S Mackay-Coghill worked on contract with the Company until 31 December 2014 but was not considered to be a Key Management Personnel after 7 November 2014.
- 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.
- Option benefit related expenses recognised in June 2015 year end have been reversed in 2016 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.
- Mr S Birkbeck resigned as a director on 16 February 2015. He did not earn any remuneration during the 2015/2016 financial year. Mr N Rocher resigned as alternate director on 16 February 2015. He did not earn any remuneration during the 2015/2016 financial year. Mr J Taylor resigned as a non-executive director on 16 February 2015. He did not earn any remuneration during the 2015/2016 financial year.
- Share based remuneration related to Options, relates to options issued in prior periods, being recognised over the respective vesting period.

## 13.2.1 DETAILS OF REMUNERATION – PERFORMANCE ANALYSIS

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

	30 June 2016	30 June 2015
Name	% Performance	% Performance
J Taylor	0.00%	0.00%
S Birkbeck	0.00%	0.00%
N Rocher	0.00%	7.37%
P Fallourd	23.44%	11.27%
S Gleeson	0.00%	0.00%
J Jorgensen	0.00%	0.00%
R Satchell	0.00%	14.08%
D Brandenburg	0.00%	14.76%
T Harris <sup>1</sup>	17.95%	N/A
M Longhurst <sup>2</sup>	19.12%	N/A

- T Harris was appointed Chief Financial Officer on 31 August 2015 and not considered Key Management Personnel during the year ended 30 June 2015
- M Longhurst was appointed COO on 1 March 2016 and not considered Key Management Personnel during the year ended 30 June 2015.

## 13.2.2 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 2016	12 months 2015	12 months 2014	6 months 2013	12 months 2012
Profit/(loss) for the year/period	968,103	(8,134,049)	1,813,922	(2,194,645)	1,406,150
Basic earnings per share	0.23	(2.4)	0.61	(0.81)	0.68
Dividend payments	-	-	-	-	-
Increase/(decrease) in share price	(27%)	(48%)	53%	(25%)	(60%)
Total KMP incentives as a percentage profit/loss %	12%	-0.8%	4.4%	0.0%	2.6%

## 13.3 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:



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2016

**13.3.1 Mr Pierre Fallourd  
(Managing Director appointed 4 January 2016.  
CEO – appointed 26 November 2014)**

- Base salary for the 2016 financial period of \$240,900 per annum inclusive of superannuation, reviewed annually.
- Directors fees of \$20,000 per annum, payable from appointment (4 Jan 2016)
- Short-term incentive plan of 8% of Normalised EBITDA for 2015/2016, where Normalised EBITDA is greater than \$1.7m, this is capped at a maximum bonus of \$48,000. The bonus is inclusive of taxes and super.
- Termination conditions - either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

**13.3.2 Mr Richard Satchell  
(Chief Operations Officer – appointed 23 January 2015;  
Resigned 20 April 2016)**

- Mr R Satchell was appointed Chief Operations Officer 23 January 2015. He was previously appointed General Manager Strategy.
- Base salary for the 2016 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 15/16, where Normalised EBITDA is greater than \$1.7m, this is capped at a maximum bonus of \$30,000. The bonus is inclusive of taxes. Bonus is not payable where employee's employment terminates before 30 June 2016.
- Termination conditions – either party may terminate the contract of employment by giving two months' notice or a lesser amount as mutually agreed.

**13.3.3 Mrs Danielle Brandenburg  
(Chief Financial Officer – appointed 1 July 2014 –  
Resigned 30 August 2015)**

- Base salary for the 2016 financial period of \$175,000 per annum inclusive of superannuation, reviewed annually.
- Termination conditions - either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

**13.3.4 Mr Trevor Harris  
(Chief Financial Officer – Appointed 31 August 2015)**

- Base salary for the 2016 financial period of \$175,000 per annum inclusive of superannuation, reviewed annually.
- At 1 July 2016, Base salary was adjusted to \$190,000 per annum inclusive of super.
- Short-term incentive plan of 5% of Normalised EBITDA for the 15/16, where Normalised EBITDA is greater than \$1.7m, this is capped at a maximum bonus of \$30,000. The bonus is inclusive of taxes and super.
- Termination conditions - either party may terminate the contract of employment by giving three months' notice or a lesser amount as mutually agreed.

**13.3.5 Mr Mark Longhurst  
(Chief Operating Officer – Appointed 1 March 2016)**

- Base salary of \$150,000 per annum inclusive of superannuation from 1 June 2016
- Base salary was adjusted to \$200,000 at 1 March 2016 on appointment as COO, and also subject to various non-financial allowances relating to living in Indonesia.
- Short-term incentive plan of 5% of Normalised EBITDA for the 15/16, where Normalised EBITDA is greater than \$1.7m, this is capped at a maximum bonus of \$30,000. The bonus is inclusive of taxes.
- Termination conditions - either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

**13.3.6 OTHER NON - EXECUTIVES (STANDARD CONTRACTS)**

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

**13.4 ADDITIONAL INFORMATION OF THE  
REMUNERATION REPORT****13.4.1 LOANS TO DIRECTORS AND EXECUTIVES**

There are no loans in place with directors or other key management personal as at 30 June 2016.

**13.4.2 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. At 30 June 2016, the KPIs in relation to the 2014 issued options were not met; thus all were deemed expired/forfeited on this date. See table at 13.5.4 for details.

**13.4.3 OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS**

- \$78,900 of the ESSP accrual at 30 June 2016 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 2016 none of the directors' salary sacrificed into the Non - Executive Director Fee Salary Sacrifice Share plan. Shares will be issued to Directors post approval at the 2016 AGM.
- \$46,818 of the ESSP accrual at 30 June 2016 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); Joseph Taylor \$7,393.
- During the period, sales of individual pearls of small quantities were made to some staff and Directors on normal commercial terms.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2016

**13.5 SHARE BASED PAYMENTS COMPENSATION****13.5.1 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 2016 AND YEAR ENDED 30 JUNE 2015. PLEASE REFER TO NOTE 23 IN THE FINANCIAL STATEMENTS FOR DETAILS OF THE ATLAS EMPLOYEE SALARY SACRIFICE SHARE PLAN.**

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares to be Issued	Date of Issue	Shares Vested to June 2016	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Richard Satchell	15/12/14	271,222	271,222	23/02/16	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	\$12,205
Pierre Fallourd	17/11/14	213,667	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	\$9,615

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	341,889	-	-	100%	0%	2015 – 100%	Ordinary Shares	\$0.045	\$15,385
Richard Satchell	15/12/14	217,667	217,667	23/02/16	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	\$9,795
Pierre Fallourd	26/09/14	625,000	625,000	26/09/14	100%	0%	2015 – 100%	Ordinary Shares	\$0.080	\$50,000

**13.5.2 THE ATLAS NON-EXECUTIVE DIRECTOR FEE SACRIFICE SHARE PLAN**

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

**13.5.3 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	716,289	-	-	100%	0%	2016 – 100%	Ordinary Shares	\$0.045	32,233
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.

**13.5.4 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 16	Value Per Options at 30 June 15	Option Exercise Price
Stephen Birkbeck <sup>1,4</sup>	13/05/14	10,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.0858
Joseph Taylor <sup>1,4</sup>	13/05/14	500,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.0858
Stephen Gleeson <sup>2,4</sup>	24/02/14	2,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.0858
Stephen Gleeson <sup>1,4</sup>	02/06/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.095
Pierre Fallourd <sup>2,4</sup>	24/02/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$20,229	\$11,590	\$0.0858
Pierre Fallourd <sup>1,4</sup>	02/06/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$19,296	\$9,991	\$0.095
Pierre Fallourd <sup>3</sup>	30/06/15	2,000,000	30/6/18	31/12/18	0%	2018	Ordinary Shares	\$10,955	\$nil	\$0.059
Nelson Rocher <sup>2,4</sup>	24/02/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.0858
Jan Jorgensen <sup>2,4</sup>	24/02/14	500,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.0858
Danielle Brandenburg <sup>1,4</sup>	02/06/14	2,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$18,559	\$0.095
Sonia McKay-Coghill <sup>1,4</sup>	02/06/14	2,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$nil	\$0.095
Richard Satchell <sup>1,4</sup>	02/06/14	1,000,000	30/6/16	31/12/16	100%	2016	Ordinary Shares	\$nil	\$9,279	\$0.095
Richard Satchell <sup>3,4</sup>	30/06/15	1,000,000	30/6/18	31/12/18	100%	2018	Ordinary Shares	\$nil	\$nil	\$0.059
Trevor Harris <sup>3</sup>	30/06/15	1,500,000	30/6/18	31/12/18	0%	2018	Ordinary Shares	\$8,216	\$nil	\$0.059
Mark Longhurst <sup>1,4</sup>	02/06/14	1,000,000	30/06/16	31/12/18	100%	2016	Ordinary Shares	\$19,296	\$nil	\$0.095
Mark Longhurst <sup>3</sup>	30/06/15	1,000,000	30/06/18	31/12/18	0%	2018	Ordinary Shares	\$5,478	\$nil	\$0.059

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. KPIs in relation to the options were not met – options forfeited



DIRECTORS’ REPORT

FOR THE YEAR ENDED 30 JUNE 2016

13.5.5 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 year ended 30 June 2015. None were issued during the year ended 30 June 2016.
2. Option holdings  
There were 8,000,000 options on issue to key management personnel during the period ended 30 June 2015. There are 4,500,000 options on issue to Key Management personal at 30 June 2016 (see 13.5.6 c).
- 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 13 of the Directors’ Report.

	Balance 01/07/15	Granted as Comp- ensation	Options Exercised	Other Changes (1)	Balance 30/06/16
Parent Entity Directors					
Mr G. Newman	1,847,154	-	-	-	1,847,154
Mr T. Martin <sup>(4)</sup>	107,585,667	-	-	-	107,585,667
Mr S. Arrow	13,809,707	-	-	-	13,809,707
Mr P. Fallourd <sup>(4)</sup>	3,311,206	-	-	-	3,311,206
Other key management personnel					
Mr R. Satchell <sup>(2)</sup>	111,111	-	-	(111,111)	-
Mr T. Harris <sup>(3)</sup>	-	-	-	-	-
Mr M. Longhurst <sup>(3)</sup>	-	-	-	-	-
	126,664,845	-	-	(111,111)	126,553,734

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
4. 4,256,545 shares are directly held by Mr T Martin. The balance of 103,329,122 shares are related party share holdings.

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 2016 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 01/07/15	Granted	Exercised	Expired/ forfeited/ other <sup>(1)</sup>	Balance 30/06/16
Parent Entity Directors					
Mr G. Newman	-	-	-	-	-
Mr T. Martin	-	-	-	-	-
Mr S. Arrow	-	-	-	-	-
Mr P. Fallourd <sup>(4)</sup>	4,000,000	-	-	(2,000,000)	2,000,000
Other key management personnel					
Ms D. Brandenburg	2,000,000	-	-	(2,000,000)	-
Mr R. Satchell <sup>(2)</sup>	2,000,000	-	-	(2,000,000)	-
Mr T. Harris <sup>(3)</sup>	1,500,000	-	-	-	1,500,000
Mr M. Longhurst <sup>(3)(4)</sup>	2,000,000	-	-	(1,000,000)	1,000,000
	11,500,000	-	-	(7,000,000)	4,500,000

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
4. Options forfeited due to performance criteria attached to options exercise not being met by 30 June 2016.
- This is the end of the Audited Remuneration Report.

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 31.

Signed in accordance with a resolution of the Directors.

Geoffrey Newman  
Chairman  
30th August 2016

INDEPENDANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2016



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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 2016, 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, 30 August 2016



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES		
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
FOR THE YEAR ENDED 30 JUNE 2016		

	Note	2016 \$	2015 \$
Revenue from continuing operations	2	18,434,855	12,118,312
Cost of goods sold		(8,152,468)	(5,891,435)
Gross profit		10,282,387	6,226,877
Other income	2	1,324,354	3,824,188
Marketing expenses		(234,896)	(454,199)
Administration expenses	3	(6,270,373)	(7,407,977)
Finance costs	3	(414,270)	(473,131)
Change in fair value less husbandry costs of oysters		1,992,520	(5,489,228)
Write-off of pearl and jewellery costs		(165,036)	(1,386,517)
Other expenses	3	(3,618,346)	(2,220,528)
Loss on sale of investment		-	(245,234)
Share of equity accounted investment	30	(109,195)	12,940
<b>Profit/(Loss) before income tax</b>		<b>2,787,145</b>	<b>(7,612,809)</b>
Income tax (charge)/benefit current year	4	(1,819,042)	(521,240)
<b>Profit/(Loss) after income tax for the period from continuing operations</b>		<b>968,103</b>	<b>(8,134,049)</b>
<b>Other comprehensive income/(losses)</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		617,216	(1,073,521)
<b>Other comprehensive income/(losses) for the period, net of tax</b>		<b>617,216</b>	<b>(1,073,521)</b>
<b>Total comprehensive income/(losses) for the period</b>		<b>1,585,319</b>	<b>(9,207,570)</b>
<b>Profit/(loss) is attributable to:</b>			
<b>Owners of the Company</b>		<b>968,103</b>	<b>(8,134,049)</b>
<b>Total comprehensive income/(losses) is attributable to:</b>		<b>1,585,319</b>	<b>(9,207,570)</b>
<b>Owners of the Company</b>			
Overall operations:			
<b>Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings/(loss) per share (cents)	5	0.23	(2.40)
Diluted earnings per share (cents)	5	0.23	-

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		
FOR THE YEAR ENDED 30 JUNE 2016		

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	6	4,343,407	2,632,311
Trade and other receivables	7	726,993	562,021
Derivative financial instruments	8	-	14,245
Inventories	9	2,949,908	3,030,227
Biological assets	10	5,331,477	3,565,680
<b>Total current assets</b>		<b>13,351,785</b>	<b>9,804,484</b>
<b>Non-current assets</b>			
Intangibles	12	161,969	276,854
Loans joint venture entities	25	1,016,456	1,597,015
Investments accounted for using Equity Method	29	183,744	292,940
Inventories	9	199,393	173,510
Biological assets	10	12,118,179	10,988,645
Property, plant and equipment	11	4,740,815	4,473,286
Deferred tax assets	15	3,035,807	3,335,614
<b>Total non-current assets</b>		<b>21,456,363</b>	<b>21,137,864</b>
<b>Total assets</b>		<b>34,808,148</b>	<b>30,942,348</b>
<b>Current liabilities</b>			
Trade and other payables	13	2,528,685	1,685,124
Borrowings	14	4,191,016	3,954,527
Derivative financial instruments	8	253,324	-
Current tax liabilities	15	661,111	225,528
<b>Total current liabilities</b>		<b>7,634,136</b>	<b>5,865,179</b>
<b>Non-current liabilities</b>			
Borrowings	14	33,553	130,208
Deferred tax liabilities	15	1,315,815	972,780
<b>Total non-current liabilities</b>		<b>1,349,368</b>	<b>1,102,988</b>
<b>Total liabilities</b>		<b>8,983,504</b>	<b>6,968,167</b>
<b>Net assets</b>		<b>25,824,644</b>	<b>23,974,181</b>
<b>Equity</b>			
Contributed equity	16	36,698,536	36,465,656
Reserves	17	(8,400,478)	(9,049,958)
(Accumulated losses)	18	(2,473,414)	(3,441,517)
<b>Total equity</b>		<b>25,824,644</b>	<b>23,974,181</b>

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



CONSOLIDATED STATEMENT OF CHANGED IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to owners of Atlas Pearls and Perfumes Ltd				
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	(Accumulated loss)	Total equity
Note	\$	\$	\$	\$	\$
	32,153,001	622,574	(8,658,778)	4,692,532	28,809,329
18	-	-	-	(8,134,049)	(8,134,049)
17	-	-	(1,073,521)	-	(1,073,521)
	-	-	(1,073,521)	(8,134,049)	(9,207,570)
16	4,312,655				4,312,655
17	-	59,767	-	-	59,767
	<b>36,465,656</b>	<b>682,341</b>	<b>(9,732,299)</b>	<b>(3,441,517)</b>	<b>23,974,181</b>
	36,465,656	682,341	(9,732,299)	(3,441,517)	23,974,181
18	-	-	-	968,103	968,103
17	-	-	617,216	-	617,216
	-	-	617,216	968,103	1,585,319
16	232,880	-	-	-	232,880
17	-	32,264	-	-	32,264
	<b>36,698,536</b>	<b>714,605</b>	<b>(9,115,083)</b>	<b>(2,473,414)</b>	<b>25,824,644</b>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Proceeds from pearl, jewellery and oyster sales		17,646,039	12,916,087
Proceeds from essential oil sales		-	1,544,324
Proceeds from other operating activities		396,504	441,896
Interest paid		(332,676)	(406,295)
Interest received		12,062	8,867
Payments to suppliers and employees		(14,681,056)	(13,904,890)
Net Income tax (paid)		(553,645)	(98,545)
Net cash provided in operating activities	24.2	2,487,228	501,444
<b>Cash flows from investing activities</b>			
Cash on sale of EOT investment		-	280,000
Payments for property, plant and equipment		(451,502)	(2,081,934)
Joint venture partnership contributions (paid)		(170,196)	(537,041)
Net cash provided/(used) in investing activities		(621,698)	(2,338,975)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(222,297)	(75,707)
Proceeds from issue of shares		-	3,160,563
Share transaction costs		-	(263,066)
Net cash used in financing activities		(222,297)	2,821,790
Net increase in cash and cash equivalents		1,643,233	984,259
Cash and cash equivalents at the beginning of the financial period		2,632,311	1,665,207
Effects of exchange rate changes on cash and cash equivalents		67,863	(17,155)
Cash and cash equivalents at the end of the financial year	6	4,343,407	2,632,311

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



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 30 August 2016. 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 2015 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 1.32.

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 2016 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

Joint venture entities continued...

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.

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) 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.

The details of the Biological assets that are held by the economic entity as at 30 June 2016 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	
	2016	2015
Freehold land	5-10%	5-10%
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	10-50%	10-50%



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED...****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.

**(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.

**(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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**(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.

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 or 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.

**1.15 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.

**1.16 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.

**1.17 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.

**1.18 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

**1.19 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.

**1.20 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.



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

1.20 TRADE RECEIVABLES CONTINUED...

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.

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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 415,837,428.

(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 diluted earnings per share calculation is 421,337,428.

1.28 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1.29 SEGMENT REPORTING CONTINUED...

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 sale

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.

1.30 COMPARATIVE FIGURES

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

1.31 PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Atlas Pearls and Perfumes Ltd, disclosed in note 31 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.

1.32 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.

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 year ended 30 30 June 2016 or 30 June 2015.

– Impairment of joint venture receivables

A provision has been recognised in respect of the receivable owed to the group from its joint venture entity, Essential Oils of Tasmania Pty Ltd, of \$816,028 for the year ended 30 June 2016 (30 June 2015 - \$nil).

– Impairment of jewellery

A provision for jewellery obsolesce of \$100,000 is held on the balance sheet in respect of the jewellery inventory holdings held by the group at 30 June 16. 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 \$165,036 as at 30 June 2016 (30 June 2015 – \$1,386,517).

– 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 9.

Key assumptions that have been used to determine the fair market value of the oysters at 30 June 2016 are as follows:

	30 June 2016	30 June 2015
Average selling price for pearls <sup>1</sup>	¥13,000 per momme	¥12,000 per momme
¥ exchange rate	¥76.53:AUD1.00	¥93.96:AUD1.00
Average pearl size	0.49 momme	0.55 momme
Proportion of market grade pearls	50%	52%
Discount rate applied to cash flow	20%	20%
Mortality & Rejection rates	Historical comparison	Historical comparison
Average unseeded oyster value	\$1.85	\$1.47

Sellable Actual Results for the year ended 30 June 2016

	01/07/15 – 31/12/15	01/01/16- 30/06/16	Total
Total Weight Sold (Momme)	33,282	50,312	83,594
Average ¥/Momme	¥14,958 per momme	¥14,328 per momme	¥14,579 per momme
Total No. of Pearls sold	66,043	99,869	165,912

- 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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED...****1.32 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS CONTINUED...**

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.

**1.33 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 profit after tax for the Group for the year ended 30 June 2016 amounted to a profit of \$0.97m (year ended 30 June 2015 \$8.1m loss).

At 30 June 2016 the Group had a working capital balance of \$5.7m (2015: \$3.9m); \$5.3m (2015: \$3.5m) of this balance comprised of unharvested oysters due for harvest during the next 12 months. As at the 30 June 2016 the Group had a net asset position of \$25.8m (2015: \$24m); \$17.4m (2015: \$14.6m) of this balance comprised of unharvested oysters.

The company extended debt facilities with CBA in June 2015, with an agreed repayment plan of \$1m over the course of the year to June 2016. This repayment plan was met in full.

The company has announced it has agreed, on all material terms, with the Commonwealth Bank of Australia for an extension of its current Debt Facility through to 30 June 2017. This will entail:

- 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%

- Atlas to provide CBA with monthly updates on debt repayment activities and trading updates.

- Principle repayment plan of \$4m during the FY16/17 with the schedule of repayments as follows:

Date of Repayment	Repayment Amount
31 October 2016	\$250,000
31 December 2016	\$250,000
28 April 2017	\$1,250,000
30 June 2017	\$2,250,000
Total	\$4,000,000

The new agreement is expected to formalised and signed off with CBA in September 2017.

However, without:

- the refinancing of existing credit and debt facilities of the Group by 30 June 2017;
- 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 64 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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**2. REVENUE FROM CONTINUING OPERATIONS**

	Consolidated		2016 \$	2015 \$
	2016 \$	2015 \$		
Sales Revenue				
Sale of goods	18,042,174	11,774,319		
Other Revenue				
Interest income	57,335	9,411		
Other revenues	335,346	334,582		
<b>Revenue</b>	<b>18,434,855</b>	<b>12,118,312</b>		
Other Income				
Foreign exchange (losses)/gains realised	477,213	591,556		
Foreign exchange (losses)/gains unrealised	465,799	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	41,516	521,768		
Research and development tax offset	339,826	752,044		
EOT Crop Revaluation	-	167,104		
<b>Other Income</b>	<b>1,324,354</b>	<b>3,824,188</b>		
<b>3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS</b>				
	2016 \$	2015 \$		
<b>Administration expenses from ordinary activities</b>				
Salaries and wages	3,699,586	4,442,619		
Depreciation property, plant and equipment	398,575	588,557		
Operating lease rental costs	504,894	673,159		
Compliance and finance	556,026	821,506		
Other	1,111,292	882,136		
	<b>6,270,373</b>	<b>7,407,977</b>		
<b>Other expenses</b>				
Loss on foreign exchange realised	1,333,085	363,456		
Loss on foreign exchange unrealised	360,019	569,438		
Loss on derivative financial instruments	267,570	-		
Provision for employee entitlements	413,824	(6,290)		
Write off of property, plan and equipment	-	259,537		
Write-down on investments	-	245,234		
Impairment of Joint venture loan Essential Oils of Tasmania	816,028	-		
Impairment of other receivables	315,158	364,067		
Share option expense	32,265	59,768		
Other	80,397	155,787		
	<b>3,618,346</b>	<b>2,220,528</b>		
<b>Finance costs</b>				
Interest and finance charges payable	414,270	473,131		
	<b>414,270</b>	<b>473,131</b>		
<b>Net loss/(profit) on foreign currency derivatives not qualifying as hedges</b>	<b>267,570</b>	<b>(14,245)</b>		
<b>4. INCOME TAX EXPENSE</b>				
a) The components of tax expense/(benefit) comprise:				
Current tax	569,759	1,155,519		
Deferred tax	642,838	(634,279)		
Prior period under provision (note 4(e))	606,445	-		
	<b>1,819,042</b>	<b>521,240</b>		
b) Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease(increase) in deferred tax assets (excluding tax losses) (note 14)	299,807	1,294,338		
(Decrease)increase in deferred tax liabilities (note 14)	343,031	(1,928,617)		
	<b>642,838</b>	<b>(634,279)</b>		
c) Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) before income tax expense	2,787,145	(7,612,809)		
Tax at the Australian tax rate of 30%	836,143	(2,283,843)		
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	285,375	374,174		
Sundry items	(169,467)	(352,908)		
Permanent Differences (Indonesia)	-	(528)		
Foreign timing difference no longer recognised	-	2,038,871		
Difference in overseas tax rates	(111,159)	17,007		
Research and development tax offset	371,705	526,431		
Income tax under provided in prior years	606,445	-		
Income tax expense/(benefit)	<b>1,819,042</b>	<b>521,240</b>		
Weighted average effective tax rates	<b>65%</b>	<b>(7%)</b>		
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	498,131	(1,880,258)		
Prepayments	474	(696)		
Derivative financial instruments	(80,271)	128,382		
Investment in subsidiary	(76,697)	87,999		
Unrealised foreign exchange gain	1,394	(261,898)		
Deferred tax assets				
Difference in accounting and tax depreciation	(1,498)	33,805		
Stock	(451,340)	(1,809,069)		
Accruals	17,151	21,983		
Provisions	(138,966)	363,499		
Unrealised foreign exchange losses	(145,758)	(117,059)		
Other	(31,100)	(111,490)		
Tax losses	117,523	30,169		
Investment	299,716	289,172		
Intangible Asset	34,465	34,821		
Deferred tax (income)	<b>43,224</b>	<b>(3,192,787)</b>		

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



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 4. INCOME TAX EXPENSE CONTINUED...

e) During the period the company received assessments in relation to the PT. Cendana Indopearl tax returns in relation to the 2008, 2011 and 2012 calendar years. The net result of the assessments, including penalties, was a charge of \$606,445; this has been brought to account in the income tax charge for the year ending 30 June 2016. Please refer to note 22 for contingencies in relation to historical tax affairs.

5. EARNINGS /(LOSS) PER SHARE	2016 \$	2015 \$
Basic earnings/(loss) per share (cents per share)	0.23	(2.40)
Diluted earnings per share (cents per share)	0.23	-
<b>Earnings reconciliation</b>		
Net profit/(loss) used for basic earnings	968,103	(8,134,049)
After tax effect of dilutive securities		
Diluted earnings/(loss)	968,103	(8,134,049)
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	415,837,428	339,521,538
Adjustments for calculation of diluted earnings per share: options	5,500,000	-
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	421,337,428	339,521,538

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 2016 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.

## 6. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash at bank	4,343,407	2,632,311
	4,343,407	2,632,311

## Interest rate risk exposure

The Group's exposure to interest rate risk is disclosed in note 32. 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 (2015: \$100,000).

## 7. TRADE &amp; OTHER RECEIVABLES

CURRENT	2016 \$	2015 \$
Trade receivables	245,218	236,146
Sundry debtors & prepayments	481,775	325,875
	726,993	562,021

## (a) Impaired trade receivables

There were no impaired trade receivables for the group during the period ended 30 June 2016 or 30 June 2015.

## (b) Past due but not impaired

As at 30 June 2016, trade receivables of \$134,491 (2015: \$211,586) 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:

	2016 \$	2015 \$
Up to one month	74,795	164,917
2-3 months	37,536	11,205
3 months and above	22,160	35,464
	134,491	211,586

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.

## (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 32.

## (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 32 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

	2016 \$	2015 \$
Derivative financial assets		
Forward foreign exchange contracts	-	14,245

Derivative financial liabilities	
Forward foreign exchange contracts	253,324

## (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 32).

Derivative financial assets and liabilities comprise forward exchange contracts and an embedded derivative in the convertible note agreements. 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 2016 the Group did not enter into any forward exchange contracts to purchase Indonesian Rupiah. The sale of pearls is

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 8. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED...

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 32.

9. INVENTORIES	2016 \$	2015 \$
CURRENT		
Pearls – at fair value	1,411,216	904,501
Essential oil finished products – at cost		-
Other – at cost		
Jewellery	1,306,538	2,616,673
Jewellery Obsolescence provision	(100,000)	(823,434)
Pearl Meat	128	3,172
Mother of Pearl	15,348	30,302
Farm Consumables & Fuel	284,580	255,652
Cosmetics	32,098	43,361
	1,338,692	2,125,726
	2,949,908	3,030,227
NON CURRENT		
Nuclei – at cost	199,393	173,510
TOTAL INVENTORY	3,149,301	3,203,737

Inventories write-off expense of \$165,036 (2015: \$1,386,517) 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

	2016 \$	2015 \$
CURRENT		
Oysters – at fair value	5,331,477	3,565,680
	5,331,477	3,565,680
NON CURRENT		
Oysters – at fair value	12,118,179	10,988,645
	12,118,179	10,988,645
Total Biological Assets	17,449,656	14,554,325

During the period ended 30 June 2016 no significant events occurred which impacted on oyster mortalities.

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

Nature: Oysters (*Pinctada Maxima*)

	2016 No.	2015 No.
Quantity held within the Group operations: -		
Juvenile and mature oysters which are not seeded	638,977	1,872,916
Nucleated oysters	764,864	750,954
	1,403,841	2,623,870

During the period ended 30 June 2016, the Group harvested 351,557 (2015: 296,040) pearls. A reconciliation of the movement in the fair market value of the oysters during the period is reflected as follows:

## 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 1.32. The following table summarises the potential impact of changes in the key non-production related variables:

	Selling Price (¥/momme)		
	-10% ¥11,818 (Sellable Grade) ¥1,091 (Commercial Grade)	No Change ¥13,000 (Sellable Grade) ¥1,200 (Commercial Grade)	+10% ¥14,300 (Sellable Grade) ¥1,320 (Commercial Grade)
Discount rate	Profit \$	Profit \$	Profit \$
22%	(\$2,427,362)	(\$278,045)	\$2,086,019
20%	(\$2,187,204)	-	\$2,405,736
18.18%	(\$1,961,109)	\$261,802	\$2,706,812

	Selling Price (¥/momme)		
	-10% ¥11,818 (Sellable Grade) ¥1,09 (Commercial Grade)	No Change ¥13,000 (Sellable Grade) ¥1,200 (Commercial Grade)	+10% ¥14,300 (Sellable Grade) ¥1,320 (Commercial Grade)
FX rate	Profit \$	Profit \$	Profit \$
¥84.18	(\$4,054,873)	(\$2,054,451)	\$145,839
¥76.53	(\$2,187,204)	-	\$2,405,736
¥69.57	(\$156,334)	\$2,233,975	\$4,863,108

	Marketable Grade		
	-10% 45% (Sellable Grade) 55% (Commercial Grade)	No Change 50% (Sellable Grade) 50% (Commercial Grade)	+10% 55% (Sellable Grade) 45% (Commercial Grade)
Av. Weight	Profit \$	Profit \$	Profit \$
0.54	\$363,660	\$2,405,736	\$4,652,019
0.49	(\$1,856,432)	-	\$2,042,075
0.45	(\$3,874,698)	(\$2,187,032)	(\$330,600)

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 10. BIOLOGICAL ASSETS CONTINUED...

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	2016	2015	Commentary
Average selling price	¥13,000 per momme	¥12,000 per momme	Obtain by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen Exchange rate	¥76.93: AUD 1	¥93.96: AUD 1	Based on forward Yen price per a financial institution.
Average Pearl size	0.49	0.55 per momme	Based on technical assessment of expected harvest output.
Marketable grade	50%	52%	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	\$0.80	Based on historical averages of costs to complete and sell pearls per momme.

## 11. PROPERTY, PLANT AND EQUIPMENT

	2016 \$	2015 \$
(a) Non-Pearling Assets		
Plant and equipment		
- at cost	1,120,324	2,740,519
- accumulated depreciation	(662,406)	(1,404,238)
- EOT asset delist upon deconsolidation	-	(752,005)
	457,918	584,276
Leasehold improvements		
- at cost	1,062,714	1,314,614
- accumulated depreciation	(518,820)	(660,424)
- EOT asset delist upon deconsolidation	-	(41,905)
	543,894	612,285
Total non-pearling assets	1,001,812	1,196,561
(b) Pearling project		
Land (leasehold and freehold) and buildings		
- at cost	1,679,552	1,394,817
- accumulated depreciation	(352,219)	(287,195)
	1,327,333	1,107,622
Plant and equipment, vessels, vehicles		
- at cost	6,421,575	5,630,093
- accumulated depreciation	(4,009,905)	(3,460,990)
	2,411,670	2,169,103
Total pearling project	3,739,003	3,276,725
Total property, plant and equipment	4,740,815	4,473,286

Included in Pearling project land (leasehold and freehold) and buildings is \$466,488 (2015 - \$317,680) 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	548,276	1,120,555
Additions	18,550	557,871
Reclassifications /Disposals	-	(771,007)
Foreign exchange movement	633	(9,478)
Depreciation	(145,541)	(313,665)
Carrying amount at end of the year	457,918	584,276
Leasehold Improvements		
Carrying amount at beginning of the year	612,288	736,058
Additions	-	331,293
Foreign exchange movement	8,714	(157,298)
Reclassifications/Disposals	-	(204,066)
Depreciation	(77,108)	(93,699)
Carrying amount at end of the year	543,894	612,288
(b) Pearling project		
Leasehold land and buildings		
Carrying amount at beginning of the year	1,107,622	936,782
Additions	138,311	412,238
Acquisition of pearling operation	-	-
Disposals/reclassifications	87,082	-
Depreciation	(52,805)	(341,113)
Foreign exchange movement	47,123	99,715
Carrying amount at end of the year	1,327,333	1,107,622

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 11. PROPERTY, PLANT AND EQUIPMENT CONTINUED...

Plant and equipment, vessels, vehicles

	2016 \$	2015 \$
Carrying amount at beginning of the year	2,169,100	1,607,879
Additions	294,642	915,911
Acquisition of pearling operation	-	-
Disposals / reclassifications	257,788	-
Depreciation	(500,897)	(525,128)
Depreciation write offs	99,231	-
Foreign exchange movement	91,806	170,438
Carrying amount at end of the year	2,411,670	2,169,100
Total Carrying amount	4,740,815	4,473,286

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

Depreciation charge (Note 11)	(776,350)	(1,273,605)
Capitalised depreciation charge	377,775	685,048
	(398,575)	(588,557)
Depreciation charge (Note 3)	(398,575)	(588,557)
Balance	-	-

Refer note 32 for information on non-current assets pledged as security by the Group.

## 12. INTANGIBLE ASSETS

	2016 \$	2015 \$
Pearl infusion intangible asset		
- at cost	572,855	572,855
- accumulated amortisation	(410,886)	(296,001)
Carrying value	161,969	276,854

## 13. TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
CURRENT		
Trade payables	325,930	304,744
ESSP accrual	160,147	264,300
Other payables and accrued expenses	2,042,608	1,116,080
	2,528,685	1,685,124

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

Other payables include accruals for annual leave of \$1,614,554 and \$1,024,240 in the consolidated entity for 30 June 2016 and 30 June 2015 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 32.

## 14. BORROWINGS

	2016 \$	2015 \$
CURRENT		
<b>Secured</b>		
Bank loan	4,075,722	3,816,805
Other bank loan	110,122	122,204
Lease liabilities	5,172	15,518
Total secured current borrowings	4,191,016	3,954,527
<b>Unsecured</b>		
Other	-	-
Convertible notes	-	-
Total current borrowings	4,191,016	3,954,527
NON CURRENT		
<b>Secured</b>		
Other bank loan	33,553	125,036
Lease liabilities	-	5,172
Total secured non current borrowings	33,553	130,208
<b>Unsecured</b>		
Convertible notes	-	-
Total non current borrowings	33,553	130,208

## (a) Security and fair value disclosure

Information about the security relating to secured liabilities and the fair value is provided in note 32.

## (b) Risk Exposure

Information about the Group's exposure to risks arising from borrowings is provided in note 32.

## 15. TAX

	2016 \$	2015 \$
(a) Liabilities		
CURRENT		
Income tax payable	661,111	225,528
NON-CURRENT		
Deferred tax liabilities comprises temporary differences attributable to -		
Agricultural and biological assets at fair value	1,254,475	756,345
Prepayments	529	54
Investment in subsidiary	11,302	87,999
Current derivative instruments	48,111	128,382
Unrealised foreign exchange gains	1,398	-
Total deferred tax liabilities	1,315,815	972,780
(b) Assets		
Deferred tax assets comprises temporary differences attributable to -		
Tax allowances relating to property, plant & equipment	33,366	34,864
Agricultural and biological assets at fair value	44,796	496,135
Accruals	39,134	21,983
Provisions	433,982	572,948
Intangible asset	69,287	34,821
Impairment of loans	588,888	289,172
Unrealised foreign exchange losses	-	145,758
Other	62,184	93,287
	1,271,637	1,688,968
Tax losses recognised	1,764,170	1,646,647
Total deferred tax assets	3,035,807	3,335,615



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 15. TAX CONTINUED...

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

	2016 \$	2015 \$
The overall movement in deferred tax account is as follows:		
Opening balance	2,362,384	1,698,387
(Charge)/credit to statement of profit or loss and other comprehensive income	43,224	3,192,787
Other movements	(685,611)	(2,528,790)
Closing balance	1,719,996	2,362,384

## 16. CONTRIBUTED EQUITY

Issued and fully paid-up capital	419,380,906	414,327,191	36,698,536	36,465,656
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## Ordinary Shares

Balance at beginning of period	414,327,191	319,485,425	36,465,656	32,153,001
Shares issued <sup>(1)(2)(3)(4)(5)(6)(7)</sup>	5,053,715	94,841,766	232,880	4,704,603
Share transaction costs	-	-	-	(391,948)
Balance at end of period	419,380,906	414,327,191	36,698,536	36,465,656

## Treasury Shares

Balance at beginning of period	11,071,409	7,131,027		
Acquisition of shares by Trust under Plan	-	7,000,000		
Shares released	(5,053,715)	(3,059,618)		
Balance at end of period	6,017,694	11,071,409		

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.

- 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.
- 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.
- 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.

- 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.
- 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.
- 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.
- Total shares issued during the year ended June 2016 is 5,053,715 (all of which were Treasury shares issued over the course of the year to employees as part the Atlas employee share salary sacrifice plan).

## (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:
- 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.
- 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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## (ii) Options continued...

- 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
- 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
- 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.
- During the year ended 30 June 2016, of the 28,500,000 options with performance conditions maturing at 30 June 2016, none were deemed vested, as no individual met their respective performance conditions in relation to said options. As such, all options were lapsed/forfeited as at 30 June 2016. At 30 June 2016, the total quantity of unlisted options on issue is 5,500,000.

## (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 a net gearing ratio of 17% at 30 June 2016 (14% at 30 June 2015).

The Group has no external requirements imposed upon it in relation to capital structure except those noted in note 32 as part of the covenants relating to the financing arrangements with Commonwealth Bank.

## 17. RESERVES

	2016 \$	2015 \$
Foreign Currency Translation Reserve	(9,115,083)	(9,732,299)
Employee Share Reserve	714,605	682,341
Total Reserves	(8,400,478)	(9,049,958)

Movements:

Foreign Currency Translation Reserve -		
Balance at beginning of year	(9,732,299)	(8,658,778)
Currency translation differences arising during the Year	617,216	(1,073,521)
Balance at end of year	(9,115,083)	(9,732,299)

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	682,341	622,574
Movement in Employee Share Reserve	32,264	59,767
Balance at end of year	714,605	682,341

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)

	2016 \$	2015 \$
Reconciliation of (Accumulated losses):		
Balance at beginning of year	(3,441,517)	4,692,532
Net profit/(loss) for the year	968,103	(8,134,049)
Balance at end of year	(2,473,414)	(3,441,517)

## 19. DIVIDENDS

No dividends have been paid or declared in respect of the 2016 financial year or the period ended 30 June 2015.

	2016 \$	2015 \$
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:

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

20. OPTIONS

The Company had 5,500,000 options granted over unissued shares at the 30 June 2016 (30 June 2015 – 34,000,000). The 5,500,000 options granted over unissued shares at 30 June 2016 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

	2016 \$	2015 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	432,506	432,468
Later than one year, but not later than five years	1,481,950	1,900,161
Later than five years	-	-
	1,914,456	2,332,629

Non-cancellable operating leases

The Group leases premises under non-cancellable operating leases expiring in 5 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.

Other commitments/guarantees

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 2015: \$100,000). This guarantee has been taken out to secure the rental of the Atlas Pearls and Perfumes corporate offices in Claremont, Western Australia.

22. CONTINGENCIES

The company's historical tax affairs are regularly subject to audit by the Indonesian Tax Office and this process remains ongoing. There is the possibility that this review programme may result in future tax liabilities in relation to prior year tax returns. All assessments received to date have been brought to account, but no provision has been booked in relation to periods currently under review due to the inherent uncertainty of the outcomes.

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 17<sup>th</sup> April 2007 and 10<sup>th</sup> 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 2016 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.

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.

The Atlas Employee Salary Sacrifice Share Plan

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 29<sup>th</sup> 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 4<sup>th</sup> 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. 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

The Atlas Employee Salary Sacrifice Share Plan Continued...

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.

During the period ended 30 June 2016, 5,053,715 shares were issued out to employees as part of the 2015 salary sacrifice scheme.

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 2015 salary sacrifice scheme an issue price of 4.5 cents was approved by the Board of Directors.

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.

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 form 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 issues, 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 issue, 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 2016, 5,053,715 of the shares issued to the Atlas South Sea Pearl Limited Employee Share Trust had been issued to Eligible Participants (30 June 2015: 3,059,618 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).

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

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.



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**23. SHARE BASED PAYMENTS CONTINUED...****Atlas Pearls and Perfumes Ltd Employee Option Plan Continued...**

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 2015: 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.

	2015 Average exercise price per share option	Number of options	2014 Average exercise price per share option	Number of options
As at 1 July 2015	0.066	7,500,000	0.089	26,500,000
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	2,000,000	-	26,500,000
As at 30 June	0.066	5,500,000	-	-
Vested and exercisable at 30 June 2016	-	-	-	-

There were no options issued during the year ended 30 June 2016. Of the 28,500,000 maturing at 30 June 2016, none are exercisable as performance conditions attached have not been met.

Issue Date	Expiry Date	Exercise Price	Share Options 30 June 2016	Share Options 30 June 2015
24 February 2014	31 December 2016	0.0858	-	7,500,000
13 May 2014	31 December 2016	0.0858	-	10,500,000
2 June 2014	31 December 2016	0.0950	-	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	5,500,000
Total			5,500,000	34,000,000

Weighted average remaining contractual life of options outstanding at end of period 1.8 years 0.6-1.8 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 24<sup>th</sup> 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 13<sup>th</sup> of May 2014. The options issued on the 24<sup>th</sup> 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.

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 13<sup>th</sup> 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 13<sup>th</sup> of May 2014.

On the 13<sup>th</sup> 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 13<sup>th</sup> of May 2014.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**Fair value of options granted Continued...**

The options issued on the 13<sup>th</sup> 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 2<sup>nd</sup> 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 13<sup>th</sup> of May 2014. The options issued on the 2<sup>nd</sup> 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 15<sup>th</sup> 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 13<sup>th</sup> of May 2014. The options issued on the 15<sup>th</sup> 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 30<sup>th</sup> 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 13<sup>th</sup> of May 2014. The options issued on the 30<sup>th</sup> 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.

**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:

	2016 \$	2015 \$
Shares issued under the employee share plan	-	27,500
Option expense	32,265	59,768
	32,265	87,268

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:

	2016 \$	2015 \$
Cash at bank (Note 6)	4,343,407	2,632,311
Balances per statement of cashflows	4,343,407	2,632,311

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 24. NOTES TO THE CASH FLOW STATEMENT CONTINUED...

## 24.2 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2016 \$	2015 \$
Profit/(loss) after income tax	<b>968,103</b>	(8,134,049)
Depreciation and amortisation	<b>398,575</b>	588,557
(Gains)/Losses on Equity Investments	<b>321,657</b>	202,036
Investment income	<b>(331,872)</b>	-
Share based payments	<b>32,265</b>	59,767
Foreign exchange (losses) unrealised	<b>750,093</b>	547,021
Impairment of JV loan	<b>718,724</b>	149,091
Derivative instrument gains/(losses) unrealised	<b>267,570</b>	(656,440)
Agricultural asset fair value (losses) and inventory write-offs	<b>(1,827,484)</b>	6,697,385
Decrease/(increase) in trade and other debtors	<b>(164,971)</b>	2,373,152
Decrease/(increase) in inventories	<b>(813,412)</b>	454,190
(Decrease)/Increase in trade and other creditors	<b>460,260</b>	(1,595,637)
Increase/(Decrease) in Provision	<b>590,314</b>	139,091
Increase in taxes	<b>1,117,406</b>	(322,720)
Net cash obtained/(used in) operating activities	<b>2,487,228</b>	501,444

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 year ended 30 June 2016 5,053,715 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees and contractors (30 June 2015: 3,059,618). Of the 5,053,715 shares issued out of the trust, no shares (2015: 461,111) 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 \$nil (2015: \$32,500). During the year ended 30 June 2016 no shares (2015: 1,171,968) were issued to contractors who were issued shares in lieu of cash payment. The total value settled totalled \$nil (2015: \$76,746).

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 2016 the balance of the loan was \$143,676 (30 June 2015: \$247,240). There were no other new loans to acquire property, plant and equipment entered into during the year ended 30 June 2016. During the year ended 30 June 2016, the Company did not issue any ordinary shares to acquire any new investments.

During the year ended 30 June 2015, 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. There were no such transactions in the year ended 30 June 2016.

## 24.3 CREDIT FACILITIES

As at 30 June 2016, the Company had in place a loan facility with the Commonwealth Bank with a limit of \$4,000,000 (30 June 2015 - \$5,000,000). This facility has been fully utilised, see note 32 for further disclosure. Information about the security relating to secured liabilities and the fair value is provided in note 32.

## 25. RELATED PARTY TRANSACTIONS

## a. Subsidiaries

Interests in subsidiaries are set out in note 28.

## 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 2016, there is loan balance of \$771,173 owing from World Senses to Atlas (30 June 2015 - \$456,015). 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 2016, there is loan balance of \$72,961 (30 June 2015: \$72,961) owing to World Senses from Perl'Eco. This balance consists of pearl jewellery sold to Perl'Eco by World Senses. The net loan receivable balance for the Atlas group from World Senses of \$698,212 has been fully impaired due to the net liability position of the World Senses Pty Ltd accounts.

Essential Oils of Tasmania Pty Ltd acquired in January 2013 as a 100% subsidiary. On 20<sup>th</sup> 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 2016, there is a loan balance of \$1,832,284 (30 June 2015: \$1,596,815) owing from Essential Oils of Tasmania Pty Ltd to Atlas. This balance consists of admin and expense recharges, and funding advances. A provision for impairment of \$816,028 has been booked against the loan for the year ending 30 June 2016 as a result of a review conducted on the recoverability of the intercompany receivable. The provision represents a write-down to the director's best estimate of the recoverable value and is deemed a prudent assessment.

The parent entity has a 50% interest in Brookfield Tasmania Pty Ltd. At 30 June 2016, there is loan balance of \$200 (30 June 2015: \$200) owing from Brookfield Tasmania Pty Ltd. This balance relates to money advanced to Brookfield Tasmania Pty Ltd to cover bank fees.

	2016 \$	2015 \$
Due from World Senses	<b>771,173</b>	456,015
Due to World Senses	<b>(72,961)</b>	(72,961)
Impairment of World Senses asset	<b>(698,212)</b>	(383,054)
Due from Essential Oils of Tasmania	<b>1,832,284</b>	1,596,815
Impairment of Essential Oils of Tasmania Receivable	<b>(816,028)</b>	-
Due from Brookfield Tasmania Pty Ltd	<b>200</b>	200
	<b>1,016,456</b>	1,597,015

## c. Key management personnel compensation -

Detailed remuneration disclosures are provided in section 13.2 of the remuneration report.

	2016 \$	2015 \$
Short-term employment benefits	<b>1,148,088</b>	1,325,865
Post-employment benefits	<b>42,776</b>	100,828
Long Term benefits	-	20,001
Share based compensation	<b>7,151</b>	27,500
	<b>1,198,015</b>	1,474,194

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 25. RELATED PARTY TRANSACTIONS CONTINUED...

## d. Transactions with other related parties

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

	2016 \$	2015 \$
Director fees payable	<b>78,900</b>	78,900
Current receivables (wholesale purchase of jewellery)	<b>7,455</b>	35,000
	<b>86,355</b>	113,900

## e. Loans to/from related parties

	2016 \$	2015 \$
<i>Loans to key management personnel</i>		
Beginning of the year	-	25,000
Loans advanced	-	-
Loans repaid	-	(25,000)
End of year	-	-

## 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:

	2016 \$	2015 \$
<b>a) AUDIT SERVICES</b>		
<b>BDO Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	<b>86,000</b>	86,000
<b>BDO Indonesia</b>		
Audit and review of financial reports	<b>17,011</b>	16,379
Total remuneration for audit and other assurance services	<b>103,011</b>	102,379
<i>Other Services</i>		
Other review	<b>40,000</b>	-
Total remuneration for other services	<b>40,000</b>	-
<b>Total remuneration of BDO Australia for audit and other related services</b>	<b>143,011</b>	102,379
<b>b) TAXATION SERVICES</b>		
<b>BDO Australia</b>		
Tax compliance services and advise	-	37,919
Total remuneration for taxation services	-	37,919
Total remuneration for taxation services	-	37,919
<b>Total Remuneration Audit, Taxation and other related services</b>	<b>143,011</b>	140,298



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 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 2016 is as follows:

30 June 2016	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia	Indonesia	Australia	Indonesia	Australia		
	\$	\$	\$	\$	\$	\$	\$
Total segment revenue	16,783,473	12,568,397	490,503	412,516	-	-	30,254,889
Inter-segment revenue	-	(12,212,715)	-	-	-	-	(12,212,715)
<b>Revenue from external customers</b>	<b>16,783,473</b>	<b>355,682</b>	<b>490,503</b>	<b>412,516</b>	-	-	<b>18,042,174</b>
<b>Normalised EBITDA</b>	<b>1,418,525</b>	<b>2,560,972</b>	<b>(232,410)</b>	<b>14,441</b>	-	-	<b>3,761,528</b>
<b>Adjusted net operating profit/(loss) before income tax</b>	<b>1,440,441</b>	<b>1,460,736</b>	<b>(279,796)</b>	<b>(10,123)</b>	-	-	<b>2,611,258</b>
Depreciation and amortisation	274,418	61,157	45,346	17,654	-	-	398,575
Revaluation of Biological Assets	-	(1,827,483)	-	-	-	-	(1,827,483)
<b>Totals segment assets</b>	<b>6,700,678</b>	<b>22,587,105</b>	<b>759,263</b>	<b>708,839</b>	-	-	<b>30,755,885</b>
Total assets include:							
Additions to non – current assets (other than financial assets or deferred tax)	13,386	432,952	4,020	1,144	-	-	451,502
<b>Total segment liabilities</b>	<b>(984,754)</b>	<b>(1,728,711)</b>	<b>(30,846)</b>	<b>(11,827)</b>	-	-	<b>(2,756,138)</b>

(ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year 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)
<b>Revenue from external customers</b>	<b>8,738,163</b>	<b>298,484</b>	<b>555,144</b>	<b>592,988</b>	<b>1,589,540</b>	-	<b>11,774,319</b>
<b>Normalised EBITDA</b>	<b>(1,715,598)</b>	<b>770,330</b>	<b>(290,162)</b>	<b>(197,745)</b>	<b>198,507</b>	-	<b>(1,234,668)</b>
<b>Adjusted net operating profit/(loss) before income tax</b>	<b>(2,675,153)</b>	<b>805,565</b>	<b>(340,106)</b>	<b>(446,009)</b>	<b>135,881</b>	-	<b>(2,519,822)</b>
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
<b>Totals segment assets</b>	<b>4,672,176</b>	<b>18,945,577</b>	<b>1,541,652</b>	<b>850,314</b>	-	-	<b>26,009,719</b>
Total assets include:							
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
<b>Total segment liabilities</b>	<b>(685,300)</b>	<b>(968,320)</b>	<b>(23,147)</b>	<b>(8,357)</b>	-	-	<b>(1,685,124)</b>

## (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:

	2016 \$	2015 \$
<b>Total segment revenue</b>	<b>30,254,889</b>	20,649,544
Intersegment eliminations	(12,212,715)	(8,875,225)
Interest income	57,335	9,411
Other revenues	335,346	334,582
<b>Total revenue from continuing operations (Note 2)</b>	<b>18,434,855</b>	12,118,312

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## 27. SEGMENT REPORTING CONTINUED...

## Major customers

A Japanese wholesaler accounted for 19% of external revenue in the period ended 30 June 2016 (2015 - 12%). 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 \$653,152 (2015: \$627,605) 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 2016 was \$15,389,416 (2015: \$8,034,402). 86% of the total loose pearl sales revenue during the period ended 30 June 2016 (2015: 83%) were 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.

(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:

	2016 \$	2015 \$
<b>Net operating profit /(loss) before tax</b>	<b>2,611,258</b>	(2,519,822)
Intersegment eliminations	-	-
Changes in fair value of biological and agricultural assets	1,827,483	(6,697,385)
JV Impairment expense	(918,724)	(149,091)
Foreign exchange gains	105,780	1,325,765
Foreign exchange losses	(855,872)	(533,490)
Other	17,220	961,214
<b>Profit/(loss) before income tax from continuing operations</b>	<b>2,787,145</b>	(7,612,809)

(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:

	2016 \$	2015 \$
<b>Segment assets</b>	<b>30,755,885</b>	26,009,719
Unallocated:		
Joint Venture Loans	1,016,456	1,597,015
Deferred tax assets	3,035,807	3,335,614
<b>Total assets as per the statement of financial position</b>	<b>34,808,148</b>	30,942,348

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$951,381 (2015: \$1,253,739).

The total located in Indonesia is \$16,268,975 (2015: \$14,658,559).

(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:

	2016 \$	2015 \$
<b>Segment liabilities</b>	<b>2,756,138</b>	1,685,124
Unallocated:		
Current tax liabilities	661,111	225,529
Borrowings	4,224,569	4,084,734
Deferred tax liabilities	1,315,815	972,780
Other	25,871	-
<b>Total liabilities as per the statement of financial position</b>	<b>8,983,504</b>	6,968,167

(v) Normalised EBITDA reconciliation

	2016 \$	2015 \$
<b>Net profit/(loss) before tax</b>	<b>2,787,145</b>	(7,612,809)
Finance/Interest (rec)/paid	288,459	397,426
Depreciation/Amortisation	398,575	588,557
FX (gain)/loss	750,092	(792,275)
Agriculture standard revaluation	(1,827,483)	6,697,385
Inventory write-off	-	149,091
Other non-operating (income)/expense	90,240	(5,603)
Gain on derivative instruments	267,570	(656,440)
Impairment of Joint Venture investment	816,028	-
Other taxes/penalties (land tax/fees)	190,902	-
<b>Normalised EBITDA</b>	<b>3,761,528</b>	(1,234,668)

## 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	Percentage owned	Place of incorporation
		30 June 2016	30 June 2015	
Perl'Eco Pty Ltd <sup>(1)</sup>	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

(1) Previously named Sharcon Pty Ltd

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

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

	2016 \$	2015 \$
Share in World Senses joint venture partnership	-	-
Share in Brookfield Tasmania joint venture partnership	-	-
Share in Essential Oils of Tasmania joint venture partnership	183,744	292,940
	<b>183,744</b>	<b>292,940</b>

**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 29). The joint venture is unlisted hence no quoted fair value is disclosed. Information regarding to the joint ventures are set out below.

<b>World Senses</b>	2016 \$	2015 \$
<b>Joint Ventures' assets and liabilities</b>		
Current assets	302,386	294,262
Non-current assets	623,443	441,333
Total assets	<b>925,829</b>	<b>735,595</b>
Current liabilities	40,490	40,490
Non-current liabilities	1,760,292	1,145,134
Total liabilities	<b>1,800,782</b>	<b>1,185,624</b>
<b>Net assets</b>	<b>(874,953)</b>	<b>(450,029)</b>
<b>Joint Venture's revenues, expenses and results</b>		
Revenues	20,143	-
Expenses	(445,066)	(429,951)
Profit/(loss) for the period	<b>(424,923)</b>	<b>(429,951)</b>

**Reconciliation to carrying value**

Opening net asset 1 July	(450,029)	(20,078)
Profit/(loss) for the period	(424,923)	(429,951)
<b>Closing net assets</b>	<b>(874,952)</b>	<b>(450,029)</b>

<b>Group's share in %</b>	<b>50%</b>	<b>50%</b>
Group share in \$	(212,462)	(214,975)
Carrying value	-	-

**Essential Oils of Tasmania****Joint Ventures' assets and liabilities**

Current assets	3,957,157	2,903,227
Non-current assets	389,859	1,843,737
Total assets	<b>4,347,016</b>	<b>4,746,964</b>
Current liabilities	476,586	1,106,322
Non-current liabilities	3,503,564	3,054,762
Total liabilities	<b>3,980,150</b>	<b>4,161,084</b>

<b>Net assets</b>	<b>366,866</b>	<b>585,880</b>
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**Joint Venture's revenues, expenses and results**

Revenues	3,029,452	2,142,671
Expenses	(3,247,842)	(1,789,035)
Profit/(loss) for the period	<b>(218,390)</b>	<b>353,636</b>

**Reconciliation to carrying value**

Opening net asset 1 July	1,062,785	-
Profit/(loss) for the period	(218,390)	1,062,785
<b>Closing net assets</b>	<b>844,395</b>	<b>1,062,785</b>

<b>Group's share in %</b>	<b>50%</b>	<b>50%</b>
Group share in \$	(109,195)	292,940
Carrying value	183,744	292,940

**Share of Equity accounted investment**

Profit/(loss) before income tax	-	353,636
Income tax	-	32,380
Profit/(loss) after tax	-	386,016

Profit for the period to 20 April 2015	-	360,137
Profit/(loss) post sale of interest	(218,390)	25,879
<b>Group share of Profit/(loss)</b>	<b>(109,195)</b>	<b>12,940</b>

**(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

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**31. PARENT ENTITY FINANCIAL INFORMATION****(a) Summary financial information**

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

	2016 \$	2015 \$
<b>Statement of financial position</b>		
Current assets	5,459,755	3,484,479
Total assets	27,804,960	27,541,788
Current liabilities	7,936,513	7,482,837
Total liabilities	5,820,593	5,367,163

**Shareholders equity**

Issued capital	36,698,541	36,465,658
Reserves		
Share-based payment reserve	714,606	682,341
(Accumulated losses)	(14,973,372)	(12,158,169)
	<b>22,439,775</b>	<b>24,989,830</b>

<b>(Loss) for the period</b>	<b>(455,408)</b>	<b>(2,815,205)</b>
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<b>Total comprehensive (loss)</b>	<b>(455,408)</b>	<b>(2,815,205)</b>
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**(b) Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

The parent entity did not provide financial guarantees during the period (2015: Nil).

**32. 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:

	2016 \$	2015 \$
<b>Financial Assets</b>		
Cash and cash equivalents	4,343,668	2,632,311
Trade and other receivables	287,642	354,845
Derivative financial instruments	-	14,245
	<b>4,631,310</b>	<b>3,001,401</b>

**Financial Liabilities**

Trade and other payables	976,754	759,971
Borrowings	4,224,569	4,084,734
Derivative financial instruments	253,324	-
	<b>5,454,647</b>	<b>4,844,705</b>

**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.

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

	30 June 2016			30 June 2015		
	JPY \$	USD \$	EUR \$	JPY \$	USD \$	EUR \$
Cash and cash equivalents	499,418	134,141	7,154	1,210,196	71,281	651
Trade and other receivables	(225)	64,700	-	71,546	-	-
Trade and other payables	(7,197)	(40,800)	-	(3,261)	(4,058)	-
Borrowings	(1,955,037)	-	-	(709,238)	-	-
Forward exchange contracts – buy foreign currency	-	-	-	14,245	-	-
Forward exchange contracts – sell foreign currency	(253,325)	-	-	-	-	-



32. FINANCIAL RISK MANAGEMENT Continued...

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		Foreign Exchange Rate Risk							
			30 June 2016				30 June 2015			
			-10%		10%		-10%		10%	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	2016	2015								
<b>Financial Assets</b>										
Cash	4,343,668	2,632,311	71,190	-	(58,247)	-	142,459	-	(116,557)	-
Trade and other receivables	287,642	354,845	7,164	-	(5,861)	-	7,950	-	(6,504)	-
Derivatives	-	14,245	-	-	-	-	1,583	-	(1,295)	-
<b>Financial Liabilities</b>										
Trade and other payables	976,754	759,971	(5,333)	-	4,363	-	(813)	-	665	-
Borrowings	4,224,569	4,084,734	(217,226)	-	177,731	-	(78,804)	-	64,476	-
Derivatives	253,324	-	(28,147)	-	23,030	-	-	-	-	-
Total Increase/(Decrease)			(172,352)	-	141,016	-	72,375	-	(59,215)	

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\$5,376,067. The intercompany loans are eliminated on consolidation.

(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 89. For

32. FINANCIAL RISK MANAGEMENT Continued...

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.

Financing arrangements

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

Fixed rate	2016 \$	2015 \$
Expiring within one year – Foreign currency loan trade	4,000,000	5,000,000
	4,000,000	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 2017. The new facility agreement is currently being finalised with sign off by all parties expected in September 2017.

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 2016 the facility had been fully drawn down. This facility is subject to a fixed interest rate plus the Japanese BBSY. As at 30 June 2016 this fixed interest rate was 6.08%. Under the new facility agreement, the fixed interest rate is 6.58%. This facility expires on 30 June 2017.

The bank loan provided under an Australian Dollar Bills Discount facility has a facility limit of AUD \$2,125,000. As at 30 June 2016 the company had drawn down \$2,120,000. This facility is subject to a fixed interest rate plus LIBOR. As at 30 June 2016 this fixed interest rate was 6.08%. Under the new facility agreement, the fixed interest rate is 6.58%.

The facility is also subject to a monthly line fee of 0.05% calculated on the facility limit, A\$4,000,000. The new facility will also attract an establishment fee of A\$32,127 plus legal costs of A\$2,500 in July 2016 & A\$30,000 in December 2016 and an ongoing monthly management fee of A\$4,825.

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

Date of Repayment	Repayment Amount
31 October 2016	\$250,000
30 December 2016	\$250,000
28 April 2017	\$1,250,000
30 June 2017	\$2,250,000
Total	\$4,000,000

The new agreement is expected to be formalised and signed off with CBA in September 2017

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

- 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 2016 to 30 June 2017
- 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%.

Normalised EBITDA for the 12 months ended 30 June 2016 was a profit of \$3.6m, 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 were drawn down during the year ended 30 June 2015 in relation to Microsoft Navision expenditure. The liability at 30 June 2016 was \$143,676 (2015: \$247,240).

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 \$5,172 (30 June 2015: \$20,689).

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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**32. FINANCIAL RISK MANAGEMENT Continued...****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 2016						30 June 2015					
	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Derivatives</b>												
Trade payables	973,995	-	-	-	973,995	973,995	759,971	-	-	-	759,971	759,971
Borrowings	55,061	4,135,955	33,553	-	4,224,569	4,224,569	67,883	3,886,644	130,208	-	4,084,735	4,084,735
<b>Total non-derivatives</b>	<b>1,029,057</b>	<b>4,135,955</b>	<b>33,553</b>	<b>-</b>	<b>5,198,564</b>	<b>5,198,564</b>	<b>827,854</b>	<b>3,886,644</b>	<b>130,208</b>	<b>-</b>	<b>4,844,706</b>	<b>4,844,706</b>
<b>Derivatives</b>												
Net settled (Non deliverable forwards)	(99,368)	(153,957)			(253,325)	(253,325)	33,443	(19,198)	-	-	14,245	14,245
Gross settled (inflow)	3,000,000	7,500,000	-	-	10,500,000	10,500,000	4,200,000	600,000	-	-	4,800,000	4,800,000
Outflow	(3,099,368)	(7,653,957)	-	-	(10,753,325)	(10,753,325)	(4,166,557)	(619,198)	-	-	(4,785,755)	(4,785,755)
<b>Total Derivatives</b>	<b>(99,368)</b>	<b>(153,957)</b>	<b>-</b>	<b>-</b>	<b>(253,325)</b>	<b>(253,325)</b>	<b>33,443</b>	<b>(19,198)</b>	<b>-</b>	<b>-</b>	<b>14,245</b>	<b>14,245</b>

Borrowings include 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 2017.

**(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 2016 and 30 June 2015 on a recurring basis:

30 June 2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
<b>Liabilities</b>				
Derivative financial instruments	-	(253,325)	-	(253,325)
Forward foreign exchange contracts	-		-	-
<b>Total Liabilities</b>	<b>-</b>	<b>(253,325)</b>	<b>-</b>	<b>(253,325)</b>

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

**(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 2016 there are no level 3 related instruments in place.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

**32. FINANCIAL RISK MANAGEMENT Continued...****(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 2016. There were also no changes made to any of the valuation techniques applied as of 30 June 2015.

There were no transfers between the levels of the fair value hierarchy in the period ended 30 June 2016. There were also no changes made to any of the valuation techniques applied as of 30 June 2015.

**(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 2016:

	2016 \$ Carrying amount	2016 \$ Fair value	2015 \$ Carrying amount	2015 \$ Fair value
<b>Non-current borrowings</b>				
Bank Loan	-	-	-	-
Other bank loan	<b>33,553</b>	<b>33,553</b>	125,036	125,036
Convertible note	-	-	-	-
Lease liabilities	-	-	-	-
	<b>33,553</b>	<b>33,553</b>	125,036	125,036

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.

**33. 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 2016 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 16	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 Revenue.	1 Jan 17	1 July 17

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

**34. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

There have been no material events since the end of the financial year.



INDEPENDENCE AUDITOR’S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS’ DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016



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 2016 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 1.33 in the financial report, which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity’s ability to continue as a going concern and therefore, the 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 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO  
Glyn O'Brien

Glyn O’Brien  
Director

Perth, 30 August 2016



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 2016 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 2016 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  
30th August 2016

## ADDITIONAL ASX INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

### ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 31 August 2016.

#### (a) Distribution schedule and number of holders of equity securities as at 31 August 2016

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
<b>Fully Paid Ordinary Shares (ATP)</b>	127	413	317	850	369	2,076
<b>Unlisted Options – 5.9c 31/12/18</b>	-	-	-	-	4	4

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 31 August 2016 is 1,032.

#### (b) 20 Largest holders of quoted equity securities as at 31 August 2016

The names of the twenty largest holders of fully paid ordinary shares (ASX code: ATP) as at 31 August 2016 are:

Rank	Name	Shares	% of Total Shares
1	Boneyard Investments Pty Ltd	53,048,882	12.47
2	Raintree Pearls & Perfumes Pty Ltd	22,867,228	5.38
3	Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	22,400,000	5.27
4	Sp & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>	20,529,202	4.83
5	Jingie Investments Pty Ltd	17,880,240	4.20
6	Abermac Pty Ltd <Ramac A/C>	17,833,333	4.19
7	Arrow Pearl Co Pty Ltd	13,809,707	3.25
8	Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	10,000,000	2.35
9	Westwood Properties Pty Ltd	8,000,000	1.88
10	Farjoy Pty Ltd	7,099,412	1.67
11	Mr Nelson Michel Pierre Rocher	6,712,185	1.58
12	Five Talents Limited	5,620,000	1.32
13	Mr Paul Michael Butcher	5,000,000	1.18
14	Mr Chris Carr + Mrs Betsy Carr	5,000,000	1.18
15	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	4,805,986	1.13
16	Coakley Pastoral Co Pty Ltd <Tim Coakley Super Fund A/C>	4,744,717	1.12
17	J P Morgan Nominees Australia Limited	4,416,490	1.04
18	Miss Kristie Birkbeck	3,818,536	0.90
19	Queensridge Investments Pty Ltd <Gleeson Super Fund A/C>	3,649,072	0.86
20	Ms Jennifer Michelle Roughan	3,360,000	0.79
	TOTAL	240,594,990	56.59

Stock Exchange Listing – Listing has been granted for 425,398,600 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 31 August 2016 are detailed below in part (d).

#### (c) Substantial shareholders

Substantial shareholders in Atlas Pearls and Perfumes Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Name	Shares
Boneyard Investments Pty Ltd & Associates *	112,345,667
Raintree Pearls & Perfumes Pty Ltd & Associates **	43,396,430

\* Includes shares held by Boneyard Investments Pty Ltd, Chemco Superannuation Fund Pty Ltd, Jingie Investments Pty Ltd, T. Martin, T. & W. Martin, J. Martin and J & B Martin.

\*\*Includes shares held by Raintree Pearls & Perfumes Pty Ltd and SP & K Birkbeck Holdings Pty Ltd <SP & K Birkbeck S/F A/C>.

## ADDITIONAL ASX INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

#### (d) Unquoted Securities

The number of unquoted securities on issue as at 31 August 2016:

Security	Number on issue
Unlisted options exercisable at 5.9 cents, on or before 31 December 2018.	5,500,000

#### (e) Holder Details of Unquoted Securities

All unquoted securities were issued under an employee incentive scheme. Therefore, no disclosure is required in relation to people that hold more than 20% of a given class of unquoted securities as at 31 August 2016.

#### (f) Restricted Securities as at 31 August 2016

There were no restricted securities on issue as at 31 August 2016.

#### (g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

#### (h) Company Secretaries

The Company Secretaries are Ms Susan Hunter and Mr Trevor Harris

#### (i) Registered Office

The Company's Registered Office is 47 - 49 Bay View Terrace,  
Claremont, Western Australia 6010.  
Telephone: +61 8 9284 4249  
Facsimile: +61 8 9284 3031

#### (j) Share Registry

The Company's Share Registry is as follows:

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
Perth WA 6000  
Enquiries (within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

#### (k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.

#### (l) Corporate Governance

The Board of Atlas Pearls and Perfumes Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at [www.atlaspearlsandperfumes.com.au](http://www.atlaspearlsandperfumes.com.au).



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