



**ATLAS PEARLS AND PERFUMES LTD**

**ABN 32 009 220 053**

**Reporting period – 1 July 2013 to 30 June 2014**

**Previous corresponding period – six months to 30 June 2013**

## Results for announcement to the market

	Compared to actual for previous		12 months ending
	12 months ending		30 June 2014
	30 June 2013		\$
Consolidated Financial Results			
Total revenue from ordinary activities	Up	56%	16,283,183
Profit from ordinary activities after tax attributable to the owners of Atlas Pearls and Perfumes Ltd	Up	292%	1,813,922
Net Profit attributable to the owners of Atlas Pearls and Perfumes Ltd	Up	292%	1,813,922
Dividends			
	Amount per security		Franked Amount per security
Dividend per ordinary share in respect of 30 June 2014 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 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

	<b>Year ended</b>	<b>Year ended</b>
<b>Net tangible assets per security</b>	<b>30 June 2013</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
NTA per ordinary share	9.0	8.7

**Control gained or lost over entities during the financial year:**

None

**Other Information**

Refer to the Annual Report attached.

**Commentary on results for the period**

Refer to the Annual Report attached.

**Audit**

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

**Attachments**

The Annual Report of Atlas Pearls and Perfumes Limited for the year ended 30 June 2014 is attached.

# ATLAS

## PEARLS AND PERFUMES

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

### **ANNUAL REPORT** **2014**

#### **CORPORATE DIRECTORY**

##### **DIRECTORS**

Stephen Paul **BIRKBECK**

Nelson **ROCHER**  
Appointed 18 July 2014

Joseph James Uel **TAYLOR**  
B.Sc. (Biology), Ph.D.

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**  
Appointed 2 January 2014

##### **COMPANY SECRETARIES**

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

Stephen **GLEESON**  
B.BUS, CPA

##### **REGISTERED OFFICE**

47-49 Bay View Terrace  
Claremont  
Western Australia 6010

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Claremont  
Western Australia 6910

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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

##### **INVESTOR RELATIONS**

Bourse Communications Pty Ltd  
Suite 104, 22 St. Kilda Road  
St. Kilda VIC 3182

##### **TAX ADVISERS**

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

##### **BANKERS**

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

##### **SHARE REGISTRY**

Computershare (WA) Pty Ltd  
Level 2,  
45 St George's Terrace  
Perth  
Western Australia 6000

##### **HOME EXCHANGE**

Australian Securities Exchange Ltd  
Exchange Plaza  
2 The Esplanade  
Perth  
Western Australia 6000

ASX Trading Code: ATP

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

Dear Shareholder

Atlas is pleased to announce that 2013/14 audited net earnings are higher than forecast.

This report is the first 30 June Annual Financial Report for Atlas Pearls and Perfumes Ltd (Atlas) bringing the Group in line with the Australian financial year. In the past twelve months Atlas realised many key milestones outlined in its strategic plan providing for the on-going and improving profitability of the Company's core business. Research and Development (R & D) is in its tenth year, focussing on optimising core business activities, as well as bio-mass applications that underpin the Companies diversification strategy. This R & D will not only create new high value exports and revenue streams from the existing pearl production inputs by utilisation of the waste products but ensures that Atlas is a recognised world leader in pioneering cradle to cradle practises in the luxury supply chain.

**\$3.8 Million Improvement in EBITDA in 2013/14 Compared to 2012/13 \***

Atlas increased its gross revenue by 56%, to \$16,283,183. This is a record result in the 20 year history of the Company. More importantly, gross profits increased from 60% to 62%, combined with prudent overhead cost management has improved EBITDA from a loss of \$363,078 to a profit of \$3,470,313 (i.e. \$3.8m improvement). The EBITDA is 21% of gross revenue and has resulted in a net profit before tax improvement of \$5,696,548 and an NPAT improvement of \$2,758,616, all net earnings are well in excess of the Board of Director's 2013/14 budgets and forecasts.

**Table One – Increased Revenue and Profits for 2013/14**

	12mnths 30-Jun-14	12mnths 30-Jun-13	Movement
	\$	\$	\$
<b>Revenue</b>	16,283,183	10,453,703	5,829,480
<b>Normalised EBITDA</b>	3,470,313	(363,078)	3,833,391
<b>NPBT</b>	1,458,642	(4,237,906)	5,696,548
<b>NPAT</b>	1,813,922	(944,694)	2,758,616

**\* 2012/13 is the normalised 12 Month period ending 30 June 2013.**

**Fiscal Results in 2013/14**

1. Record revenue of \$16.28m for the 12 months ended 30 June 2014.
2. Closed the period with \$2.66m in liquidity (cash and headroom in bank facility access).
3. EBITDA of \$3.47m. Strong sales results in the June auction have had a positive impact on Normalised EBITDA 2013/14.
4. Sales of essential oils of \$2.02m in the 2013/14 period, improving on the revenue for the 6 months to 30 June 13 of \$503,076.
5. Overall Gross Profit percentage increased to 62% for the 12 months to 30 June 2014 from 60% in 30 June 2013 results as loose pearl prices rose due to the reduced supply of white south sea pearls driven by lower global production.

**Refer to Attachment 1 – Summary of key Fiscal Achievements; Table 3.**

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

### **Pearl Production and Loose Pearl Sales**

Atlas has expanded its scale of production over the past five years and in 2014/15 estimates producing over 350 Kg's of high quality "sellable" pearls, which is a 100% increase in this core element of the Company's exports. The team are working on the next 5 Year production blue print (to June 2020). Atlas will build key production strengths to maximise quality through on-going pearl genetic research. This R & D, when combined with a strong 5 Year historical CAPEX investment provides Atlas with a wide range of water and land assets spread over a diverse geographical range. This unique combination minimises the risks normally associated with aquaculture such as disease and climate. Combined with production efficiency and low cost centres, our key investment features are responsible for the Company's current global competitive advantage.

In 2014/15 Atlas will see its second major hub growing to optimal scale with this achievement made all the more remarkable due to the global financial crisis (GFC) causing fiscal hardship to the sector, and a contraction in the global pearling industry.

Atlas completed the year strongly with the best auction results achieved since the GFC commenced. This supports our belief that our sales strategy of holding fewer, bigger auctions is paying off and that there is a growing and sustainable demand for the 9-13 mm specialty pearl size, a category for which we have now built our global reputation as a market leader. We are now able to consistently produce harvests of this highly prized and sought after specification of white south sea pearls.

Atlas will continue to invest heavily in R & D providing the Company with a significant competitive advantage. An Atlas supported pearl research program has been awarded \$540,000 by the Australian Research Council. The collaborative research approach between Atlas and James Cook University (JCU) has resulted in many key achievements in pearl aquaculture and genetic research over the last nine years. Researchers have unravelled the most detailed genetic map of any commercial shellfish species and have created a unique pedigree system allowing for commercial improvements in domestication, retention rates, pearl quality (weight, colour and lustre) and this is providing a strong foundation for sustainable pearl farming.

### **Pearl By-product Extracts**

One of the core products derived from pearl farming is a by-product that represents > 95% of the harvested oyster. The pearling industry needs to diversify and maximise the use of by-products to build new income streams. There is substantial value adding from pearl by-products (pearl shell, soft tissue and substandard pearls) that are currently discarded or earning less than \$3.00 kg.

Atlas has initiated research in the USA, Europe, Asia and Australia on a wide range of applications of pearl extracts in the following sectors;

- 1) Perfume
- 2) Cosmetics
- 3) Jewellery and
- 4) Pearl Farming (seeding of oysters).

This research aims to create demand for the Atlas pearl extracts. This in turn is providing a platform for Atlas to build its corporate profile with a range of luxury brands that see the emerging corporate social responsibility as a key marketing trend of the 21<sup>st</sup> Century.

### **Pearl By-product Commercialisation**

Atlas is viewing pearls with fresh eyes, going beyond the mere beauty of the gem, by extracting the very elements that trigger the formation of the pearl itself. Atlas has extracted a number of active ingredients from the pearl oyster (shell and soft tissues).

Due to the strategic value of such points of difference in the luxury supply chain it has enabled Atlas to open direct dialogue with multi-national brands that offer significant upside for the sale of extracts as well as stimulating new markets for the export of loose pearls and pearl jewellery.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

**Projects currently being undertaken by Atlas include;**

*1) Perfume of the Pearl Applications*

Atlas has engaged a leading Paris based luxury creative agency to finalise a strategic plan to maximize the commercial roll out of pearl cosmetics (Pearl Rituals) and a pearl perfume extract innovation (2008) that Atlas purchased the rights to in 2011. Nelson Rocher will direct the brief which aims to launch and commercialise specific pearl market concepts and technologies related to its extracts and pearl jewellery through incubating proof of concept marketing trials in Atlas retail shops. If the roll out trial is successful, Atlas will work with the Paris based agent's luxury brand customer base and its own extensive Paris and New York networks to identify various licensing opportunities for these innovations and products.

Distribution will focus on the global retail jewellery sector, generating further synergies by upselling Atlas pearls in finished supporting jewellery. The pearl perfume extract is unique to Atlas. The extraction of the fragrance of the pearl provides Atlas with a range of other commercial opportunities to explore.

*2) Cosmetic Application*

Pearl nacre (shell) has been powdered and, using propriety technology, pearl proteins and pearl amino acids were extracted. A range of extracts from the shell and soft tissue have simultaneously been tested and experimented in preliminary in-vitro trials in the USA on human DNA to scope key areas of ongoing interest for our key global customer targets (multi-national beauty brands that also sell jewellery). The objective is to validate traditional Chinese medicinal claims on human cell's cultured in the US to determine a range of pearl extract rejuvenation properties on human soft tissues.

These and other in-vitro "proof of concept" trials are vital in securing long term export agreements with larger companies that wish to partner with Atlas as a unique supplier of active ingredients that are complemented with a strategic marketing proposition.

**Table 2 - In Vitro proof of Concept trials Conducted in the USA**

<b>Treatment</b>	<b>Reactive Oxygen formation Reduction</b>	<b>Collagen production increase</b>	<b>Elastin production increase</b>	<b>Hyaluronic Acid (HA) synthesis</b>
Pearl Nacre Powder		X		X
Whole Nacre Protein		X	X	
Hydrolysed Nacre Protein	X			X
Saibo Mantle Powder			X	
Whole Saibo Mantle Protein	X	X	X	
Hydrolysed Saibo Mantle Protein	X		X	
Peristracum Mantle Powder				X
Whole Peristracum Mantle Protein	X			X
Hydrolysed Peristracum Mantle Protein	X	X	X	

Phase 1 of the Pearl Oyster extract cellular studies was completed. In short, results are encouraging. All 9 of the extracts showed activity (concentration dependent) on skin cells, with the protein variants showing the most pronounced results. Overall results give promising indications of extract activity at cellular level.

## ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES CHAIRMAN'S REPORT

A post-grad at James Cook University has been assigned to analyse the DNA Micro Array data (180,000 data points) over the next 2-3 months. In conjunction with the skin cell study results above, the Microarray results will assist to map out the directions of the type of testing to run for Phase 2. Phase 2 will narrow down the ingredients and run tests on enhanced skin tissue models, more indicative to effects directly on skin.

### *3) Pearl Jewellery Applications*

Research has been conducted in collaboration with the Gemological Institute of America to measure the potential benefits of various active ingredients on pearl luster (shine) and also tests on the internal structure of the pearl to measure potential impact on Orient (the ability to refract light). Research has been conducted that follows a protocol very similar to a cosmetic clinical test to reveal the impact on the internal structure of each pearl exposed to accelerated aging in the different environments selected using propriety active ingredients.

Establishing successful correlations between human and pearl skin is unique to Atlas. We are pioneering a new approach with the express aim of lifting the global demand for pearls and pearl jewellery, which currently represents less than 5% of retailers inventory value added sales.

### *4) Pearl Farming Applications*

Live experiments using a wide range of pearl extracts on a statistically relevant group of pearl oysters were conducted to track potential benefits on pearl formation and determine if the active ingredients improve seeding retention rates and stimulate nacre deposition. Due the relative success of the pilot trial, Atlas is now scaling up a large commercial trial using the extract that provided the highest statistical result in the first phase of experimentation.

## **Conclusion on Pearl Extract Research and Market Commercialisation**

The research and commercialisation of pearl extracts is aimed at establishing a deeper luxury connection between the pearl and humans, beyond the visible spectrum of jewellery, and is fully aligned with the Atlas cradle to cradle sustainability commitment of making the most out of each and every part of the material that the company uses to create value.

## **Perfume Division: Essential Oils of Tasmania (EOT)**

In 2012, EOT was a struggling Australian exporter of food flavours. Atlas purchased the company (January 2013) and widened its scope to use the Company's Intellectual Property (IP) to become a processor and exporter of perfume and cosmetic ingredients. The core rationale behind the acquisition was to protect 5 years of pearl powder research and have EOT provide the skill base to expand the R & D and construct and commission a pearl powdering facility.

In May 2014 EOT was awarded a \$1.1 million grant to support the commercialisation of its pearl extraction technology and secure long term supply agreements for these products. It will be Australia's first Supercritical Fluid Extraction (SFE) plant using CO2 for the extraction of flavour and fragrance ingredients and bioactive compounds.

Atlas is pleased to announce that in August 2014 EOT completed the construction and commissioning of a pearl powdering and extraction plant in Hobart (constructed to Food and Drug Authority, USA standards) and successfully shipped the first shipment of extracts to New York.

World Senses was established in 2012 (50/50% joint venture with Nomad Two Worlds in New York) with the express purpose of collaborating with large international brands to help secure contracts with the vision of seeing pearl powder extract supply agreements established in the USA (this JV in the USA is ongoing).

EOT Sales for the 2013/14 year were \$2.02 million, which is a substantial improvement on the previous fiscal year (6 Month sales to 30/6/13 were \$503,076). While there is on-going revenue growth potential in Tasmania, Atlas continues to work on ways of combining the Australian extraction IP with the Atlas team's intimate and long standing knowledge of operating businesses successfully in Indonesia.



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

There are various short term growth opportunities in Indonesia that can harness the synergies between our groups' assets, the Tasmanian and Indonesian work-forces. Indonesia is the world's second largest flavour and fragrance perfume export market. Atlas has developed a deep knowledge and understanding of business in Indonesia, this accompanied with the Group's existing geographical presence, sourcing and logistics capabilities puts the company in a unique position to take advantage of this growing market. **(Refer to Attachment 2, Tables 4 and 5)**

**Value Added Sales Division Increased its Gross Revenue by 63% in 2013/14**

Value Adding is a key priority for Atlas to de-risk the business from any future commodity price swings for pearls. Value added sales increased by 63% in 2013/14 to \$4.38 million (\$2.75m previous year). As well as de-risking the core pearling venture cyclical exposure, the value added sales provide significantly higher margins further up the luxury supply chain. This allowed Atlas to increase its GP (now at 62%) and incubate marketing "concepts" in the Company's own chain of retail stores in Indonesia and Australia. This data will be presented as required in global licensing negotiations, demonstrating the proposition of selling luxury products in uncontested niche luxury-market segments; marketing perfumes to jewellery retailers and selling jewellery to perfume retailers.

The Atlas Indonesian farm retail outlets continue to lead the way for Indonesian sales. We are pleased to announce the opening of a new retail outlet at Punggu (Flores) in August 2014. This new outlet will capture the increasing tourism trade to Komodo Island and Flores.

Atlas is launching new jewellery collaborations over the coming twelve months and has recently signed a contract with leading pearl jewellery designer Simon Henderson who will work with the Company's French design and product development team spearheaded by the Atlas Design Director, Tina Arena.

The acquisition of Essential Oils of Tasmania in January 2013 has further assisted in growing value added sales revenue. As the growing revenues demonstrate we have successfully built alternate higher value sales and aim to continue to create increased demand for value added pearls and perfumes.

**Corporate Social Responsibility**

We remain committed to being a global force in luxury Corporate Social Responsibility and intend to pioneer a cradle to cradle approach to the pearl and perfume supply chains by respecting the regional communities and environment we work in. Our approach to pearl by-products is central to this approach and is also opening new revenue streams and giving Atlas invaluable exposure to large multi-national purchasers of luxury ingredients.

**Re-Investment in Fast Growth Strategy**

Atlas has not paid a dividend since the on-set of the GFC. The Board wants to prioritise access to on-going development funds while we continue to expand our revenue and profits at a fast rate. I am spearheading a revised 5 year blue print commencing 2014/15 with supporting fiscal assumptions and budgets for Board and senior executive ratification at our next Board meeting in November.

The Board is greatly appreciative of the support provided by its shareholders and understands the desire for dividends, however we need to balance this sensible request against the past performance of this cyclical stock and ensure that when we declare the commencement of dividends that we are able to maintain a sustainable dividend that shareholders can rely upon.

**Acknowledgements**

Atlas was announced as a finalist in the WA Industry and Export Awards that will be held on the 24<sup>th</sup> October 2014, where winners will be selected for the prestigious national finals held in Sydney in November 2014. I would like to highlight the achievements of the Atlas team of employee's and consultants and sincerely thank them for their hard work and support over the past 5 years.

Our Indonesian and Tasmanian regional workforces are the reason that we have been able to survive in a marketplace that has proven too tough for many in the pearling industry. The teams sacrifices, work ethic and passion give our board and senior management the self-belief required through the difficult times.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

### **Sustained Growth While the Pearling Industry Contracted**

Pearling is traditionally a cyclical industry and the price of the commodity due to the 2009 GFC impact created a contraction in global pearl production.

Over the past 5 years, against a background of an eroding industry, Atlas, with the phenomenal support of our shareholders continued to grow the business and diversify. This year has been truly rewarding and this is reflected in recent share price gains. With a diversified base of operations and product streams we are in a commanding position to increase our footprint in the luxury sector.

In a climate of fiscal restraint, this could have only been achieved with the continued support of our shareholders.

### **Conclusion**

It is pleasing to see the share price improving, closing at 8.5 cents as at 30<sup>th</sup> June 2014 and 13.0 cents as at 26<sup>th</sup> August 2014.

I took on the role of Executive Chairman of Atlas in January 2010. The last five years have been a troubled and an unprecedented period in relation to world economic affairs. As such I want to take this occasion to reflect and thank my co-directors, staff, customers and suppliers for all of your contributions to the delivery of a five year plan that has resulted in Atlas emerging from the global financial recession a stronger and more sustainable luxury ingredient supplier.



Stephen Birkbeck, Chairman

28<sup>th</sup> August 2014

**Note:** This report is the first full 30 June annual financial report for Atlas and Pearls Perfumes Ltd ("Atlas"), bringing the Group in line with the Australian financial year. The financial report presented covers the period 1 July 2013 to 30 June 2014. The prior period report presented was for the period 1 January 2012 to 30 June 2013, and covered a once off 6 month financial year end. The comparative numbers presented in the Chairman's report are for the 12 months ended 30 June 2013, which are unaudited and based on normalised 2011 and 2012 financials.

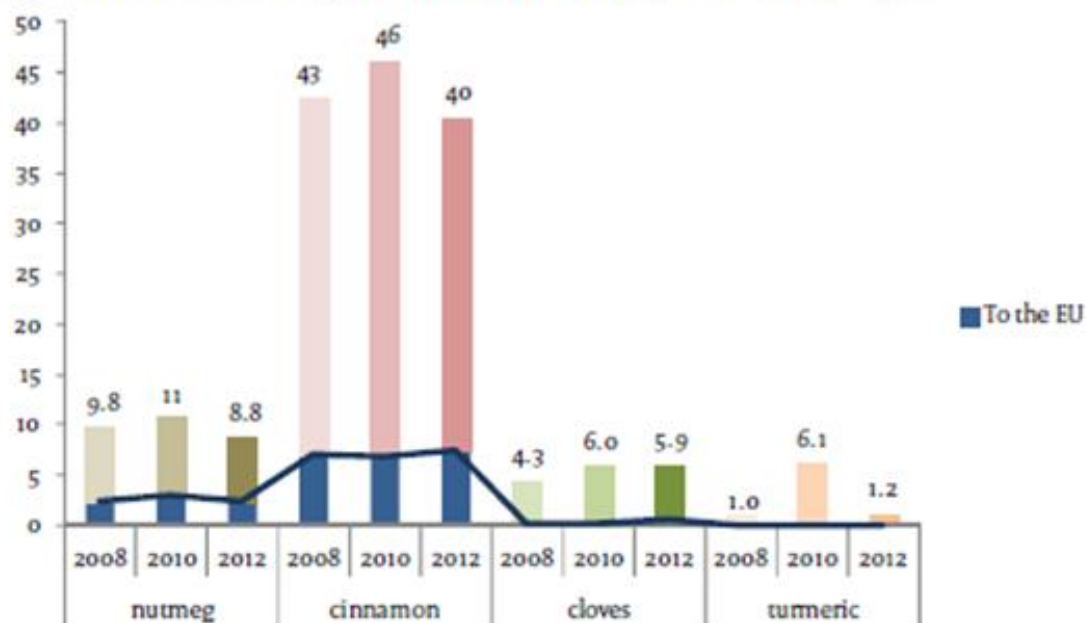
ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CHAIRMAN'S REPORT

**Attachment 1, Table 3, Summary of Key Fiscal Achievements in 2013/14**

	<b>12 Months Ended 30 June 14 \$'000</b>	<b>Unaudited Normalised 12 Months Ended 30 June 13 \$'000</b>
Revenue from continuing operation	16,283	10,453
Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)	3,470	(363)
EBITDA margin	21.31%	(3.47%)
Depreciation & amortisation	303	244
Foreign exchange (gains)/losses	578	(2,058)
Revaluation and write-off of Agriculture Assets (oysters, pearls and crops)	(63)	5,907
Other non-operating costs	300	302
Inventory write off	(12)	-
Derivative instruments	436	404
Other taxes	-	(70)
Earnings/(loss) before interest and tax (EBIT)	1,929	(4,756)
EBIT margin	11.8%	(45.5%)
Finance/interest net costs/(income)	471	(519)
Income tax benefit	(355)	(3,293)
Net profit after tax (NPAT)	1,814	(945)
Basic earnings/(loss) per share (cents)	0.61	(0.81)
Net Tangible Assets	28,416	25,797
Assets	40,823	35,676
Debt (Current & Non-current)	5,155	5,274
Shareholder funds	28,809	25,797
Debt/shareholder funds (%)	18%	20%
Number of shares on issue (million)	326.62	287.04

Attachment 2, Tables 4 and 5

**Figure 1: Indonesia's spice exports, in 1,000 tonnes, 2008-2012**



Source: ITC Trademap, 2013

**Regional Export of Essential Oil in 2010**

Island/Region	Province	Exported Volume (kg)
SUMATRA	Riau and Riau Islands	22,534
	West Sumatra	198,410
	North Sumatra	2,361,298
	Lampung	3,317
	<b>TOTAL</b>	<b>2,585,559</b>
JAVA	DKI Jakarta	1,392,906
	West Java	7,291
	Central Java	378,578
	East Java	236,834
	<b>TOTAL</b>	<b>2,015,609</b>
KALIMANTAN	East Kalimantan	1,862
	<b>TOTAL</b>	<b>1,862</b>
THE LESSER SUNDA ISLANDS	Bali	2,635
	Eastern Nusa Tenggara	616
	<b>TOTAL</b>	<b>3,251</b>
SULAWESI	Central Sulawesi	34,400
	<b>TOTAL</b>	<b>34,400</b>
	<b>TOTAL VOLUME</b>	<b>4,640,681</b>

Source: Statistics Indonesia (BPS), 2011

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Atlas Pearls and Perfumes Ltd (formerly Atlas South Sea Pearl Limited) and the entities it controlled at the end of, or during, the period ended 30 June 2014.

## 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:

### **STEPHEN PAUL BIRKBECK (Age – 54)**

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

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

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

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

\* Nil

### **NELSON ROCHER (Age - 29)**

ALTERNATE DIRECTOR TO STEPHEN PAUL BIRKBECK

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

Appointed Alternate Director 18 July 2014

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

\* Nil

### **JOSEPH JAMES UEL TAYLOR, B.Sc. (Biology), Ph.D. (Age – 47)**

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

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

Appointed Director on 13 September 2000  
Managing Director from 31 August 2001 to 1 June 2009  
(Last re-elected as a director – 31 May 2010)

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

\* Nil

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**1. DIRECTORS (CONT.)**

**GEOFF NEWMAN, B.Ec (Hons), M.B.A, F.C.P.A ,F.A.I.C.D. (Age – 63)**

INDEPENDENT NON EXECUTIVE DIRECTOR (Chair of Audit Committee, Chair of Remuneration 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.

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:

- \* Neptune Marine Services LTD – appointed 16 October 2008, resigned 30 September 2011

**TIMOTHY JAMES MARTIN, B.Arts, M.B.A, G.A.I.C.D. (Age – 42)**

NON EXECUTIVE DIRECTOR (Remuneration Committee)

Mr Martin has over 16 years of experience in the chemical, manufacturing and property sectors in Australia and south-east Asia. Mr Martin is Managing Director of Coogee Chemicals, a privately owned chemical manufacturing and shore side Terminal and Distribution Company, with operations throughout Australia and in Asia.

He has experience in the resource sector as a Non-Executive Director of related company Coogee Resources, where he was also a member of their Risk and Audit Committee until the company was sold to PTTEP (the National Oil Company of Thailand).

Prior to this Tim worked in the wholesale food manufacturing and distribution business in senior management positions, primarily servicing retail supermarket chains in Australia.

He is also Director Principal of a private company specialising in commercial property development and leasing, with current projects in Port Hedland, Rockingham, and south Western Australia. He is also a board member of the Kwinana Industries Council representing heavy industry to government and other stakeholders as well as being a member of the Plastics and Chemicals Industry Association of Australia (PACIA) strategic issues advisory council.

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**1. DIRECTORS (CONT.)**

**STEPHEN JOHN ARROW (Age - 54)**

INDEPENDENT NON EXECUTIVE DIRECTOR

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

**2. COMPANY SECRETARY**

The role of Company Secretary at the end of the financial period was shared by Mr Stephen Gleeson and Ms Susan Hunter.

**STEPHEN GLEESON, B.BUS, CPA**

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

Appointed 24 April 2012.

**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.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

### 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 Committee Meetings		Remuneration Committee Meeting	
		Held	Attended	Held	Attended	Held	Attended
S.P. Birkbeck <sup>2</sup>	01/07/13 – 30/06/14	6	6	3	-	1	1
G. Newman <sup>1,2</sup>	01/07/13 – 30/06/14	6	6	3	3	1	1
J.J.U. Taylor <sup>1,2</sup>	01/07/13 – 30/06/14	6	6	3	3	1	1
T. Martin <sup>2</sup>	01/07/13 – 30/06/14	6	5	3	-	1	1
S.J. Arrow <sup>3,4</sup>	01/07/13 – 30/06/14	3	3	3	-	1	1

Notes

1 Member of the Audit Committee

2 Member of the Remuneration Committee

3 Attended Remuneration Committee as a guest

4 Appointed director on 2 January 2014



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

The directors are pleased to present your Company's 2014 remuneration report which sets out remuneration information for Atlas Pearls and Perfumes Ltd's non-executive directors, executive directors and other key management personnel.

Name	Position
<i>Non-executive and executive directors</i>	
S. Birkbeck	Chairman & CEO
N. Rocher (appointed 14 July 2014)	Alternate Director
J. Taylor	Non-Executive Director
G. Newman	Independent Non-Executive Director
T. Martin	Non-Executive Director
S. Arrow (appointed 2 Jan 2014)	Independent Non-Executive Director
<i>Other key management personnel</i>	
S Gleeson (appointed 01 July 2014)	Managing Director EOT
J.S Jorgensen	Chief Operations Officer PT Cendana Indopearl
C Triefus (resigned 31 December 2013)	Retail Production Manager PT Cendana Indopearl
D Brandenburg (appointed 01 July 2014)	Chief Financial Officer
P Fallourd (appointed 01 May 2014)	Vice President of Pearling
S Mackay-Coghill (appointed 01 May 2014)	Vice President of Jewellery, Perfumes & Cosmetics

#### *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 2014;

##### **Managing Director of EOT and Company Secretary – S Gleeson**

Mr S Gleeson was appointed as Managing Director of Essential Oils on 1 July 2014. Mr S Gleeson previously held the title of Chief Financial Officer and continues to hold the title of Company Secretary. Mr S Gleeson's contract was renegotiated on 10 July 2014.

Base salary for the 2014/15 financial year of \$200,000 inclusive of 9.5% superannuation, reviewed annually.

Bonus based on achieving various milestones (STIP) relating to essential oil sales, commissioning of the new pearl extraction plant, and various other grants. Bonus of 1% growth of 2014/15 EBITDA paid quarterly.

##### **Chief Financial Officer – D Brandenburg**

Ms D Brandenburg was appointed Chief Financial Officer on 1 July 2014. Ms Brandenburg's contract was renegotiated on 18 July 2014.

Base salary for the 2014/15 financial year of \$175,000 inclusive of 9.5% superannuation, reviewed annually.

Bonus of 2% on growth of real EBITDA from 13/14 to 14/15.

#### **4.1 Remuneration Governance**

##### **4.1.1 Role of the remuneration committee**

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

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

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

##### 4.1.2 Non-Executive Director Remuneration Policy

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

The Non Executive Directors' aggregate annual remuneration may not exceed \$350,000 which is periodically recommended for approval by shareholders. This limit was approved by shareholders at the Annual General Meeting on 30th May 2007. In the period ending 30 June 2014, the total non-executive directors' fees including retirement benefit contributions were \$212,574.

The following fees have applied:

- Base fees for Non-Executive Directors - \$50,000 per annum as of 1 July 2014.
- Additional fees of \$8,000 per annum for the Chairman of the Audit Committee.
- Chairman's package is \$351,000 per annum including superannuation.
- The Technical Director receives an additional \$750 per day for pearl technical and Indonesian entity support.

##### 4.1.3 Executive remuneration policy and framework

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

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

The executive remuneration framework has three components;

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

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

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

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

#### **4. REMUNERATION REPORT (AUDITED)**

##### **4.1.3 Executive remuneration policy and framework (cont.)**

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

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

##### ***Use of remuneration consultants***

During the financial year ended 30 June 2014 the Company did not engage any remuneration consultants. The Company engaged remuneration consultants Gerard Daniels during the period ended 30 June 2013 to provide an independent market review of the Chief Executive Officer/Executive Chairman and Independent Non-Executive Director Fees. Total fees charged for this service was \$15,000 + GST.

- Gerard Daniels was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by Gerard Daniels directly to the chair of the remuneration committee; and
- Gerard Daniels was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Gerard Daniels was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

##### ***Voting and comments made that the Company's 2013 Annual General Meeting.***

Atlas Pearls and Perfumes Ltd received more than 90% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration.

##### ***Relationship between Key Management Personnel Remuneration and Performance.***

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

##### 4.2 Details of remuneration

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

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave		
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors(Non-Executive)</b>									
G. Newman <sup>5</sup>	2014	63,800	-	-	63,800	-	-	-	63,800
	2013	20,487	-	-	20,487	-	-	-	20,487
J.J.U. Taylor <sup>1, 10</sup>	2014	71,960	-	-	71,960	4,235	-	628	76,823
	2013	56,625	-	-	56,625	2,250	-	-	58,875
T. Martin <sup>6</sup>	2014	50,000	-	-	50,000	-	-	-	50,000
	2013	12,500	-	-	12,500	-	-	-	12,500
S. Arrow <sup>11</sup>	2014	27,500	-	-	27,500	-	-	-	27,500
<b>Directors (Executive)</b>									
S.P. Birkbeck <sup>1,2,9,10</sup>	2014	225,000	-	-	225,000	20,625	-	12,559	258,184
	2013	87,500	-	-	87,500	7,875	-	-	95,375
N. Rocher <sup>14</sup>	2014	18,812	-	-	18,812	-	-	2,974	21,786
	2013		-	-	-	-	-	-	-
<b>Total</b>	<b>2014</b>	<b>457,072</b>	-	-	<b>457,072</b>	<b>24,860</b>	-	<b>16,162</b>	<b>498,094</b>
<b>Total</b>	<b>2013</b>	<b>177,112</b>	-	-	<b>177,112</b>	<b>10,125</b>	-	-	<b>187,237</b>

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

**4.2 Details of remuneration (cont.)**

Name		Cash salary & fees	Short term benefits		Total cash salary, fees and short term benefits	Post-employment benefits	Long term benefits	Share based compensation	Total
			Short term incentive cash bonus	Non-cash monetary benefit		Super-annuation benefit	Long service leave		
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Other Key Management Personnel</b>									
S Gleeson <sup>4,8,10</sup>	2014	206,422	9,368	-	215,790	21,844	-	13,160	250,794
	2013	103,211		-	103,211	9,289	-	-	112,500
JS Jorgensen <sup>3,9,10</sup>	2014	165,000	-	33,205	198,205	-	-	1,487	199,692
	2013	75,359	-	9,971	85,330		-	-	85,330
C Triefus <sup>7,9</sup>	2014	59,849	-	19,940	79,789	-	-	-	79,789
	2013	42,800	-	11,305	54,105	-	-	-	54,105
D Brandenburg <sup>4,8</sup>	2014	141,672	8,547	-	150,219	13,542	-	1,424	165,185
	2013	-	-	-	-		-	-	
P Fallourd <sup>12</sup>	2014	66,278	-	-	66,278	3,519		3,686	73,483
	2013	-			-				
S Mackay-Coghill <sup>13,8</sup>	2014	66,222	25,000	-	91,222	1,354	-	1,424	94,000
	2013	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2014</b>	<b>705,443</b>	<b>42,915</b>	<b>53,145</b>	<b>801,503</b>	<b>40,259</b>		<b>21,181</b>	<b>862,943</b>
<b>Total</b>	<b>2013</b>	<b>221,370</b>	<b>-</b>	<b>21,276</b>	<b>242,646</b>	<b>9,289</b>	<b>-</b>	<b>-</b>	<b>251,935</b>
<b>Grand Total 2014</b>	<b>2014</b>	<b>1,162,515</b>	<b>42,915</b>	<b>53,145</b>	<b>1,258,575</b>	<b>65,119</b>	<b>-</b>	<b>37,343</b>	<b>1,361,037</b>
<b>Grand Total 2013</b>	<b>2013</b>	<b>398,482</b>	<b>-</b>	<b>21,276</b>	<b>419,758</b>	<b>19,414</b>	<b>-</b>	<b>-</b>	<b>439,172</b>

## ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES DIRECTORS' REPORT

### 4. REMUNERATION REPORT (AUDITED)

**Notes:**

1. Dr J Taylor and Mr S Birkbeck are Directors of the Company's Malaysian subsidiary Aspirasi Satria Sdn Bhd.
2. Mr S Birkbeck is a key management personnel of the Group with the title of Chief Executive Officer. Mr S Birkbeck was appointed Chief Executive Officer as at 16 January 2012.
3. Mr J Jorgensen is a key management personnel of the Group and was appointed to the position of Chief Operating Officer (COO) in September 2010. Mr J Jorgensen is the Chief Operations Officer of the Company's Indonesian subsidiary, P.T. Cendana Indopearls.
4. S Gleeson was appointed Chief Financial Officer on the 1 February 2012. S Gleeson resigned as Chief Financial Officer on 1 July 2014. D Brandenburg was appointed Chief Financial Officer on 1 July 2014.
5. G Newman appointed 15 October 2010.
6. T Martin appointed 4 February 2013.
7. Mr C Triefus is the Retail Production Manager. The Retail Production Manager manages the retail stores in Bali and co-ordinates all retail stock for the Group. Mr Triefus resigned as Retail Production Manager on 31 December 2013.
8. Bonuses were paid to the KMP's Stephen Gleeson, Sonia Mackay Coghill, and Danielle Brandenburg based on the milestones achieved during the period. In 2013 and 2012 Stephen Gleeson received his bonus based on achieving various milestones relating to tax compliance and 2% of EBITDA paid twice yearly.
9. A number of key management took part in the 2012 salary sacrifice scheme. \$50,000 of Stephen Birkbeck's salary was accrued for under the ESSP scheme and was transferred to him in shares in 2013. In 2012, \$25,000 of Jan Jorgensen's salary had been accrued for under the ESSP scheme and was transferred to him in shares in 2013. \$17,000 of Colin Triefus' salary had been accrued for under the ESSP scheme and was transferred to him in shares in 2013.
10. Non-Monetary benefits of other key management personnel included accommodation allowances, school fees and medical expenses, as per individual employment contracts.
11. S Arrow appointed as Non Executive Director on 2 January 2014.
12. P Fallourd appointed as Vice President of Pearling on 1 May 2014.
13. S Mackay-Coghill appointed as Vice President Jewellery, Cosmetics & Perfume on 1 May 2014.
14. N Rocher appointed as an alternate director to S Birkbeck on 18 July 2014

#### 4.2.1 Details of remuneration – performance analysis

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

Year	Name	% Performance	% Options
2014	N Rocher	14.1%	14.1%
2014	S Birkbeck	4.9%	4.9%
2014	S Gleeson	9.0%	5.2%
2014	J Jorgensen	0.7%	0.7%
2014	D Brandenburg	6.0%	0.9%
2014	P Fallourd	5.0%	5.0%
2014	S Mackay-Coghill	28.1%	1.5%
2014	J Taylor	0.8%	0.8%

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

##### 4.2.2 Relationship between remuneration and Atlas performance

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

	12 months	6 months	12 months	12 months	12 months
	2014	2013	2012	2011	2010
Profit/(loss) for the year / period	1,813,922	(2,194,645)	1,406,150	593,936	2,387,165
Basic earnings per share	0.61	(0.81)	0.68	0.43	1.91
Dividend payments	0	0	0	0	0
Increase / (decrease) in share price	53%	(25%)	(60%)	(38%)	(9%)
Total KMP incentives as a percentage profit/loss %	4.4%	0.0%	2.6%	8.8%	1.5%

#### 5.3. 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 Officer, 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:

##### 5.3.1. Mr Stephen Birkbeck (Executive Chairman - CEO)

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

##### 5.3.2. Mr Jan Jorgensen (Chief Operating Officer)

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

##### 5.3.3. Mrs Danielle Brandenburg (Chief Financial Officer – appointed 1 July 2014)

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

##### 5.3.4. Mr Pierre Fallourd (Vice President of Pearling)

- Base salary for the 2014 financial period of \$200,000 per annum inclusive of superannuation, reviewed annually.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

- Bonus on 2% of real EBITDA growth on 13/14 to 14/15.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

**5.3.5. Mrs Sonia Mackay-Coghill (Vice President of Jeweller, Perfumes & Cosmetics)**

- Base salary for the 2014 financial period of \$200,000 per annum inclusive of superannuation, reviewed annually.
- Commission payable on 5% of sales in Australia above last year (excluding loose pearl sales and Showcase)
- \$25,000 advance on bonus paid.
- Termination conditions- either party may terminate the contract of employment by giving six months' notice or a lesser amount as mutually agreed.

**5.3.6. Mr Colin Triefus (Retail Production Manager retired 31 December 2013)**

- Employed under a fixed term contract which was renewed 1 January 2013 and expired on 31 December 2013.
- Base salary for the 2013 financial period of \$85,600 per annum and also subject to various non-financial allowances relating to living in Indonesia.
- Letter of Agreement signed 25 June 2013 that both parties agreed that the employment contract which was dated 28 November 2012 should end at 30 September 2013.
- Agreement stated that from 1 October 2013 until 31 December 2013 Colin Triefus would work two days each week.
- Base Salary 1 October 2013 until 31 December 2013 was \$3,000 per month. During this time Colin Triefus accrued no further holiday entitlement.
- Not entitled to any special termination payments under these contracts.

**5.3.7. Mr Stephen Gleeson (Managing Director Essential Oils of Tasmania & Joint Company Secretary – appointed 1 July 2014)**

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

**5.3.8. Mr Nelson Rocher (Alternate Director – appointed 18 July 14 Head of Perfume Development – appointed 1 June 2014)**

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

**5.3.9. Other non - executives (standard contracts)**

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



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

##### 5.4. Additional Information of the remuneration report

##### 5.4.1. Loans to Directors and Executives

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

Group	Balance at the start of the period	Loans provided during the period	Interest paid and payable for the period	Interest not charged	Balance at the end of the period	No in Group at the end of the period
	\$	\$	\$	\$	\$	
30 Jun 2014	375,000	-	-	14,100	375,000	2
30 Jun 2013	375,000	-	-	6,864	375,000	2

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

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

30 Jun 2013	Balance at the start of the year	Loans provided during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest indebtedness during the year
Name	\$	\$	\$	\$	\$	\$
J. Taylor*	263,000	-	-	4,787	263,000	263,000
S. Adams*	112,000	-	-	2,077	112,000	112,000
	375,000	-	-	6,864	375,000	375,000

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

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

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

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

ii. Other loans to Key Management Personnel

The loan advance of \$25,000 to S Mackay-Coghill in advance of anticipated bonuses. The loan

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

is to be repaid to the Company at the earlier of; the date that the individual meets their bonus criterion, or the date that the individual terminates employment. An interest rate of 7% p.a. will be charged on the loan from date of draw down until date of repayment. Interest is due for payment when the loan is repaid. The bonus will be taxed when the bonus criterion are met.

##### 5.4.2. Options

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

##### 5.4.3. Other Key Management Personnel transactions

- I. \$11,905 of the ESSP accrual above is for shares salary sacrificed by Stephen Birkbeck during the year ended 30 June 2014 under the Atlas South Sea Pearl Employee Share Plan.
- II. During the twelve months ended 30 June 2014 and the six months ended 30 June 2013 none of the directors salary sacrificed into the Non - Executive Director Fee Salary Sacrifice Share plan.
- III. During the period, sales of individual pearls of small quantities were made to some staff and Directors on normal commercial terms.
- IV. During the 12 months ended 30 June 2014, \$30,000 in research and development fees were charged to Atlas Pearls and Perfumes Ltd by Raintree Pearls and Perfumes Pty Ltd. Raintree Pearls and Perfumes Pty Ltd is controlled by Stephen Birkbeck.
- V. During the twelve months ended 30 June 2014 Atlas Pearls and Perfumes Ltd sold pearls on behalf of Arrow Pearls Pty Ltd. Atlas received on consignment approximately \$1,750,000 of loose South Sea Pearls from Steve Arrow on the 5<sup>th</sup> of December 2013. Atlas received a sales commission of 5.0% based on the gross value of the pearls. Commission earned on the sale of loose pearls on behalf of entities controlled by key management personnel was \$113,614 for the year end 30 June 2014 (30 June 2013 – nil). Atlas paid the net proceeds of pearls sales to Arrow less the commission, in the form of 50% cash and 50% in shares until 10 million shares were acquired (capped at \$650,000). The shares were priced at \$0.065 per share.

#### 5.5. Share based payments compensation

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

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
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**4. REMUNERATION REPORT (AUDITED)**

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

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

Notes –

1. The minimum benefit is based on the fact that the vesting criteria for the shares on issue have not yet been met.
2. The maximum value is based on the value that is calculated at the time that the shares were issued.
3. The above named individuals are only entitled to these shares when the recourse loan is repaid. As at 30 June 2014, none of these loans have been repaid. Hence, these shares remain as treasury shares in the employee share trust.

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

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

**5.5.6. The Atlas Employee Salary Sacrifice Share Plan**

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 4th of September 2012 6,064,000 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at \$0.05 per share. During the 12 months ended 30 June 2014 2,866,640 shares were issued into the Atlas South Sea Pearl Ltd Employee Share Trust in eight different tranches at prices ranging between \$0.0639 and \$0.0661. On the 15<sup>th</sup> of March 2013, 2,931,616 shares were issued into the Atlas South Sea Pearl Limited Employee Share Trust at \$0.05 per share. During the twelve months ended 30 June 2014 2,866,640 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees who participated in the salary sacrifice plan (six months ended 30 June 2013 5,594,000).

Under the Salary Sacrifice Plan, the Company agrees to issue Shares to Eligible Employees, in lieu of the amount of remuneration that each Eligible Employee has agreed to sacrifice from their monthly remuneration.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

#### 4. REMUNERATION REPORT (AUDITED)

##### 4.5.6. The Atlas Employee Salary Sacrifice Share Plan (Cont.)

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

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

The Employee Share Plan is open to Eligible Participants being any Eligible Employee; or conditional upon the company obtaining any necessary ASIC relief to extend the operation of ASIC Class Order 03/184 (or similar class order) to them: any Eligible Contractor; or Eligible Casual Employee, who is declared by the Board to be an Eligible Participant for the purposes of the Plan.

There are no vesting conditions attached to the plan. Once an Employee has salary sacrificed salary equivalent to the number of shares taken up under the plan the shares are issued to the Employee.

An Eligible Employee means: a full time or part time employee (including an executive director) of a Group Company. An Eligible Contractor means: an individual that has: performed work for a Group Company, for more than 12 months; and received 80% of more of their income in the preceding year from a Group Company; or a company where each of the following are satisfied in relation to the company:

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;

- The contracting individual has performed work for a Group Company, for more than 12 months;
- The contracting individual has been the only member for the company for more than 12 months; and
- More than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received from a Group Company.

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

The number of Shares to be issued, transferred or allocated to the Trustee to be held on behalf of a Participant will be the dollar amount of the Salary Sacrifice divided by the issue price per Share outlined in the Invitation. In the case of fractional entitlements, the number of Shares to be 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 2014 2,866,640 (30 June 2013 - 5,594,000) of the shares issued were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to Eligible Participants. 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.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

**4.5.7.** 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 2014 and period ended 30 June 2013:

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

Name	Date of Entrance	Entitlement No. of Shares	No. of Shares Issued	Date of Issue	Shares Vested to end of 2012	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Stephen Birkbeck	4/09/12	1,000,000	1,000,000	8/5/13	100%	0%	2012 – 100%	Ordinary Shares	\$0.05	\$50,000
Jan Jorgensen	4/09/12	500,000	500,000	4/3/13	100%	0%	2012 – 100%	Ordinary Shares	\$0.05	\$25,000
Colin Triefus	4/09/12	340,000	340,000	28/3/13	100%	0%	2012 – 100%	Ordinary Shares	\$0.05	\$17,000

**4.5.8. The Atlas Non-Executive Director Fee Sacrifice Share Plan**

On the 26 June 2012 828,000 shares were issued into the Atlas Pearls and Perfumes Ltd Non-Executive Director Trust at \$0.05 per share. These shares have since been issued to Non-Executive Directors. There were no new shares issued under the NED plan during the period ended 30 June 2014.

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.

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DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

The Company's Non-Executive Directors will receive a portion of their Director's fee in the form of Shares.

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

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

**4.5.9.** 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 2012	Shares Forfeited in the year	Financial Year in which shares vested	Nature of shares	Share issue price	Total Value Salary Sacrificed
Joseph Taylor	26/6/12	180,000	180,000	29/6/12	100%	0%	2012 – 100%	Ordinary Shares	\$0.05	\$9,000
Geoff Newman	26/6/12	648,000	648,000	29/6/12	100%	0%	2012 – 100%	Ordinary Shares	\$0.05	\$32,400

Notes –

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

**4.5.10.** 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 14	Option Exercise Price
Stephen Birkbeck <sup>1</sup>	13/05/14	10,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$12,559	\$0.0858
Joseph Taylor <sup>1</sup>	13/05/14	500,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$628	\$0.0858
Stephen Gleeson <sup>2</sup>	24/02/14	2,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$5,948	\$0.0858
Stephen Gleeson <sup>1</sup>	02/06/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$712	\$0.095
Pierre Fallourd <sup>2</sup>	24/02/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$2,974	\$0.0858
Pierre Fallourd <sup>1</sup>	02/06/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$712	\$0.095
Nelson Rocher <sup>2</sup>	24/02/14	1,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$2,974	\$0.0858
Jan Jorgensen <sup>2</sup>	24/02/14	500,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$1,487	\$0.0858
Danielle Brandenburg <sup>1</sup>	02/06/14	2,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$1,424	\$0.095
Sonia McKay-Coghill <sup>1</sup>	02/06/14	2,000,000	30/6/16	31/12/16	0%	2016	Ordinary Shares	\$1,424	\$0.095

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

**4.5.11.** 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 21,000,000 options issued to key management personnel as remuneration during the period ended 30 June 2014 (30 June 2013 – Nil).

2. Option holdings

There were 21,000,000 options on issue to key management personnel during the period ended 30 June 2014 (30 June 2013 – 500,000).

b. Shareholdings

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

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

	Balance 01/07/13	Options Exercised	Other Changes <sup>(1)</sup>	Balance 30/06/14
<b>Parent Entity Directors</b>				
Mr S.P. Birkbeck	37,109,027	6,018,172	-	43,127,199
Mr J.J.U. Taylor	1,400,000	-	-	1,400,000
Mr G. Newman	1,411,295	128,000	-	1,539,295
Mr T. Martin <sup>(2)</sup>	16,628,145	2,528,600	-	19,156,745
Mr S. Arrow <sup>(3)</sup>	-	-	11,508,089	11,508,089
Mr N. Rocher <sup>(3)</sup>	-	-	6,612,185	6,612,185



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

	Balance 01/07/13	Options Exercised	Other Changes <sup>(1)</sup>	Balance 30/06/14
<b>Other key management personnel</b>				
Mr J. Jorgensen	624,400	-		624,400
Mr S. Gleeson	3,100,000	500,000	49,072	3,649,072
Mr C. Triefus <sup>(2)</sup>	1,215,000	-	(1,215,000)	-
Mr P. Fallourd <sup>(3)</sup>	-	-	2,586,206	2,586,206
Ms S. Mackay - Coghill	-	-	-	-
Ms D. Brandenburg <sup>(3)</sup>	-	-	100,000	100,000
	<b>61,487,867</b>	<b>9,174,772</b>	<b>19,640,552</b>	<b>90,303,191</b>

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

c. Option holding

The number of options over ordinary shares in the parent entity held during the six months ended 30 June 2014 by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 01/07/13	Granted	Exercised	Expired/ forfeited/other	Balance 30/06/14
<b>Parent Entity Directors</b>					
Mr S.P. Birkbeck	6,018,172	10,000,000	6,018,172	-	10,000,000
Mr J.J.U. Taylor	-	500,000	-	-	500,000
Mr G. Newman	128,000	-	128,000	-	-
Mr T. Martin	2,528,000	-	2,528,000	-	-
Mr S. Arrow <sup>(1)</sup>	-	-	-	-	-
Mr N. Rocher	-	1,000,000	-	-	1,000,000

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**4. REMUNERATION REPORT (AUDITED)**

	<b>Balance 01/07/13</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ forfeited/other</b>	<b>Balance 30/06/14</b>
<b>Other key management personnel</b>					
Mr J. Jorgensen	-	500,000	-	-	500,000
Mr S. Gleeson	500,000	3,000,000	500,000	-	3,000,000
Mr C. Triefus	-	-	-	-	-
Mr P. Fallourd	-	2,000,000	-	-	2,000,000
Ms S. Mackay- Coghill	-	2,000,000	-	-	2,000,000
Ms D. Brandenburg	-	2,000,000	-	-	2,000,000
	<b>9,174,172</b>	<b>21,000,000</b>	<b>9,174,172</b>	<b>-</b>	<b>21,000,000</b>

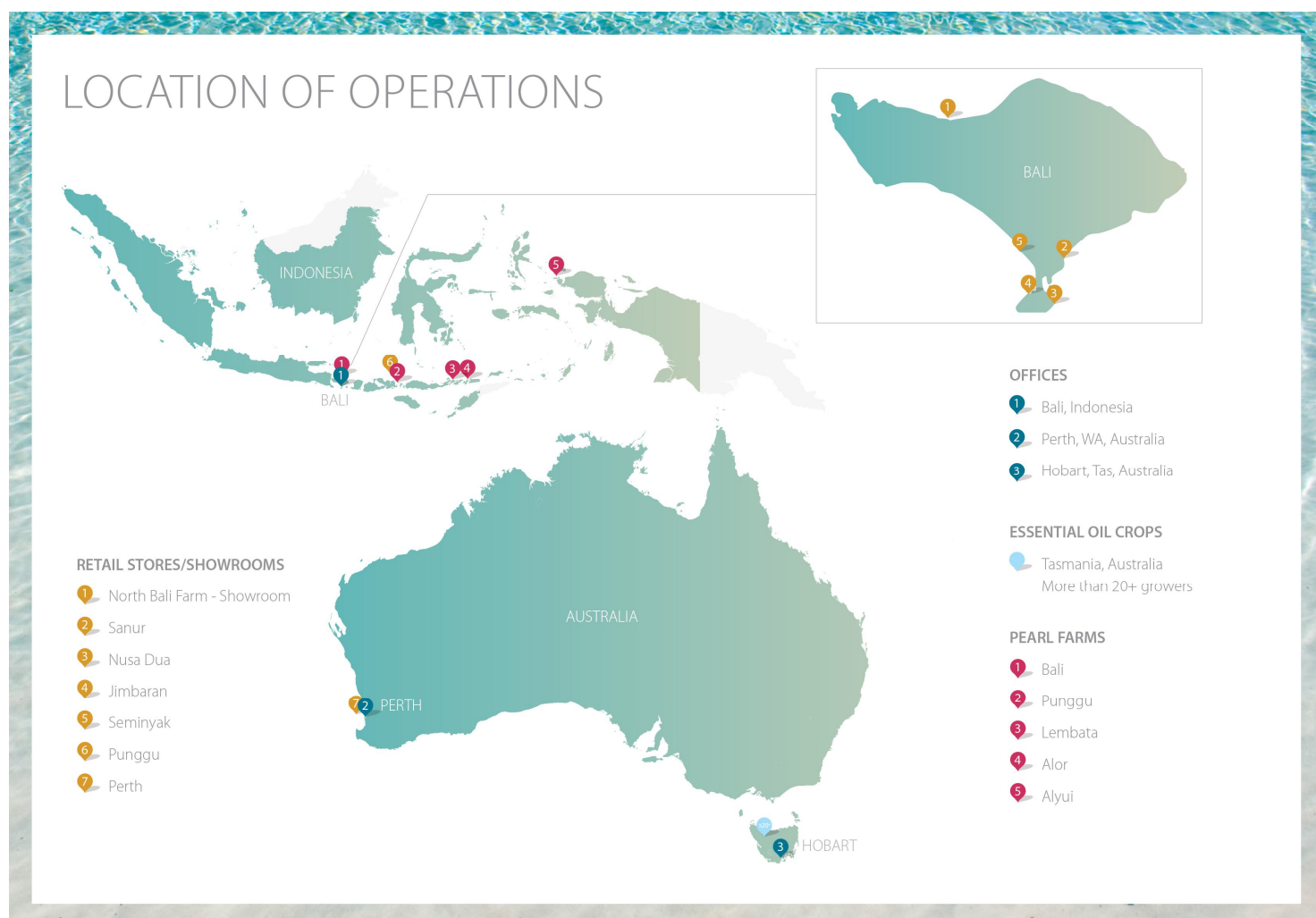
This is the end of the Audited Remuneration Report.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS**

**1.1. Principal Activities**

The Company is a producer of pearls and perfumes (and cosmetics) with administrative and retail centres in Bali and Perth, pearl farms in Indonesia and a natural ingredients processing plant in Tasmania for the processing of natural ingredients to extract essential oils, fragrances and flavours. In addition, the Company has a joint venture, World Senses, with Nomad Two Worlds in marketing and value adding.



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**1.2. Review of Operations and significant changes in the state of affairs**

**1.2.1. 12 Months in Perspective.**

This report is the first twelve month period with the new 30 June financial year end. The prior year comparative period reported is for the once off six month financial report required as part of changing over to Australian reporting year. The results reflect a full twelve months of trading for the period 1st July 2013 to 30 June 2014.

Record sales revenue of \$16,283,183 was achieved for the twelve months ended 30 June 2014. The year finished strongly with the Company's most successful pearl auction to date held in Kobe Japan in June 2014.

Atlas is now considered the market leader in 9-13mm specialty pearl size of South Sea Pearls. Growing and sustainable demand for loose pearls is evidence of a significant recovery in the market from the low point reached during the Global Financial Crisis in 2009.

This combined with a change in selling strategy has seen a significant recovery in the Group's revenues for the year to date. Atlas is now selling pearls to 50 of the world's largest wholesalers, previously 70-80% of the Atlas harvest was sold to just four different customers.

Essential oils sales contributed \$2,023,581 towards the Group's total revenues (30 June 2013 - \$503,076). Essential Oils of Tasmania was acquired January 2013 as part of the Group's value-added strategy.

**1.2.2. Shareholder Returns**

	<b>12 Months Ending 30 June 2014 \$'000</b>	<b>6 Months Ending 30 June 2013 \$'000</b>	<b>12 Months Ending 31 Dec 2012 \$'000</b>
Net profit/(loss) after tax	1,814	(2,195)	1,406
Basic EPS (cents)	0.61	(0.81)	0.68
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:

	<b>12 Months Ending 30 June 2014 \$'000</b>	<b>6 Months Ending 30 June 2013 \$'000</b>	<b>12 Months Ending 31 Dec 2012 \$'000</b>
Net profit/(loss) after tax	1,814	(2,195)	1,406
Tax expense/( benefit)	(355)	(1,472)	(1,767)
Finance/Interest net costs	471	222	(650)
Depreciation & amortisation	303	136	216
Foreign Exchange (gain)/loss	578	(1,091)	(1,137)
Agriculture Standard revaluation (gain)/loss/ pearl adjustments	(63)	2,908	3,147
Other Non-Operating (income)/expense	300	242	130
Inventory write off	(12)	-	-
Derivative Instrument (gain)/loss	436	-	-
Normalised EBITDA	3,470	(1,250)	1,345

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**1.2.3. Financial Position**

	<b>30 June 2014 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>31 Dec 2012 \$'000</b>
Total Assets	40,823	35,676	33,602
Debt (Current & Non-current)	(5,155)	(5,274)	(4,936)
Other Liabilities	(6,859)	(4,605)	(4,449)
Shareholder funds	28,809	25,797	24,217
Debt / Shareholder funds	18%	20%	20%
Number of shares on issue (million)	326.62	287.039	237.135
Net tangible assets per share (cents)	8.7	9.0	10.2
Share price at reporting date (cents)	8.5	4.1	4.5

There has been an increase in the net assets of the group of \$5.1M in the twelve months to 30 June 2014 (six months to 30 June 2013 - \$1.6M). Movements in the net worth of the economic entity are summarised below:

- Cash reserves decreased to \$1.7M (30 June 2013 - \$1.8M) at 30 June 2014. During the twelve months ended 30 June 2014 core debt was decreased by \$119K.
- Trade receivables increased to \$3M (30 June 2013 - \$1.1M) principally due to the 30 June 2014 loose pearl auction held on the 29<sup>th</sup> of June 2014.
- Oyster assets value increased by \$2.3M during the twelve months ended 30 June 2014. The main drivers behind the increase in value include; an improvement in the market price of pearls from ¥8,250/momme at 30 June 2013 to ¥11,000/momme and a higher number of Oysters harvestable within the next 12 months from 205K at 30 June 2013 to 249K at 30 June 2014. This increase has been partly offset by a weaker Yen: ¥95.52 to AUD (30 June 2014) compared to ¥91.64 to AUD (30 June 2013), and the total change in fair value less husbandry costs of oysters during the twelve months ended 30 June 2014 was an increase of \$1.9M.
- Pearls on hand decreased from 164,399 at 30 June 2013 to 52,436 at 30 June 2014; the net realisable value decreased from \$2.5M at 30 June 2013 to \$1.07M at 30 June 2014 as the auction originally schedule for June 2013 was held in early July 2013 resulting in a build-up of stock at 30 June 2013 and another large auction was held on the 29 June 2014. A write-off of \$1.2M was recognised in relation to adjusting the fair value of loose pearls and jewellery costs for the period as inventory is required to be valued at either fair value (for biological harvested assets) or the lower of cost and net realisable value. Pearl inventory on hand at 30 June 2014 was lower grade after the large June auction.
- Jewellery inventory was \$2.9M as at 30 June 2014, down from \$3.0M as at 30 June 2013 reflecting the Company's improving inventory management controls.
- Borrowings were \$5.1M at 30 June 2014 consistent with the 30 June 2013.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
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**1.2.3. Financial Position (Cont.)**

- Essential oil finished product made up \$1.35M of the inventory balance at 30 June 2014 (\$1.1M at 30 June 2013). During the twelve months ended 30 June 2014 the group recorded write-ups of Lavender and Boronia crops of \$0.3M, for six months ended 30 June 2013 the group recorded write-downs of Lavender and Boronia crops totalling \$0.4M.

**1.2.4. Operating Results**

Atlas recorded a net profit after tax for the period ended 30 June 2014 of \$1.8M, an increase of \$4M (30 June 2013– net loss after tax of \$2.2M).

The operating revenue for the twelve months ended 30 June 2014 was \$16.3M, compared to the six months ended 30 June 2013 was \$3.5M. Pearl sales revenue was \$11.9M (30 June 2013 - \$1.9M), with retail and wholesale sales revenue of \$1.45M (30 June 2013 - \$0.6M) and essential oil sales of \$2.02M (30 June 2013 - \$0.5M). The number of jewellery retail outlets in Bali remained consistent with 2013 at a total of seven.

Gross Profit percentage overall increased to 62% for the twelve months of 2014 from 60% for the first six months of 2013 due to the reduced supply of white south sea pearls as a result of lower global production.

**1.2.5. Pearl Oyster Production Results**

Results across the breeding and farming system for the financial period July 1 2013 to June 30, 2014 were on target with operational projections. Both the Bali and Lembata hatcheries have had successful seasons and a record number of virgin oysters were seeded during the 13/14 financial year. These oysters produce the best quality pearls within the Atlas production system and currently represent almost 90% of all pearl carrying stocks farmed internally. A record seeding result achieved in Bali in the second half of FY13/14 bodes well for future harvests.

Juvenile grow-out was particularly good in Bali with Lembata results improving again on the prior season, with the later close to mirroring Bali's production. There are sufficient juvenile oysters in the farming system to reach seeding targets for FY14/15.

The effects of the selective breeding programme in terms of growth took a significant leap forward during the last six months with pearl oysters achieving seeding size two to three months earlier than prior years. At the same time, these young oysters are taking the same size range of nuclei and have achieved a record result in terms of pearl formation or retention.

Over the past year pearl quality has also improved, which has been reflected in both price and demand for goods. We have now had several commercial sized pearl harvests at the newer sites of Punggu (near Komodo Island) and Alor. Each site has specific differences in terms of certain pearl traits but importantly the value of pearls from each farm is consistent. The subtle variations observed particularly in relation to overtones in colour may prove to be an added value drive in pearl marketing. As it stands, Atlas pearls are well recognised with the international wholesale trade.

With increasing numbers of high quality oysters coming through the system, Atlas has increased its selection criteria for seeding. As a consequence the Company has expanded its JV seeding programme using surplus 2nd grade stock with a third party farmer. This allows extra oysters to be seeded for Atlas at minimal cost.

A major change is underway in the selective breeding programme with the completion of the R & D facility in Bali. All future genetic improvement programmes will be independent to the commercial operation. The Company now has a pearl oyster "Stud" farm and hatchery for developing "best of breed" which will in turn become the pedigree broodstock for the commercial division. In doing so, the efficiency of the main commercial operations will improve significantly.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
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**1.2.6. 3000 Hands: Sharing and Sustaining**

Over 3000 hands are involved in the journey of an Atlas creation from the moment nature's treasure is born until the finished product is delivered into the hands wearer.

3000Hands encompasses the values acknowledged by all shareholders and stakeholders as they enter the world of Atlas.

The *3000Hands: Sharing and Sustaining* video web series will continue over the next 12 months, featuring portraits supporting the unique position of Atlas in Indonesia and the relationship of creating beautiful pearls and perfumes with community, people and environment.

These stories reveal the Atlas philosophy in terms of community engagement and sustainable practice and provide a strong vehicle for marketing our luxury products to the world. If you haven't done so, please take a moment to visit [www.3000hands.com](http://www.3000hands.com). New episodes will continue to become available.

**1.2.7. Personnel**

Atlas places a strong emphasis on training and retention of its workforce to ensure a more efficient and cost effective operation. Staff numbers increased from 2013 to 2014 as the Company continues to develop operations.

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

	2014	2013	2012
Expatriates – Indonesia	21	15	20
Indonesian nationals – permanent	536	613	629
Indonesian nationals – part time	341	149	178
Australia	43	30	13
Total Personnel	941	807	840

**1.2.8. Marketing**

Over the past few months, several companies have approached Atlas seeking opportunities to collaborate. A group of 20 European retailers led by a global jewellery leader (Gellner) visited Atlas farms, an Australian South Sea pearl farmer confirmed its interest to join Atlas auction format, researchers and the prestigious Gemmological Institute of America (GIA) commenced collaboration on various R&D programs. All this positive feedback further reinforce the strong perception of Atlas as a sophisticated operator, the quality of the pearls produced as well as the reliability and consistency of the Company's distribution and marketing.

To further enhance the customer experience both at wholesale and retail level, new grading and matching capabilities have been added to Perth Headquarters making it an efficient, convenient and flexible trading and service platform for the Australian market.

Significant efforts are being invested to improve the clarity of Atlas range of finished product and retail experience. New Jewellery collections are being designed/ produced, showrooms are under renovation and the trend of Industrial tourism in Bali is being embraced with the opening of a new retail site near the Komodo Island National Park. At the same time we have implemented specially crafted customer recruitment programs and tourism strategies.

Those coordinated efforts will be rewarded by pearl prices improvement and further reinforced with the addition of new talent at the Pearl and distribution level. It can be said that Atlas pearls are now becoming a quality household name.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**1.2.9. Research and Development**

A third grant from the Australian Research Council is supporting phase three of our collaborative genetic research project with James Cook University. The program, which now boasts a dedicated hatchery and farm facility, is now exploring in more detail the genetic basis for pearl creation. This "stud" breeding facility in North Bali has been commissioned and is a first for pearl oysters using the world's most comprehensive shellfish genome map to create a diverse stock selected for growth and pearl quality. The foundation work over the last 9 years has already seen our current generation of pearl oysters reduce the cycle of production by an average three months whilst enjoying record success in terms of survival and post operation success.

A \$1M development grant to commercialise key pearl and native plant extracts in EOT was a major coup and recognises the technical skills of the Tasmanian team.

Concurrently, pearl and pearl oyster protein extracts are being tested in the pearl growing process. Preliminary results are exciting even more so as all the IP is controlled and contained within the Atlas group.

The same extracts have already completed the first round of efficacy testing in relation to human skin cell health. Initial results indicate that the extracts have a potential for skin health. Moreover, The Gemmological Institute of America is testing these materials directly on the surface of pearls.

**2. DIVIDENDS**

No dividends were declared and paid by the Company during the twelve month period ended 30 June 2014 or the 6-month period ended 30 June 2013.

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

Mr Nelson Rocher was appointed Alternate Director to Mr Stephen Birkbeck on 18 July 2014.

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

With our two technical hubs, Bali and Lembata beginning to reach optimal size Atlas is surveying both dormant existing lease areas and new sites for future growth opportunities. Several internationally backed pearl farming companies have approached Atlas wishing to collaborate and all potential JV options are being investigated.

Our current surplus in hatchery capacity has the potential to convert to a surplus in mature oysters for seeding over the next 2 years creating opportunity for additional pearl production.

Commissioning of our second pearl oyster transport vessel, the Poernomo, in the first quarter of FY14/15 will greatly enhance our ability to efficiently relocate virgin and seeded oysters and create opportunities for testing new sites by acting as a temporary operations facility.

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



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

## 5. DIRECTORS' INTERESTS

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

	Ordinary Shares		Unlisted Options	
	Direct	Indirect	Direct	Indirect
S.P. Birkbeck <sup>(3)</sup>	-	43,127,199	-	10,000,000
N. Rocher <sup>(5)</sup>	-	6,612,185	-	1,000,000
J.J.U. Taylor <sup>(1),(2)</sup>	200,000	1,200,000	-	500,000
G. Newman <sup>(2)</sup>	-	1,539,295	-	-
S. Arrow <sup>(4)</sup>	-	11,508,089	-	-
T. Martin <sup>(6)</sup>	4,256,545	14,900,200	-	-

1. The 1,200,000 shares held indirectly by Dr J Taylor are held in trust under the rules of the Employee Share Plan. These shares have now vested. Dr Taylor is only entitled to the shares once the loan is repaid in full (Refer Note 23).
2. Dr J Taylor acquired 180,000 shares, and G Newman acquired 648,000 shares in 2012 under the Non-Executive Director Fee Salary Sacrifice Share Plan (Refer to Note 4.5.9 of Remuneration Report).
3. 1,000,000 shares held in trust in the ESP for Stephen Birkbeck were issued on 8 May 2013 (Refer to Note 4.5.7).
4. Mr S Arrow was appointed as director on 2 January 2014
5. Mr N Rocher was appointed as alternate director to Mr S Birkbeck on 18 July 2014
6. 14,900,200 indirect ordinary shares held by Mr T Martin are held by a private entity which Mr T Martin is 1 of 4 directors. This entity is classified as a related party.

## 6. OPTIONS

The Company had 32,582,005 options granted over unissued shares at the 30 June 2013. As part of the rights issue on 18 January 2013 a total of 30,240,735 unlisted options expiring 29 January 2014 exercisable at \$0.05 each were issued pursuant to the Company's non-renounceable entitlements Prospectus dated 16 November 2012. An additional 2,452,979 options were issued when the shortfall was taken up in March and April 2013. These options expired on 29 January 2014. Options exercised during the six months ended 30 June 2013 totalled 111,709. Options exercised during the twelve months ended 30 June 2014 totalled 29,577,674.

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

## 7. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

### 7.1. Indemnification

The Company has agreed to indemnify the following current directors of the Company; Mr S Birkbeck, Dr J Taylor, Mr G Newman and Mr T Martin and the following former directors; 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.

### 7.2. Insurance Premiums

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

Since the end of the previous financial year the Company has paid insurance premiums of \$15,670 (2013 - \$16,498) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and Officers.

## 8. NON-AUDIT SERVICES

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

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

The following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms during the period ended 30 June:

	<b>Consolidated</b>	
	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>AUDIT SERVICES</b>		
BDO Australian Firm:		
Audit and review of financial reports	111,966	74,765
Related practices of BDO Australian Firm	-	-
<b>Total remuneration for audit services</b>	<b>111,966</b>	<b>74,765</b>
<b>TAXATION SERVICES</b>		
BDO Australian Firm:		
Tax compliance services and advice	51,962	28,449
Related practices of BDO Australian Firm	-	-
<b>Total remuneration for taxation services</b>	<b>51,962</b>	<b>28,449</b>
<b>Total remuneration for non-audit and taxation services</b>	<b>51,962</b>	<b>28,449</b>

## 9. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied under section 237 of the *Corporations Act 2001* for leave of court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company has not been a party to any proceedings during the period.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
DIRECTORS' REPORT

**10. AUDITORS 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 41.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'S.P. Birkbeck', is written over a faint, light blue rectangular background.

S.P Birkbeck  
Chairman  
**28 August 2014**

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ATLAS PEARLS AND PERFUMES LTD

As lead auditor of Atlas Pearls and Perfumes Ltd for the year ended 30 June 2014, 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 Ltd and the entities it controlled during the period.



Chris Burton

Director

BDO Audit (WA) Pty Ltd

Perth, 28 August 2014

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014

		<b>12 Months Ending</b>	<b>6 Months Ending</b>
		<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	2	<b>16,283,183</b>	3,505,125
Cost of goods sold		<b>(6,230,257)</b>	(1,389,004)
Gross profit		<b>10,052,926</b>	2,116,121
Other income	2	<b>1,091,279</b>	1,754,041
Marketing expenses		<b>(360,364)</b>	(88,221)
Administration expenses	3	<b>(6,814,921)</b>	(3,444,476)
Finance costs	3	<b>(513,496)</b>	(240,532)
Other expenses	3	<b>(1,996,783)</b>	(3,763,505)
<b>Profit/(Loss) before income tax</b>		<b>1,458,642</b>	(3,666,572)
Income tax benefit	4	<b>355,280</b>	1,471,927
<b>Profit/(Loss) for the period from continuing operations</b>		<b>1,813,922</b>	(2,194,645)
<b>Other comprehensive income/(losses)</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		<b>(792,775)</b>	1,181,648
<b>Other comprehensive income/(losses) for the period, net of tax</b>		<b>(792,775)</b>	1,181,648
<b>Total comprehensive income/(losses) for the period</b>		<b>1,021,147</b>	(1,012,997)
<b>Profit/(loss) is attributable to:</b>			
<b>Owners of the Company</b>		<b>1,813,922</b>	(2,194,645)
<b>Total comprehensive income/(losses) is attributable to:</b>			
<b>Owners of the Company</b>		<b>1,021,147</b>	(1,012,997)
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	<b>0.61</b>	(0.81)
Diluted earnings/(loss) per share (cents)	5	<b>0.57</b>	N/A

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

		12 Months Ending 30 June 2014 \$	6 Months Ending 30 June 2013 \$
<b>Current assets</b>	<b>Note</b>		
Cash and cash equivalents	6	1,665,207	1,767,156
Trade and other receivables	7	3,020,985	1,074,871
Derivative financial instruments	8	-	-
Inventories	9	6,114,013	7,115,790
Biological assets	10	8,414,231	5,914,682
<b>Total current assets</b>		<b>19,214,436</b>	<b>15,872,499</b>
<b>Non-current assets</b>			
Intangibles		392,875	-
Loans joint venture entities	25	67,896	313,926
Investments accounted for using Equity Method	29	3,025	280,984
Inventories	9	132,093	223,399
Biological assets	10	12,011,412	11,535,561
Property, plant and equipment	11	4,401,274	4,513,455
Deferred tax assets	14	4,599,784	2,936,629
<b>Total non-current assets</b>		<b>21,608,359</b>	<b>19,803,955</b>
<b>Total assets</b>		<b>40,822,795</b>	<b>35,676,454</b>
<b>Current liabilities</b>			
Trade and other payables	12	3,141,549	2,329,224
Borrowings	13	5,014,791	4,436,797
Derivative financial instruments	8	852,323	14,479
Current tax liabilities	14	(94,060)	234,884
Short-term provisions	15	57,298	92,037
<b>Total current liabilities</b>		<b>8,971,901</b>	<b>7,107,421</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	8	-	390,148
Borrowings	13	140,168	837,646
Deferred tax liabilities	14	2,901,397	1,544,570
<b>Total non-current liabilities</b>		<b>3,041,565</b>	<b>2,772,364</b>
<b>Total liabilities</b>		<b>12,013,466</b>	<b>9,879,785</b>
<b>Net assets</b>		<b>28,809,329</b>	<b>25,796,669</b>
<b>Equity</b>			
Contributed equity	16	32,153,001	30,203,033
Reserves	17	(8,036,205)	(7,284,974)
Retained profits	18	4,692,533	2,878,610
<b>Total equity</b>		<b>28,809,329</b>	<b>25,796,669</b>

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014

Attributable to owners of Atlas Pearls and Perfumes Ltd					
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity
Note	\$	\$	\$	\$	\$
Balance at 1 January 2013	27,610,085	581,029	(9,047,651)	5,073,255	24,216,718
(Loss) for the period	18 -	-	-	(2,194,645)	(2,194,645)
Exchange differences on translation of foreign operations	17 -	-	1,181,648		1,181,648
Total comprehensive income / (loss) for the period	-	-	1,181,648	(2,194,645)	(1,012,997)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	16 2,592,948	-	-	-	2,592,948
Dividends provided for or paid	19 -	-	-	-	-
Employee share scheme	17 -	-	-	-	-
	2,592,948	-	-	-	2,592,948
Balance at 30 June 2013	30,203,033	581,029	(7,866,003)	2,878,610	25,796,669
Balances at 1 July 2013	30,203,033	581,029	(7,866,003)	2,878,610	25,796,669
Profit for the year	18 -	-	-	1,813,922	1,813,922
Exchange differences on translation of foreign operations	17 -	-	(792,776)	-	(792,775)
Total comprehensive income / (loss) for the period	-	-	(792,776)	1,813,922	1,021,147
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	16 1,949,968				1,949,968
Dividends provided for or paid	19 -	-	-	-	-
Employee share scheme	17 -	41,545	-	-	41,545
Acquisition of EOT	-	-	-	-	-
Balance at 30 June 2014	32,153,001	622,574	(8,658,779)	4,692,532	28,809,329

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014

		<b>12 Months Ending 30 June 2014 \$</b>	<b>6 Months Ending 30 June 2013 \$</b>
<b>Cash flows from operating activities</b>			
Proceeds from pearl, jewellery and oyster sales		11,858,342	2,336,290
Proceeds from essential oil sales		1,738,829	682,947
Proceeds from other operating activities		443,514	299,375
Interest paid		(204,364)	(169,515)
Interest received		9,329	22,221
Payments to suppliers and employees		(13,743,885)	(6,637,748)
Income tax (paid)/received		(359,059)	2,321,163
	24.2		
Net cash used in operating activities		(257,294)	(1,145,267)
<b>Cash flows from investing activities</b>			
Cash obtained on business combination		-	142,221
Payments for property, plant and equipment		(1,234,528)	(233,328)
Joint venture partnership contributions (paid)		(53,971)	(186,109)
Net cash used in investing activities		(1,288,499)	(277,216)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(329,224)	(1,646,257)
Proceeds from issue of shares		1,808,715	1,640,271
Share transaction costs		(30,321)	(43,688)
Proceeds from convertible notes		-	1,100,000
Net cash used in financing activities		1,449,171	1,050,326
Net increase/(decrease) in cash and cash equivalents		(96,623)	(372,157)
Cash and cash equivalents at the beginning of the financial period		1,767,156	2,127,414
Effects of exchange rate changes on cash and cash equivalents		(5,326)	11,899
Cash and cash equivalents at the end of the financial year	6	1,665,207	1,767,156

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



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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

### **1.1 Basis of preparation**

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

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

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

The financial statements were authorised for issue by the directors on 28<sup>st</sup> August 2014. 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 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Changes in AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 13 Fair Value Measurement did not result in adjustment to the amounts recognised in the financial statements.

### **1.4 Historical Cost Convention**

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

### **1.5 Critical Accounting Estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.34.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

## 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 2014 and the results of its subsidiaries for the twelve month 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 consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

### (i) Employee Share Trust

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

### (ii) Joint Ventures

#### Joint venture entities

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

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

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

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

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

### 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 1.10.
- (d) Crops – refer note 1.10.
- (e) Essential Oils - quantities on hand at the period end are valued at the lower of cost and net realisable value.
- (f) 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 and Crops 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/crops, 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.

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## 1.9 Biological Assets (Cont.)

The details of the Biological assets that are held by the economic entity as at 30 June 2014 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	
	2013/14	2013
Freehold land	5-10%	5-10%
Leasehold land & buildings & improvements	5-10%	5-10%
Vessels	10%	10%
Plant & equipment	10-50%	10-50%

## 1.11 Investments and Other Financial Assets

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

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**1.11 Investments and Other Financial Assets (Cont.)**

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

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

*(b) Loans and receivables*

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

*(c) Available-for-sale financial assets*

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

*(d) Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

*(e) Measurement*

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

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

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

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### **1.11 Investments and Other Financial Assets (Cont.)**

#### *(f) Impairment*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for – sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ( a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

### **1.12 Derivative instruments**

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

### **1.13 Impairment of assets**

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **1.14 Foreign Currency Translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of each of the subsidiaries within the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Atlas Pearls and Perfumes Ltd's functional and presentation currency.

#### **(b) Transactions and balances**

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

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### 1.15 Foreign Currency Translation (Cont.)

#### (b) Transactions and balances (cont.)

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

All foreign exchange gains and losses are presented in the Statement of Profit 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.

### 1.16 Employee Benefits

#### ***Short Term Obligation***

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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

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

#### ***Share-based payments***

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

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

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### **1.17 Provisions**

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

### **1.18 Cash and cash equivalents**

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

### **1.19 Revenue recognition**

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

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

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

### **1.20 Leases**

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

### **1.21 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. All trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account – provision for impairment of trade receivables, is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, financial reorganisation, and default and delinquency in payments, more than 30 days overdue, are considered indicators that the trade receivable is impaired. The Group also considers the long term history of the debtor. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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



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## **1.22 Trade and other payables**

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

## **1.23 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised in the statement of profit or loss and other comprehensive income.

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

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

## **1.24 Borrowing costs**

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

## **1.25 Convertible notes**

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

## **1.26 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.

## **1.27 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.

## **1.28 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.

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### **1.28 Goods and Service Tax (GST) (Cont.)**

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.

### **1.29 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 297,634,113.

#### *(b) Diluted earnings per share*

Diluted earnings per share adjusts the figure used in determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The weighted average number of shares used for the basic earnings per share calculation is 319,634,113.

### **1.30 Segment Reporting**

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

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

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

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

#### ***Inter-entity sales***

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

#### ***Biological assets and pearl inventories***

These are recognised at cost within the internal reports.

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

### **1.31 Comparative Figures**

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

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### 1.32 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the group recognises any non – controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurements of all amounts have been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

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

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

### 1.33 Parent entity financial information

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

### 1.34 Critical accounting estimates and judgments

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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### 1.34 Critical accounting estimates and judgments (cont.)

#### *Key estimates – Impairment*

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

#### *Critical judgements in applying the entity's accounting policies*

##### *– Doubtful debts provision*

No provision has been recognised in respect of receivables owed to the group for the period ended 30 June 2014 or 30 June 2013.

##### *– Write-off of pearl inventories*

There was a write-off of \$2,229,674 as at 30 June 2014 (30 June 2013 – \$1,745,978). Refer to note 3.

##### *– Determination of net market value of inventories and biological assets*

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

Key assumptions that have been used to determine the fair market value of the oysters at 30 June 2014 are as follows:

	30 June 2014	30 June 2013
Average selling price for pearls <sup>1</sup>	¥11,000 per momme	¥8,250 per momme
¥ exchange rate	¥95.52:AUD1.00	¥91.64:AUD1.00
Average pearl size	0.60 momme	0.60 momme
Proportion of market grade pearls	62%	61%
Discount rate applied to cash flow	20%	20%
Mortality & Rejection rates	Historical comparison	Historical comparison
Average unseeded oyster value	\$1.32	\$1.90

#### ***Sellable Actual Results for the year ended 30 June 2014***

	01/07/13 – 31/12/13	01/01/14-30/06/14	Total
Total Weight Sold (Momme)	55,327	41,675	97,002
Average ¥/Momme	¥9,615 per momme	¥10,539 per momme	¥10,012 per momme
Total No. of Pearls sold	98,673	80,683	179,356

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**1.34 Critical accounting estimates and judgments (cont.)**

1. Average pearl prices are based on management's best judgement of the quality of pearls in the water at year end. Atlas expects the percentage of F-ops harvested to increase over the next two years, resulting in the harvest of heavier, rounder pearls. Management takes into consideration historical averages discounted for potential market volatility when calculating the average selling prices for pearls.
2. In May 2014 approx. 40,000 low grade/by product pearls were sold, reducing the ¥ per momme for this period.

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.

Key assumptions that have been used to determine the fair market value of the crops at 30 June 2014 are as follows:

<b>Boronia</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
Discount rate applied to cash flow	3-6%	3-6%
Estimated life	10 years	10 years
Flower yield per ha	2,000kg	2,000kg
Oil Yield per kg of flower	60%	60%
Farm gate price per kg	\$2,425	\$2,500
JV Grower Share	50% of profit after production and harvesting costs	50% of profit after production and harvesting costs

<b>Lavender</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
Discount rate applied to cash flow	3-6%	3-6%
Estimated life	10 years	10 years
Oil Yield per ha	Year 1 – nil Year 2 – 30% Year 3 – 40% Year 4:10 – 50%	Year 1 – nil Year 2 – 10% Year 3 – 25% Year 4:10 – 40%
Selling price per kg	\$320	\$300

*- Determination of derivative liability within Convertible Notes*

The fair value of the embedded derivative outstanding is measured using models that require the exercise of judgements in relation to variables such as expected volatility and future share price. Any changes in the variables will affect the fair value of the derivative post reporting date.

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2. REVENUE FROM CONTINUING OPERATIONS	Consolidated	
	12 Months Ending	6 Months Ending
	30 June 2014	30 June 2013
	\$	\$
Sales Revenue		
Sale of goods	15,933,177	3,252,608
Other Revenue		
Interest income	13,333	18,629
Other revenues	336,673	233,888
<b>Revenue</b>	<b>16,283,183</b>	<b>3,505,125</b>
Other Income		
Foreign exchange (losses)/gains realised	405,990	400,792
Foreign exchange gains unrealised	-	885,945
Gain on acquisition of EOT	-	59,911
Gain on derivative liability	-	32,177
Grant funds	336,600	-
Insurance refund	16,922	114,431
Write back of dividend provision	9,768	260,785
EOT Crop Revaluation	321,999	-
<b>Other Income</b>	<b>1,091,279</b>	<b>1,754,041</b>
3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS		
Administration expenses from ordinary activities		
Salaries and wages	4,226,756	1,479,544
Depreciation property, plant and equipment	302,686	136,160
Operating lease rental costs	707,575	172,094
Compliance and finance	571,833	657,450
Other	1,006,071	999,228
	<b>6,814,921</b>	<b>3,444,476</b>

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	12 Months Ending 30 June 2014 \$	6 Months Ending 30 June 2013 \$
<b>3. PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC ITEMS (CONT.)</b>		
<b>Other expenses</b>		
Loss on foreign exchange unrealised	971,954	-
Loss on financial instruments unrealised	11,964	195,806
Gain on derivative financial instruments	435,732	-
Provision for employee entitlements	(6,290)	135,128
Change in fair value less husbandry costs of oysters	(1,971,114)	735,322
Write-off of pearl and jewellery costs	2,229,675	1,745,978
Write-off of crops	(11,982)	405,566
Changes in fair value less husbandry costs of crops	-	36,616
Share of loss on joint ventures	299,971	273,781
Write-down on investments	-	84,693
Other	36,874	150,615
	<b>1,996,784</b>	<b>3,763,505</b>
<b>Finance costs</b>		
Interest and finance charges payable	513,496	240,532
	<b>513,496</b>	<b>240,532</b>
<b>Net loss/(profit) on foreign currency derivatives not qualifying as hedges</b>	<b>11,964</b>	<b>195,806</b>
<b>4. INCOME TAX EXPENSE</b>		
a) The components of tax expense/(benefit) comprise:		
Current tax	(240,946)	(308,328)
Deferred tax	(114,334)	(786,208)
Prior period under/(over) provision	-	(377,391)
	<b>(355,280)</b>	<b>(1,471,927)</b>
b) Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease(increase) in deferred tax assets (excluding tax losses) (note 14)	(1,398,565)	(400,535)
(Decrease)increase in deferred tax liabilities (note 14)	1,284,231	(385,673)
	<b>(114,334)</b>	<b>(786,208)</b>

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	12 Months Ending 30 June 2014 \$	6 Months Ending 30 June 2013 \$
<b>4. INCOME TAX EXPENSE (CONT.)</b>		
c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax expense	1,458,642	(3,666,572)
Tax at the Australian tax rate of 30%	437,593	(1,099,972)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non deductible expenses	26,224	(26,114)
Tax losses not brought to account	(8,923)	114,723
Sundry items	(667,992)	(216)
Permanent Differences (Indonesia)	(142,182)	(34,848)
Difference in overseas tax rates	-	(48,110)
Income tax under/(over) provided in prior years	-	(377,390)
Income tax expense/(benefit)	<u>(355,280)</u>	<u>(1,471,927)</u>
Weighted average effective tax rates	(24%)	40%
d) Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Accrued interest	-	-
Fair value adjustment on biological assets and agricultural produce	1,312,530	(541,261)
Prepayments	665	(1,080)
Convertible notes	-	9,653
Property, Plant and Equipment	-	-
Unrealised foreign exchange gain	43,634	147,950
Deferred tax assets		
Difference in accounting and tax depreciation	-	(90,740)
Stock	(1,116,863)	(274,151)
Accruals	-	(6,450)
Provisions	(105,977)	215,041
Unrealised foreign exchange losses	(180,228)	(69,323)
Unrealised foreign exchange gains	-	-
Other	4,503	(193,789)
Tax losses	<u>(264,590)</u>	<u>(617,232)</u>
Deferred tax (income)	<u>(306,326)</u>	<u>(1,421,382)</u>

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



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	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
<b>5. EARNINGS /(LOSS) PER SHARE</b>	<b>\$</b>	<b>\$</b>
Basic earnings/(loss) per share (cents per share)	0.61	(0.81)
Diluted earnings per share (cents per share)	0.57	N/A
<b>Earnings reconciliation</b>	<b>\$</b>	<b>\$</b>
Net profit/(loss) used for basic earnings	1,813,922	(2,194,645)
After tax effect of dilutive securities	-	-
Diluted earnings/(loss)	1,813,922	(2,194,645)
Weighted average number of ordinary shares outstanding during the period used for calculation of basic earnings per share	297,634,113	271,638,917
Adjustments for calculation of diluted earnings per share: convertible notes	22,00,000	N/A
Weighted average number of potential ordinary shares outstanding during the period used for calculation of diluted earnings per share	319,634,113	N/A

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 2014 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.

	30 June 2014	30 June 2013
<b>6. CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b>\$</b>
Cash at bank	1,665,207	1,767,156
	1,665,207	1,767,156

**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 \$112,153 (2013: \$106,441).

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	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. TRADE &amp; OTHER RECEIVABLES</b>		
CURRENT		
Trade receivables	<b>2,339,893</b>	355,464
Sundry debtors & prepayments	<b>681,092</b>	719,407
	<b>3,020,985</b>	1,074,871

**(a) Impaired trade receivables**

There were no impaired trade receivables for the group during the period ended 30 June 2014 or 30 June 2013.

**(b) Past due but not impaired**

As at 30 June 2014, trade receivables of \$289,325 (2013: \$220,576) 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:

	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Up to one month	<b>163,797</b>	143,378
2-3 months	<b>43,466</b>	23,002
3 months and above	<b>82,062</b>	54,196
	<b>289,325</b>	220,576

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.

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**7. TRADE AND OTHER RECEIVABLES (CONT.)**

**(d) Foreign exchange and interest rate risk**

The Group's exposure to interest rate risk and foreign exchange risk in relation to trade and other receivables is disclosed in note 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 33 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

**8. DERIVATIVE FINANCIAL INSTRUMENTS**

	30 June 2014	30 June 2013
	\$	\$
Derivative financial assets		
Forward foreign exchange contracts	-	-
Derivative financial liabilities		
Forward foreign exchange contracts	26,443	14,479
Convertible notes	825,880	390,148
	<b>852,323</b>	<b>404,627</b>

**(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 (refer to note 13 for convertible note terms). Gains and losses arising from changes in fair value of foreign exchange hedging contracts and convertible notes are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Groups operating expenses mainly consist of materials and services purchased in Indonesian Rupiah. In order to protect against exchange rate movements, during the year ended 31 December 2012 the Group had entered into forward exchange contracts to purchase Indonesian Rupiah during the year. During the period ended 30 June 2014 the Group did not enter into any forward exchange contracts to purchase Indonesian Rupiah. In addition the sale of pearls is denominated in Japanese Yen and so the Group has entered into forward exchange contracts and options to sell Japanese Yen and receive Australian Dollars.

See note 1.13 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.

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	12 Months Ending 30 June 2014 \$	6 Months Ending 30 June 2013 \$
<b>9. INVENTORIES</b>		
CURRENT		
Pearls – at fair value	1,067,815	2,454,602
Essential oil finished products – at cost	1,350,428	1,140,927
Other – at cost		
Jewellery	2,935,950	3,010,595
Pearl Meat	15,658	46,464
Mother of Pearl	332,693	160,268
Farm Consumables & Fuel	263,560	302,934
Cosmetics	147,910	-
	<u>3,695,770</u>	<u>3,520,261</u>
	<u>6,114,013</u>	<u>7,115,790</u>
NON CURRENT		
Nuclei – at cost	132,093	223,399
TOTAL INVENTORY	<u>6,246,106</u>	<u>7,339,189</u>

Inventories write-off expense of \$2,229,675 (2013: \$1,745,978) is included within other expenses in the statement of profit or loss and other comprehensive income refer to note 3. Write-off of pearls occurred when reviewing net realisable value versus cost.

	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
<b>10. BIOLOGICAL ASSETS</b>		
CURRENT		
Oysters – at fair value	8,414,231	5,818,298
Crops – at fair value	-	96,384
	<u>8,414,231</u>	<u>5,914,682</u>
NON CURRENT		
Oysters – at fair value	10,930,028	11,204,083
Crops – at fair value	1,081,385	331,478
	<u>12,011,412</u>	<u>11,535,561</u>
Total Biological Assets	<u>20,425,643</u>	<u>17,450,243</u>

During the twelve months ended 30 June 2014 no significant events occurred which impacted on oyster mortalities.

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**10. BIOLOGICAL ASSETS (CONT.)**

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

Nature: Oysters (*Pinctada Maxima*)

	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
	<u>No.</u>	<u>No.</u>
Quantity held within the Group operations:-		
Juvenile and mature oysters which are not seeded	2,060,121	1,276,824
Nucleated oysters	727,793	696,030
	<u>2,787,914</u>	<u>1,972,854</u>

During the period ended 30 June 2014, the Group harvested 272,479 (2013: 109,037) pearls. A reconciliation of the movement in the fair market value of the oysters during the period is reflected as follows:

	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
	\$	\$
Carrying amount at beginning of the period	17,022,380	16,434,545
Value of new juvenile oysters recognised into stock	3,198,017	1,414,911
Increase in value of stock from change in pearl oyster development	13,808,040	3,210,849
Decrease in value through mortality	(5,182,524)	(1,733,834)
Decrease in value of Agriculture asset from harvest of pearls	(8,329,108)	(2,926,974)
Gain/(Loss) from changes to fair value less estimated husbandry costs	1,971,114	(735,322)
Exchange adjustment	(3,143,663)	1,358,206
Carrying amount at end of the period	<u>19,344,256</u>	<u>17,022,381</u>

*Sensitivity analysis - Oysters*

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

	Selling Price (¥/momme)		
	-10% ¥10,000 (Sellable Grade) ¥1,727 (Commercial Grade)	No Change ¥11,000 (Sellable Grade) ¥1,900 (Commercial Grade)	+10% ¥12,100 (Sellable Grade) ¥2,090 (Commercial Grade)
Discount rate	Profit \$	Profit \$	Profit \$
22%	(\$2,243,054)	(\$237,764)	\$1,968,056
20%	(\$2,035,022)	-	\$2,238,524
18.18%	(\$1,839,885)	\$223,066	\$2,492,311

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## 10. BIOLOGICAL ASSETS (CONT.)

### *Sensitivity analysis – Oysters (Cont.)*

	Selling Price (¥/momme)		
	-10% ¥10,000 (Sellable Grade) ¥1,727 (Commercial Grade)	No Change ¥11,000 (Sellable Grade) ¥1,900 (Commercial Grade)	+10% ¥12,100 (Sellable Grade) ¥2,090 (Commercial Grade)
FX rate	Profit \$	Profit \$	Profit \$
¥105.07	(\$3,917,634)	(\$2,070,873)	(\$39,436)
¥95.52	(\$2,035,022)	-	\$2,238,524
¥86.84	\$43,598	\$2,286,482	\$4,753,655

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.

### *Sensitivity analysis - Crops*

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

	Boronia		
	Farm Gate Price		
	-10% \$2,205/kg	No Change \$2,425/kg	+10% \$2,668/kg
Discount rate	Profit \$	Profit \$	Profit \$
3% - 5.7%	(\$30,350)	\$5,642	\$45,231
3 – 6%	(\$35,233)	-	\$38,743
3.3 – 6.9%	(\$40,431)	(\$6,022)	\$31,820

	Lavender		
	Farm Gate Price		
	-10% \$291/kg	No Change \$320/kg	+10% \$352/kg
Discount rate	Profit \$	Profit \$	Profit \$
3% - 5.7%	(\$87,738)	\$15,618	\$129,309
3 – 6%	(\$101,572)	-	\$111,733
3.3 – 6.9%	(\$116,268)	(\$16,589)	\$93,061

The Group is exposed to financial risk in respect of its involvement in primary production which consists of the tending to crops the purpose of producing essential oils. 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 crops 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.

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## 10. BIOLOGICAL ASSETS (CONT.)

### *Level 3 analysis:*

The finance and operations departments undertake the valuation of the oysters and the crops. 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	2014	2013	Commentary
Average selling price	¥11,000 per momme	¥8,250 per momme	Obtain by analysing sales prices achieved and the trend analysis of the past 12 months of average sales prices.
Yen Exchange rate	¥95.52: AUD 1	¥91.64: AUD 1	Based on forward Yen price per a financial institution.
Average Pearl size	0.60 per momme	0.60 per momme	Based on technical assessment of expected harvest output.
Marketable grade	62%	61%	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	\$0.63	\$0.58	Based on historical averages of costs to complete and sell pearls per momme.

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

Input	2014	2013	Commentary
Estimated life	10 years	10 years	Based on management's historical view of the life cycle of the crops.
Flower yield per ha	2,000kg	2,000kg	Based on technical assessment of expected harvest output.
Oil Yield per kg of flower	60%	60%	Based on historical data for oil yield
Farm gate price per kg	\$2,425	\$2,500	Based on the average contract price over the last 12 months.
JV Grower Share	50% of profit after production and harvesting costs	50% of profit after production and harvesting costs	Based on contract price with growers
Fencing per hectare	\$2,000	\$2,000	Based on the average contract price over the last 12 months.
Irrigation per hectare	\$3,000	\$3,000	Based on the average contract price over the last 12 months.

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**10. BIOLOGICAL ASSETS (CONT.)**

*Level 3 analysis cont.:*

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

Discount rate applied to cash flow	3-6%	3-6%	Based on management assessment of risk factor
Oil Yield per ha (Lavender)	Year 1 – nil Year 2 – 30% Year 3 – 40% Year 4:10 – 50%	Year 1 – nil Year 2 – 10% Year 3 – 25% Year 4:10 – 40%	Based on historical data for oil yield
Selling price per kg (Lavender)	\$320	\$300	Based on the average contract price over the last 12 months.



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**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>12 Months Ending 30 June 2014 \$</b>	<b>6 Months Ending 30 June 2013 \$</b>
(a) Non-Pearling Assets		
Plant and equipment		
- at cost	2,262,932	1,818,830
- accumulated depreciation	(1,142,376)	(899,219)
	<u>1,120,555</u>	<u>919,611</u>
Leasehold improvements		
- at cost	1,037,198	944,630
- accumulated depreciation	(301,141)	(252,391)
	<u>736,057</u>	<u>692,240</u>
Total non-pearling assets	<u>1,856,613</u>	<u>1,611,851</u>
(b) Pearling project		
Land (leasehold and freehold) and buildings		
- at cost	1,135,047	1,126,188
- accumulated depreciation	(198,265)	(200,644)
	<u>936,782</u>	<u>925,544</u>
Plant and equipment, vessels, vehicles		
- at cost	4,261,299	4,786,972
- accumulated depreciation	(2,653,420)	(2,810,913)
	<u>1,607,879</u>	<u>1,976,059</u>
Total pearling project	<u>2,544,662</u>	<u>2,901,603</u>
Total property, plant and equipment	<u>4,401,274</u>	<u>4,513,455</u>

Included in Pearling project land (leasehold and freehold) and buildings is \$311,560 (2013 - \$168,699) 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	919,611	557,825
Additions	482,805	464,269
Reclassifications /Disposals	-	-
Foreign exchange movement	27,814	(4,731)
Depreciation	(309,676)	(97,752)
Carrying amount at end of the year	<u>1,120,555</u>	<u>919,611</u>
Leasehold Improvements		
Carrying amount at beginning of the year	692,240	702,398
Additions	128,111	11,792
Foreign exchange movement	25,457	12,738
Reclassifications/Disposals	-	-
Depreciation	(109,750)	(34,688)
Carrying amount at end of the year	<u>736,058</u>	<u>692,240</u>

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**11. PROPERTY, PLANT AND EQUIPMENT (CONT.)**

	<b>12 Months Ending 30 June 2014 \$</b>	<b>12 Months Ending 30 June 2013 \$</b>
(b) Pearling project		
Leasehold land and buildings		
Carrying amount at beginning of the year	<b>925,544</b>	796,974
Additions	<b>236,292</b>	79,950
Acquisition of pearling operation	-	-
Disposals/reclassifications	-	(114)
Depreciation	<b>(39,282)</b>	(21,189)
Foreign exchange movement	<b>(185,771)</b>	69,923
Carrying amount at end of the year	<b>936,782</b>	925,544
 Plant and equipment, vessels, vehicles		
Carrying amount at beginning of the year	<b>1,976,059</b>	1,983,552
Additions	<b>387,319</b>	60,184
Acquisition of pearling operation	-	-
Disposals / reclassifications	-	(1,427)
Depreciation	<b>(391,558)</b>	(219,045)
Foreign exchange movement	<b>(363,942)</b>	152,795
Carrying amount at end of the year	<b>1,607,879</b>	1,976,059
 Total Carrying amount	<b>4,401,275</b>	4,513,454

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

	<b>12 Months Ending 30 June 2014 \$</b>	<b>6 Months Ending 30 June 2013 \$</b>
Depreciation charge (Note 11)	<b>(850,266)</b>	(372,674)
Capitalised depreciation charge	<b>547,580</b>	236,514
	<b>(302,686)</b>	(136,160)
 Depreciation charge (Note 3)	<b>(302,686)</b>	(136,160)
Balance	-	-

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

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**12. TRADE AND OTHER PAYABLES**

	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Trade payables	1,652,259	559,092
ESSP accrual*	17,135	18,883
Other payables and accrued expenses	1,472,154	1,751,249
	<b>3,141,549</b>	<b>2,329,224</b>

\* \$11,905 of the ESSP accrual above is for shares salary sacrificed by Stephen Birkbeck during the year ended 30 June 2014 under the Atlas South Sea Pearl Employee Share Plan.

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

Other payables include accruals for annual leave of \$827,853 and \$933,945 in the consolidated entity for 30 June 2014 and 30 June 2013 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.

**13. BORROWINGS**

	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Secured</b>		
Bank loan	3,951,715	4,226,864
Other bank loan	2,800	-
Lease liabilities	61,651	126,033
Total secured current borrowings	<b>4,016,165</b>	<b>4,352,897</b>
<b>Unsecured</b>		
Other	4,108	83,900
Convertible notes	994,518	-
<b>Total current borrowings</b>	<b>5,014,791</b>	<b>4,436,797</b>
<b>NON CURRENT</b>		
<b>Secured</b>		
Other bank loan	89,665	-
Lease liabilities	50,503	52,868
Total secured non current borrowings	<b>140,168</b>	<b>52,868</b>
<b>Unsecured</b>		
Convertible notes	-	784,778
<b>Total non current borrowings</b>	<b>140,168</b>	<b>837,646</b>

**(a) Security and fair value disclosure**

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

**(b) Risk Exposure**

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

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**13. BORROWINGS (CONT.)**

During the prior year reporting period 30 June 2013, Atlas issued Convertible Notes for a total value of \$1,100,000. No new Convertible notes have been issued in the current period ending 30 June 2014. The Convertible Notes have a maturity date of 2 years after issue (therefore maturing between January and June 2015), attract an interest rate of 6% payable six monthly in arrears and are redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercises its conversion right, the Company must comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average.

**14. TAX**

	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
<b>(a) Liabilities</b>		\$
<b>CURRENT</b>		
Income tax payable	<u>94,060</u>	234,884
<b>NON-CURRENT</b>		
Deferred tax liabilities comprises temporary differences attributable to -		
Agricultural and biological assets at fair value	2,636,603	1,324,075
Prepayments	749	2,147
Accrued interest income	-	-
Convertible notes	-	9,653
Other	2,147	84
Unrealised foreign exchange gains	261,898	208,611
Total deferred tax liabilities	<u>2,901,397</u>	1,544,570
<b>(b) Assets</b>		
Deferred tax assets comprises temporary differences attributable to -		
Tax allowances relating to property, plant & equipment	1,059	1,059
Agricultural and biological assets at fair value	2,305,204	1,188,341
Accruals	-	24,300
Provisions	209,449	82,912
Impairment of assets	-	-
Unrealised foreign exchange losses	262,817	82,589
Other	204,777	205,540
	<u>2,983,306</u>	1,584,741
Tax losses recognised	1,616,478	1,351,888
Total deferred tax assets	<u>4,599,784</u>	2,936,629

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#### 14. TAX (CONT.)

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

##### (c) Reconciliations

The overall movement in deferred tax account is as follows:

Opening balance	(1,392,059)	(29,323)
(Charge)/credit to statement of profit or loss and other comprehensive income	306,326	1,421,382
Other movements	2,784,120	-
Closing balance	<u>1,698,387</u>	<u>(1,392,059)</u>

#### 15. PROVISIONS

	30 June 2014	30 June 2013
	\$	\$
<b>CURRENT</b>		
Employee benefits	57,295	92,037
Total current provisions	<u>57,925</u>	<u>92,037</u>
Number of employees	941	807

Employee benefits provisions have been recognised in relation to long service leave for Australian and expatriate employees. The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount presented as non-current represents amounts where an agreement is in place to pay the entitlements over a period of time longer than the next 12 months.

Reconciliation of provisions:

Balance at beginning of period	92,037	1,805
Provision used	-	-
Unused provisions reversed	-	(1,746)
Provisions added	-	91,978
Provisions released	(34,742)	-
Closing balance	<u>57,925</u>	<u>92,037</u>

	2014	2013	2014	2013
	No. of Shares	No. of shares	\$	\$
<b>16. CONTRIBUTED EQUITY</b>				
Issued and fully paid-up capital	<u>319,485,425</u>	281,737,162	<u>32,315,473</u>	30,203,033
<b>Ordinary Shares</b>				
Balance at beginning of period	281,737,162	229,171,072	30,203,033	27,610,085
Shares issued <sup>(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)(13)(14)</sup>	37,748,263	52,566,090	1,949,968	2,592,948
Balance at end of period	<u>319,485,425</u>	<u>281,737,162</u>	<u>32,153,001</u>	<u>30,203,033</u>
<b>Treasury Shares</b>				
Balance at beginning of period	5,301,616	7,964,000		
Acquisition of shares by Trust under Plan	6,291,051	2,931,616		
Shares released	(4,461,640)	(5,594,000)		
Balance at end of period	<u>7,131,027</u>	<u>5,301,616</u>		

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**16. CONTRIBUTED EQUITY (CONT.)**

- (1) Atlas undertook a rights issue which closed on 18<sup>th</sup> of January 2013. Unlisted options were issued to all those who took up the rights issue. The Option exercise period closed on 29<sup>th</sup> January 2014.
- (2) On 11 October 2013, 5,462 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (3) On 6 November 2013, 36,118 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (4) On 9 December 2013, 333,000 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (5) On 17 December 2013, 331,050 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (6) On 17 December 2013, 5,251,969 fully paid ordinary shares were issued at an issue price of \$0.065 to Arrow Pearl Co Pty Ltd, as part of the agency sales agreement with Arrow pearls for the sale by auction of pearls by Atlas Pearls and Perfumes Ltd.
- (7) On 24 December 2013, 619,507 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (8) On 14 January 2014, 1,244,304 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (9) On 16 January 2014, 14,180,361 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (10) On 24 January 2014, 2,574,613 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (11) On 31 January 2014, 9,634,325 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (12) On 3 February 2014, 18,934 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (13) On 5 February 2014, 600,000 shares were issued at an issue price of \$0.05 after multiple shareholders exercised their unlisted options acquired in the January 2013 rights issue.
- (14) On 4 June 2014, 4,748,031 fully paid ordinary shares were issued at an issue price of \$0.065 to Arrow Pearl Co Pty Ltd, as remuneration for Arrow pearls sold at auction by Atlas Pearls and Perfumes Ltd.

**(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:

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**16. CONTRIBUTED EQUITY (CONT.)**

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

**(iii) Share Buyback**

The share buy-back has been terminated as at the date of this report and no shares had been bought back during the financial period ended 30 June 2014 or 30 June 2013.

**(iv) Capital Risk Management**

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

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

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

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	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>17. RESERVES</b>		
Foreign Currency Translation Reserve	<b>(8,658,779)</b>	(7,866,003)
Employee Share Reserve	<b>622,574</b>	581,029
Total Reserves	<b>(8,036,205)</b>	(7,284,974)
 Movements :		
Foreign Currency Translation Reserve -		
Balance at beginning of year	<b>(7,866,003)</b>	(9,047,651)
Currency translation differences arising during the Year	<b>(792,775)</b>	1,181,648
Balance at end of year	<b>(8,658,778)</b>	(7,866,003)
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	<b>581,029</b>	581,029
Movement in Employee Share Reserve	<b>41,545</b>	-
Balance at end of year	<b>622,574</b>	581,029
The employee share reserve records the value of equity portion of remuneration paid to employees in the form of shares or other equity instruments.		
 <b>18. RETAINED PROFITS</b>		
	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
		<b>\$</b>
Reconciliation of retained earnings/(Accumulated losses):		
Balance at beginning of year	<b>2,878,610</b>	5,073,255
Net profit/(loss) for the year	<b>1,813,922</b>	(2,194,645)
Movement in equity distribution account	-	-
Dividends paid	-	-
Balance at end of year	<b>4,692,532</b>	2,878,610



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## 19. DIVIDENDS

No dividends have been paid or declared in respect of the 2014 financial year or the period ended 30 June 2013.

12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
\$	\$

Dividend Franking Account

Franking credits available to shareholders of the Company for subsequent financial years based on a tax rate of 30%.

<b>1,278,704</b>	<b>1,278,704</b>
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The above amounts represent the balance of the franking account as at the end of the financial period adjusted for:

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

## 20. OPTIONS

The Company had 26,500,000 options granted over unissued shares at the 30 June 2014 (30 June 2013 – 32,582,005). The 26,500,000 options granted over unissued shares at 30 June 2014 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.

As part of the rights issue on 18 January 2013 a total of 30,240,735 unlisted options expiring 29 January 2014 exercisable at \$0.05 each were issued pursuant to the Company's non-renounceable entitlements Prospectus dated 16 November 2012. An additional 2,452,979 options were issued when the shortfall was taken up in March and April 2013. Options exercised during the twelve months ended 30 June 2014 totalled 29,577,673. Options exercised during the six months ended 30 June 2013 totalled 111,709.

12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
\$	\$

## 21. COMMITMENTS

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

Within one year	<b>419,247</b>	375,737
Later than one year, but not later than five years	<b>1,881,569</b>	1,976,866
Later than five years	<b>362,367</b>	710,794
	<b>2,663,183</b>	3,063,397

*Non - cancellable operating leases*

The Group leases premises under non-cancellable operating leases expiring in 7 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.

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## 22. CONTINGENCIES

The 2008 tax audit for PT Cendana Indopearls was completed during the reporting period and a liability in the order of IDR 3,504,206,185 or AUD\$350,000 has been assessed by the Indonesian Tax Office. PT Cendana Indopearls are in agreement with an amount in the order of AUD\$50,000 and plan to dispute the balance of AUD \$300,000 via an appeal process.

Atlas Pearls and Perfumes Ltd has a bank guarantee with the Commonwealth Bank of Australia for AUD\$112,153 at 30 June 2014 (30 June 2013 - \$106,441). This guarantee has been taken out to secure the rental of the Atlas Pearls and Perfumes corporate offices in Claremont, Western Australia.

## 23. SHARE BASED PAYMENTS

In May 2006, an employee share plan was established which entitles the Board of Directors to offer shares to key management personnel within the Group. A total of 1,100,000 shares were issued during 2007 to six (6) employees including the managing director at a price of 40 cents per share which was a one (1) cent and eight (8) cent discount to the market at the dates of issue being 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 2014 with debt of \$428,500 outstanding by employees from the initial loan of \$1,063,500 that was made when the shares were allocated to employees. Refer note 25 for details of equity held and loans outstanding to Key Management Personnel.

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

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

The shares rank equally with other fully paid ordinary shares.

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

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

There were no shares issued under the plan in 2011. In 2012 the plan was replaced with a new Employee Salary Sacrifice Share Plan and Non-Executive Director Fee Salary Sacrifice Share Plan.

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## 23. SHARE BASED PAYMENTS (CONT.)

At the AGM on the 30 May 2012 it was resolved to cease issuing Shares under this existing Employee Share Loan Plan that was approved by Shareholders at the Company's annual general meeting in May 2006.

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

### **The Atlas Employee Salary Sacrifice Share Plan**

On 30 May 2012, the Atlas Employee Salary Sacrifice Share Plan was established. On the 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 twelve months 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 twelve months ended 30 June 2014, 361,298 shares were issued to employees who did not salary sacrifice shares but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$23,484.37. A further 1,798,077 were issued to contractors who were issued shares in lieu of cash payment. The total value settled totalled \$98,950.

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

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

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

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

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

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

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% or 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;

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**23. SHARE BASED PAYMENTS (CONT.)**

- iii. The contracting individual has been the only member for the company for more than 12 months; and;
- iv. More than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received from a Group Company.

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

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

Shares to be acquired by Eligible Participants under the Salary Sacrifice plan are held in the trust until such time that the Shares are fully paid for. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. As at 30 June 2014 4,461,640 of the shares issued to the Atlas South Sea Pearl Limited Employee Share Trust had been issued to Eligible Participants (30 June 2013 – 5,594,000 shares).

The shares rank equally with other fully paid ordinary shares.

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

**The Atlas Non-Executive Director Fee Sacrifice Share Plan**

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

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

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

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

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

**Atlas Pearls and Perfumes Ltd 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:

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### 23. SHARE BASED PAYMENTS (CONT.)

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

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

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

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

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

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

The exercise price of options is based on 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.

	2014 Average exercise price per share option	Number of options	2013 Average exercise price per share option	Number of options
As at 1 July 2013	-	-	-	-
Granted during the year	0.089	26,500,000	-	-
Exercised during the year*	-	-	-	-
Forfeited during the year	-	-	-	-
As at 30 June	0.089	26,500,000	-	-
Vested and exercisable at 30 June 2014	-	-	-	-

- The weighted average exercise price per share option during the year ended 30 June 2014 was \$0.089 (2013 – not applicable).

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### 23. SHARE BASED PAYMENTS (CONT.)

	Expiry Date	Exercise Price	Share Options 30 June 2014	Share Options 30 June 2013
25 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	-
				-
Total			26,500,000	
Weighted average remaining contractual life of options outstanding at end of period			2.51 years	-

#### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 was \$0.20. There were no options granted during the six months ended 30 June 2013. 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 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.

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;

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**23. SHARE BASED PAYMENTS (CONT.)**

- (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%

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

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

**Other Share Based Payments**

On 15 January 2013, 10,000,000 fully paid ordinary shares were issued at an issue price of \$0.05 as consideration of all of the shares in Essential Oils of Tasmania Pty Ltd, as announced by the Company on 22 October 2012 and ratified at the 2012 AGM.

On 15 January 2013, 3,333,334 fully paid ordinary shares were issued to extinguish the existing debt in Essential Oils of Tasmania (\$166,000) and increase the Group's working capital balance. The 3,333,334 fully paid ordinary shares were issued at an issue price of \$0.05 and rank equally with the Company's existing issued shares.

On 1 March 2013, 833,333 shares were issued at an issue price of \$0.06 each to Abermac Pty Ltd the former owner of Essential Oils of Tasmania, as remuneration for continued services provided in the financial period.

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

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

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**23. SHARE BASED PAYMENTS (CONT.)**

**Expenses arising from share-based payment transactions**

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

	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Shares issued under the employee share plan	<b>66,561</b>	-
	<b>66,561</b>	-

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:

	<b>12 Months</b>	<b>6 Months</b>
	<b>Ending</b>	<b>Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank (Note 6)	<b>1,665,207</b>	1,767,156
Balances per statement of cashflows	<b>1,665,207</b>	1,767,156



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

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

	12 Months Ending 30 June 2014	6 Months Ending 30 June 2013
	\$	\$
Profit/(loss) after income tax	1,813,922	(2,194,645)
Depreciation and amortisation	302,686	136,160
Gains/(Losses) on Equity Investments	299,971	273,781
Share based payments	66,561	65,000
Gain on sale of intangible	-	-
Gain on extinguishment	-	(33,333)
Foreign exchange (losses) unrealised	971,954	(690,139)
Inventory revaluations (losses)	(11,982)	15,705
Derivative instrument gains/(losses) unrealised	435,732	(32,177)
Gain on bargain	-	(59,911)
Agricultural asset fair value (losses) and inventory write-offs	(63,439)	2,907,779
Provision for dividend	-	(260,785)
Decrease in trade and other debtors	(1,861,060)	234,162
Decrease in other assets	-	85,978
(Increase) in inventories	(2,275,043)	(2,238,868)
Increase in trade and other creditors	918,473	64,556
(Decrease) in Provision	(140,834)	(101,787)
Increase in taxes	(714,236)	683,257
Net cash (used in) operating activities	<b>(257,294)</b>	<b>(1,145,267)</b>

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 six month period ended 30 June 2014, the Company did not enter any new loans to acquire property, plant and equipment. The Company did enter into the following non-cash transactions in acquiring Essential Oils of Tasmania Ltd on the 15 January 13:

- On 15 January 2013, 10,000,000 fully paid ordinary shares were issued at an issue price of \$0.05 as consideration of all of the shares in Essential Oils of Tasmania Pty Ltd, as announced by the Company on 22 October 2012 and ratified at the 2012 AGM. The total value of the shares issued was \$500,000.
- On 15 January 2013, 3,333,334 fully paid ordinary shares were issued to extinguish the existing debt in Essential Oils of Tasmania and increase the Group's working capital balance. The 3,333,334 fully paid ordinary shares were issued at an issue price of \$0.05 and rank equally with the Company's existing issued shares. The total value of the shares issued was \$166,667.
- On 1 March 2013, 833,333 shares were issued at an issue price of \$0.06 each to Abermac Pty Ltd the former owner of Essential Oils of Tasmania, as remuneration for continued services provided in the financial period. The total value of the shares issued was \$50,000.

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

Also, during the period ended 30 June 2014, 4,461,640 shares were issued out of the Atlas South Sea Pearl Limited Employee Share Trust to employees (30 June 2013 - 5,594,000). Of the 4,461,640 shares issued out of the trust, 361,298 shares were issued to employees who did not salary sacrifice shares

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

but were instead issued shares out of the trust in lieu of cash bonuses. The total value of the bonuses issued was \$23,484.37. 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 (30 June 2013 - \$300,000). The total value of the bonuses issued was \$23,484 (30 June 2013 - \$15,000). 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 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 2014 the balance of the loan was \$92,465. There were no other new loans to acquire property, plant and equipment entered into during the year ended 30 June 2014. During the year ended 30 June 2014, the Company did not issue any ordinary shares to acquire any new investments.

**24.3 Credit facilities**

As at 30 June 2014, the Company had in place a loan facility with the Commonwealth Bank with a limit of \$5,000,000 (30 June 2013 - \$5,000,000). This facility has been partially utilised, see note 33 for further disclosure. Information about the security relating to secured liabilities and the fair value is provided in note 33.

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## 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 2014, there is loan balance of \$140,857 owing from World Senses to Atlas (30 June 2013 - \$258,851). 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 2014 an agreement was entered into between Atlas Pearls and Perfumes Ltd and its joint venture partner Nomad Two Worlds Global trading Pte Ltd to reallocate a portion of the assets held in World Senses Pty Ltd back to its respective parent entities. The intellectual property (intangible asset) over the pearl protein extraction process was transferred to Atlas Pearls and Perfumes Ltd at its' net book value of \$392,925. The Riji jewellery inventory at 30 June 14 was transferred to Perl Eco Pty Ltd (100% subsidiary of Atlas Pearls and Perfumes Ltd) at its' cost of \$112,776. The Raw Spirit perfume inventory and Nomad Two World's book inventory at 30 June 14 was transferred to Nomad Two Worlds Global Trading Pte Ltd at their cost of \$88,311 and \$10,000 respectively.

At 30 June 2014, there is loan balance of \$72,961 owing to World Senses from Perl'Eco. This balance consists of pearl jewellery sold to Perl' Eco by World Senses on which \$72,961 is the amount due.

Brookfield Tasmania Pty Ltd was formed on the 1 January 2014 as a joint venture between Westwood Properties Pty Ltd and Atlas Pearls and Perfumes Ltd.

As at 30 June 2014, there is an investment of \$22,012 in Brookfield Tasmania Pty Ltd.

### c. Key management personnel compensation -

	<b>12 Months</b>	6 Months
	<b>Ending</b>	Ending
	<b>30 June 2014</b>	30 June 2013
	<b>\$</b>	<b>\$</b>
Short-term employment benefits	<b>1,258,575</b>	419,758
Post-employment benefits	<b>65,119</b>	19,414
Long-term benefits	<b>37,343</b>	-
	<b>1,361,037</b>	439,172

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

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**25. RELATED PARTY TRANSACTIONS CONTINUED (CONT.)**

d. Transactions with other related parties

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

	<b>12 Months Ending 30 June 2014</b>	<b>6 Months Ending 30 June 2013</b>
	\$	\$
Current payables (reimbursement of travel)	<b>31,058</b>	-
Director fees payable	<b>9,000</b>	-
	<b>40,058</b>	

e. Loans to/from related parties

	<b>12 Months Ending 30 June 2014</b>	<b>6 Months Ending 30 June 2013</b>
	\$	\$
<i>Loans to key management personnel</i>		
Beginning of the year	<b>375,000</b>	375,000
Loans advanced	<b>25,000</b>	-
End of year	<b>400,000</b>	375,000

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**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:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>a. BDO Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	<b>111,966</b>	74,765
Total remuneration for audit and other assurance services	<b>111,966</b>	74,765
 <i>Taxation Services</i>		
Tax compliance services and advise	<b>51,962</b>	28,449
Total remuneration for taxation services	<b>51,962</b>	28,449
 Total remuneration of BDO Australia	<b>163,928</b>	103,214
 <b>b. Related practices of BDO Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	-	-
Total remuneration for audit and other assurance services	-	-
 <i>Taxation Services</i>		
Tax compliance services and advise	-	-
Total remuneration for taxation services	-	-
 Total remuneration of related practices of BDO Australia	-	-
<b>Total remuneration of BDO Australia and related practices</b>	<b>163,928</b>	103,214

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**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 2014 is as follows:

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

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

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**27. SEGMENT REPORTING (CONT.)**

- (ii) The segment information provided to the Board of Directors and management team for the reportable segments for the year ended 30 June 2013 is as follows:

<b>30 June 2013</b>	<b>Wholesale Loose Pearl</b>		<b>Jewellery</b>		<b>Essential Oils</b>	<b>All other segments</b>	<b>Total</b>
	<b>Australia</b>	<b>Indonesia</b>	<b>Australia</b>	<b>Indonesia</b>	<b>Australia</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total segment revenue	1,875,635	4,357,536	204,863	399,257	503,076	-	<b>7,340,368</b>
Inter-segment revenue	-	(4,087,760)	-	-	-	-	<b>(4,087,760)</b>
<b>Revenue from external customers</b>	<b>1,875,635</b>	<b>269,776</b>	<b>204,863</b>	<b>399,257</b>	<b>503,076</b>	<b>-</b>	<b>3,252,608</b>
<b>Normalised EBITDA</b>	<b>(1,781,708)</b>	<b>1,355,106</b>	<b>(184,713)</b>	<b>(447,815)</b>	<b>(190,929)</b>	<b>-</b>	<b>(1,250,057)</b>
<b>Adjusted net operating profit/(loss) before income tax</b>	<b>(2,053,237)</b>	<b>991,165</b>	<b>(210,584)</b>	<b>(121,995)</b>	<b>(195,037)</b>	<b>-</b>	<b>(1,589,688)</b>
Depreciation and amortisation	59,204	26,116	22,427	23,460	4,953	-	<b>136,160</b>
Revaluation of Biological Assets	597,959	735,322	-	-	36,616	-	<b>1,369,897</b>
<b>Totals segment assets</b>	<b>8,064,039</b>	<b>20,266,417</b>	<b>990,205</b>	<b>1,088,218</b>	<b>2,532,429</b>	<b>-</b>	<b>32,941,308</b>
Total assets includes: Additions to non – current assets (other than financial assets or deferred tax)	7,476	14,879	140,134	12,256	441,450	-	<b>616,195</b>
<b>Total segment liabilities</b>	<b>(773,822)</b>	<b>(907,729)</b>	<b>(96,161)</b>	<b>(167,658)</b>	<b>645,092</b>	<b>-</b>	<b>(2,590,461)</b>

Included within the net operating profit for wholesale loose pearls in Indonesia is an impairment charge of \$15,705 in relation to the impairment of oysters.

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**27. SEGMENT REPORTING (CONT.)**

**(b) Other segment information**

(i) Segment revenue

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

	<b>12 Months Ending 30 June 2014 \$</b>	<b>6 Months Ending 30 June 2013 \$</b>
<b>Total segment revenue</b>	<b>23,461,265</b>	7,340,368
Intersegment eliminations	<b>(7,528,089)</b>	(4,087,760)
Interest income	<b>13,333</b>	18,629
Other revenues	<b>336,674</b>	233,888
<b>Total revenue from continuing operations (note 2)</b>	<b>16,283,183</b>	3,505,125

*Major customers*

A Japanese wholesaler accounted for 11% of external revenue in the twelve months to 30 June 2014 (6 months ended 30 June 2013 - 37%). 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 \$907,756 (6 months ended 30 June 2013: \$299,243) in relation to wholesale loose pearl sales. Revenue for wholesale loose pearls from third party customers based in other countries during the twelve months to 30 June 2014 was \$10,981,121 (6 months ended 30 June 2013: \$1,577,091). 84% of the total loose pearl sales revenue during the period ended 30 June 2014 (6 months ended 30 June 2013: 68%) was to Japanese based customers.

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



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**27. SEGMENT REPORTING (CONT.)**

**(b) Other segment information (cont.)**

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

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

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

	<b>12 Months Ending 30 June 2014 \$</b>	<b>6 Months Ending 30 June 2013 \$</b>
<b>Net operating profit /(loss) before tax</b>	<b>2,557,308</b>	(1,589,688)
Intersegment eliminations	-	(2,727)
Changes in fair value of biological and agricultural assets	<b>63,439</b>	(2,907,773)
Impairment expense	<b>11,982</b>	(15,705)
Foreign exchange gains	<b>216,375</b>	1,286,737
Foreign exchange losses	<b>(794,303)</b>	(195,806)
Other	<b>(596,160)</b>	(241,610)
<b>Profit/(loss) before income tax from continuing operations</b>	<b>1,458,641</b>	(3,666,572)

- (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:

	<b>30 June 2014 \$</b>	<b>30 June 2013 \$</b>
<b>Segment assets</b>	<b>37,382,333</b>	32,941,308
Intersegment eliminations	<b>533,159</b>	(529,407)
Unallocated:		
Other	<b>534</b>	622
Investments	<b>3,025</b>	280,984
Joint Venture Loans	<b>67,896</b>	313,295
Deferred tax assets	<b>4,599,784</b>	2,936,629
Fair value adjustments on biological and agricultural assets	<b>(1,763,936)</b>	(267,607)
Derivative financial instruments	-	-
<b>Total assets as per the statement of financial position</b>	<b>40,822,795</b>	35,676,454

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$2,674,188 (2013: \$1,791,365). The total located in Indonesia is \$14,134,400 (2013: \$14,553,360).

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**27. SEGMENT REPORTING (CONT.)**

**(b) Other segment information (cont.)**

(iv) Segment liabilities

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

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

	<b>30 June 2014 \$</b>	<b>30 June 2013 \$</b>
<b>Segment liabilities</b>	<b>4,046,371</b>	2,590,461
Intersegment eliminations (note 28(a))	-	232,877
Unallocated:	-	-
Other	<b>4,800</b>	2,550
Current tax liabilities	<b>(94,060)</b>	234,884
Borrowings	<b>5,154,959</b>	5,274,443
Deferred tax liabilities	<b>2,901,397</b>	1,544,570
Derivative financial instruments	-	-
<b>Total liabilities as per the statement of financial position</b>	<b>12,013,467</b>	<b>9,879,785</b>

(v) Normalised EBITDA reconciliation

	<b>30 June 2014 \$</b>	<b>30 June 2013 \$</b>
<b>Net profit/(loss) before tax</b>	<b>1,458,642</b>	(3,666,572)
Finance/Interest (rec)/paid	<b>470,755</b>	221,093
Depreciation/Amortisation	<b>302,686</b>	136,160
FX (gain)/loss	<b>577,928</b>	(1,090,131)
Agriculture standard revaluation	<b>(63,439)</b>	2,907,779
Inventory write-off	<b>(11,982)</b>	-
Other non-operating (income)/expense	<b>299,971</b>	273,780
Gain on derivative instruments	<b>435,732</b>	(32,177)
<b>Normalised EBITDA</b>	<b>3,470,313</b>	<b>(1,250,058)</b>

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## 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 1.7.

Name of entity	Class of shares	Percentage owned 30 June 2014	Percentage owned 30 June 2013	Place of incorporation
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
P.T. Cahaya Bali <sup>(2)</sup>	Ord	100%	100%	Indonesia
Aspirasi Satria Sdn Bhd	Ord	100%	100%	Malaysia
Essential Oils of Tasmania <sup>(3)</sup>	Ord	100%	100%	Australia

(1) Previously named Sharcon Pty Ltd

(2) Bali retail operations have been set up in a separate company structure P.T. Cahaya Bali as of 1 May 2013 in order to comply with Indonesian rules and regulations.

(3) Essential Oils of Tasmania Ltd was acquired on 15 January 2013.

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

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

	30 June 2014 \$	30 June 2013 \$
Share in World Senses joint venture partnership (note 30)	-	280,984
Share in Brookfield Tasmania joint venture partnership	3,025	
	<u>3,025</u>	<u>280,984</u>

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### 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. This vehicle will commercialise the production of new emerging extracts from Essential Oils of Tasmania and pearls from Atlas with an intimal focus on pearl micronized powder, pearl perfume extracts, pearl cosmetic extracts, Perl'fume™ technology and Australian indigenous perfume ingredients such as Sandalwood, Boronia and Fire Tree (*Zanthorrhoea preissii*).

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 interest in World Senses 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 venture is set out below.

	12 Months Ending 30 June 2014 \$	6 Months Ending 30 June 2013 \$
<b>Joint Ventures' assets and liabilities</b>		
Current assets	294,366	679,714
Non-current assets	257,118	507,496
Total assets	<u>551,484</u>	<u>1,187,210</u>
Current liabilities	41,754	13,204
Non-current liabilities	529,808	593,822
Total liabilities	<u>571,562</u>	<u>607,026</u>
<b>Net assets</b>	<u>(20,078)</u>	<u>580,183</u>
<b>Joint Venture's revenues, expenses and results</b>		
Revenues	113,098	32,559
Expenses	(970,158)	(814,792)
Loss before income tax	<u>(857,060)</u>	<u>(782,233)</u>
<b>Reconciliation to carrying value</b>		
Opening net asset 1 July	580,183	1,127,747
Profit/(loss) for the period	(600,261)	32,559
<b>Closing net assets</b>	<u>(20,078)</u>	<u>580,183</u>
<b>Group's share in %</b>	50%	50%
Group share in \$	300,131	273,782
Carrying value	-	280,984

#### (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.

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

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**31. PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

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

	<b>12 Months Ending</b>	<b>6 Months Ending</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of financial position</b>		
Current assets	<b>4,419,122</b>	3,746,564
Total assets	<b>24,800,754</b>	27,255,307
Current liabilities	<b>7,159,650</b>	5,692,923
Total liabilities	<b>5,044,219</b>	6,185,797
<b>Shareholders equity</b>		
Issued capital	<b>32,153,002</b>	30,203,033
Reserves		
Share-based payment reserve	<b>622,574</b>	581,029
(Accumulated losses)	<b>(9,714,552)</b>	(8,005,438)
	<b>23,061,024</b>	22,778,624
<b>(Loss ) for the period</b>	<b>(3,304,489)</b>	(1,709,114)
<b>Total comprehensive (loss)</b>	<b>(3,304,489)</b>	(1,709,114)

**(b) Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013

The parent entity did not provide financial guarantees during the period (2013: Nil).

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## 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:

	30 June 2014	30 June 2013
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,665,207	1,767,156
Trade and other receivables	2,773,752	578,556
Derivative financial instruments	-	-
	<b>4,438,959</b>	<b>2,345,712</b>
<b>Financial Liabilities</b>		
Trade and other payables	2,313,695	1,395,280
Borrowings	5,154,959	5,274,443
Derivative financial instruments	852,323	404,627
	<b>8,320,977</b>	<b>7,074,350</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.

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**32. FINANCIAL RISK MANAGEMENT (CONT.)**

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

	30 June 2014			30 June 2013		
	JPY \$	USD \$	EUR \$	JPY \$	USD \$	EUR \$
Cash and cash equivalents	639,550	163,445	21,561	31,048	105,986	15,335
Trade and other receivables	1,782,738	256,058	-	5,032	34,756	2,174
Trade and other payables	565,957	119,872	1,483	5,546	3,637	-
Borrowings	2,706,030	-	-	4,226,864	-	-
Forward exchange contracts – buy foreign currency	-	-	-	-	-	-
Forward exchange contracts – sell foreign currency	(26,443)	-	-	(14,568)	-	-

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### 32. FINANCIAL RISK MANAGEMENT (CONT.)

#### Group Sensitivity Analysis

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

	Statement of Financial Position Amount  AUD  2014      2013		Foreign Exchange Rate Risk							
			30 June 2014				30 June 2013			
			-10%		10%		-10%		10%	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial Assets</b>										
Cash	1,665,207	1,767,156	91,617	-	(74,960)	-	16,930	-	(13,852)	-
Trade and other receivables	2,773,752	578,556	226,533	-	(185,345)	-	4,421	-	(3,617)	-
Derivatives	-	-	-	-	-	-	-	-	-	-
<b>Financial Liabilities</b>										
Trade and other payables	2,313,695	1,395,280	(76,368)	-	62,483	-	1,020	-	(835)	-
Borrowings	5,154,959	5,274,443	(300,670)	-	246,003	-	(411,818)	-	431,578	-
Derivatives	852,323	404,627	(2,938)	-	2,404	-	78,376	-	(95,793)	-
Total Increase/(Decrease)			(61,826)	-	50,585	-	(311,071)		317,482	

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\$2,379,072. The intercompany loans are eliminated on consolidation. The impact for the current year on the profit or loss was a loss of \$599,763 because the Indonesian Rupiah weakened against the Australian dollar. If the Indonesian Rupiah strengthens or weakens against the Australian dollar by 10%, there would be an effect on the (profit) or loss of (\$264,341) or \$216,279 respectively.



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## 32. FINANCIAL RISK MANAGEMENT (CONT.)

### (ii) Cash flow and fair value interest rate risk

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

### (iii) Price risk

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

#### Credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 51. For retail customers without credit rating the Group generally retains title over the goods sold until payment is received in full.

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

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

#### Trade receivables

	30 June 2014	30 June 2013
	\$	\$
Retail customers – no credit history	-	-
Wholesale customers – existing customers with no defaults in the past	1,928,369	121,729
Total trade receivables	<u>1,928,369</u>	<u>121,729</u>
Derivative financial assets	-	-

#### Liquidity risk

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

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

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## 32. FINANCIAL RISK MANAGEMENT (CONT.)

### Financing arrangements

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

Fixed rate	30 June 2014 \$	30 June 2013 \$
Expiring within one year – Foreign currency loan trade	5,000,000	5,000,000
	<b>5,000,000</b>	<b>5,000,000</b>

Bank loans are secured by a registered company charge by Commonwealth Bank of Australia over the whole of the assets and undertakings 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 loans are provided under a Japanese Yen Domestic Foreign Currency Advance facility with a fixed interest rate which currently stands at 3.67% expiring on 31 May 2016 and an undrawn Australian Dollar Bills Discount facility with a bank bill rate of BBSY plus a margin of 3.55% repayable one year from the draw down date. As at the reporting date the Company had drawn down \$3,951,715 (30 June 2013: \$4,226,864) and had undrawn facilities available of \$1,048,285 (30 June 2013: \$773,136). The loans can be drawn at any time and are subject to annual review.

The other bank loan (secured) also provided by Commonwealth Bank of Australia was repaid during the period ended 30 June 2013. A new other bank loan (unsecured) provided by Microsoft Finance was provided during the year to acquire the accounting software Microsoft Navision; the liability at reporting date was \$92,465.

Lease liabilities have been provided by St George Bank and Esanda and are 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 \$112,064 (30 June 2013: \$178,901).

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

The company is required to meet three financial undertakings to comply with the lending conditions imposed by the bank as follows: (All covenants have been met for the year ended 30 June 2014).

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 2013 to 30 June 2014; and

\$1,500,000 for the 12 months 1 July 2014 to 30 June 2015; and

\$1,500,000 for the 12 months 1 July 2015 to 30 June 2016

Minimum net worth of the borrower (Atlas) will at all times be greater than \$18,000,000; and

The ratio of net worth of the borrower to total tangible assets of the borrower will at all times be equal to or greater than 60%. All the covenants have been met during the year. 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.

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**32. FINANCIAL RISK MANAGEMENT (CONT.)**

Maturities of financial liabilities

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

CONSOLIDATED ENTITY	30 June 2014						30 June 2013					
	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	2,313,694	-	-	-	2,313,694	2,313,694	1,371,888	-	-	-	1,371,888	1,371,888
Borrowings	4,047,184	1,142,848	56,955	55,668	5,302,655	5,154,959	4,364,831	137,966	1,204,618	14,250	5,721,665	5,721,665
<b>Total non-derivatives</b>	<b>6,360,878</b>	<b>1,142,848</b>	<b>56,955</b>	<b>55,668</b>	<b>7,616,349</b>	<b>7,468,653</b>	<b>5,736,719</b>	<b>137,966</b>	<b>1,204,618</b>	<b>14,250</b>	<b>7,093,553</b>	<b>7,093,553</b>
<b>Derivatives</b>												
Net settled ( Non deliverable forwards)	4,546	21,793	-	-	26,339	26,339	(14,568)	-	-	-	-	(14,568)
Gross settled												
-(inflow)	1,400,000	2,100,000	-	-	3,500,000	3,500,000	850,000	-	-	-	-	850,000
-outflow	(1,395,454)	(2,078,207)	-	-	(3,473,661)	(3,473,661)	(864,568)	-	-	-	-	(864,568)
<b>Total Derivatives</b>	<b>4,546</b>	<b>21,793</b>	<b>-</b>	<b>-</b>	<b>26,339</b>	<b>26,339</b>	<b>(14,568)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,568)</b>

Borrowings, includes the loan to the Commonwealth Bank (CBA), and is classified as an amount due within 6 months. This loan is drawn as a bank bill facility which has various maturity dates during the period 1 July 2014 to 30 September 2014. Bank bills which expire during the period 1 July 2014 to 30 September 2014 will be rolled over into a new loan with a revised maturity date within 6-12 months.

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## 32. FINANCIAL RISK MANAGEMENT (CONT.)

### (a) Fair value hierarchy

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

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

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis:

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

30 June 2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
<b>Liabilities</b>				
Derivative financial instruments	-	-	390,148	-
Forward foreign exchange contracts	-	14,479	-	-
<b>Total Liabilities</b>	-	<b>14,479</b>	<b>390,148</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.

During the prior reporting period Atlas issued Convertible Notes for a total value of \$1,100,000. The Convertible Notes have a maturity date of 2 years after issue (therefore maturing between January and June 2015), attract an interest rate of 6% payable six monthly in arrears and are redeemable for ordinary shares in Atlas at any time during the 10 Business Days prior to the first anniversary of the

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**32. FINANCIAL RISK MANAGEMENT (CONT.)**

Issue Date for the Convertible Notes; or the Maturity Date of the Convertibles Notes, or such other period as agreed in writing between the Company and the Noteholder. If the Noteholder exercises its conversion right, the Company must comply by redeeming all of the convertibles notes referred to in the Conversion Notice at their Face Value; and applying the Conversion Amount as subscription funds for the Conversion Shares which are to be issued to the Noteholder at a price per Conversion Share equal to the lower of: 5 cents or 90% of the 10 day volume weighted average.

This conversion feature represents an embedded derivative that is required to be fair valued.

The current fair value is governed by the 5 cents conversion rather than the 90% of the 10 day volume weighted average, therefore the derivative has been valued using the Black-Scholes model. The inputs used in this model are as follows:

**30 June 2014**

Note	Issue Date	Expiry date	No. Of Options	Fair Value of Option	Exercise Price	Price of shares on valuation date	Expected Volatility annualised	Risk free interest rate	Dividend yield
<b>A</b>	15/01/2013	15/01/2015	10,000,000	\$0.037	\$0.050	\$0.085	60%	2.56%	-
<b>B</b>	25/01/2013	25/01/2015	2,000,0000	\$0.037	\$0.050	\$0.085	60%	2.56%	-
<b>C</b>	01/03/2013	01/03/2015	7,000,000	\$0.038	\$0.050	\$0.085	60%	2.56%	-
<b>D</b>	30/05/2013	05/06/2015	3,000,000	\$0.038	\$0.050	\$0.085	60%	2.56%	-

**30 June 2013**

Note	Issue Date	Expiry date	No. Of Options	Fair Value of Option	Exercise Price	Price of shares on valuation date	Expected Volatility annualised	Risk free interest rate	Dividend yield
<b>A</b>	15/01/2013	15/01/2015	12,820,513	\$0.013	\$0.039	\$0.041	60%	2.53%	-
<b>B</b>	25/01/2013	25/01/2015	2,631,578	\$0.014	\$0.038	\$0.041	60%	2.53%	-
<b>C</b>	01/03/2013	01/03/2015	9,210,526	\$0.014	\$0.038	\$0.041	60%	2.53%	-
<b>D</b>	30/05/2013	05/06/2015	3,846,153	\$0.015	\$0.039	\$0.041	60%	2.53%	-

All of the resulting fair value estimates are included in level 3.

### 32. FINANCIAL RISK MANAGEMENT (CONT.)

#### (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 twelve months to 30 June 2014. There were also no changes made to any of the valuation techniques applied as of 30 June 2013.

#### (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 2014:

	30 June 2014	30 June 2014	30 June 2013	30 June 2013
	\$	\$	\$	\$
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current borrowings</b>				
Bank Loan	-	-	28,447	28,447
Other bank loan	89,665	89,665	-	-
Convertible note	994,518	1,142,214	784,778	1,208,214
Lease liabilities	1,863	1,863	4,312	4,312
	<b>1,086,046</b>	<b>1,233,742</b>	817,537	1,204,973

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. BUSINESS COMBINATION

#### Acquisition of Essential Oils of Tasmania during the comparative six month period ended 30 June 2013

On 15 January 2013 the parent entity acquired 100% of the issued share capital of Essential Oils of Tasmania Ltd, a grower and producers of essential oils. The acquisition is a strategic move for the Group further extending its supply chain to encompass an established manufacturer of essential oils that has the technical knowledge to manufacture cosmeceutical products.

Details of the purchase consideration, the net assets acquired and gain on acquisition are as follows:

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
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**33. BUSINESS COMBINATION (CONTD.)**

	\$
Purchase consideration:	
Cash paid	-
Share based payment consideration (refer below)	500,000
Total purchase consideration	<u>500,000</u>

The asset and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	\$
Cash	142,221
Trade receivables	351,450
Other current assets	30,150
Income tax receivable	70,124
Inventories	922,588
Biological assets	430,801
Land and buildings	5,980
Plant and equipment	368,712
Other non-current assets	24,429
Trade payables	(300,974)
Loans to directors	(200,000)
Borrowings	(1,200,000)
Deferred tax liability	(85,570)
Net identified assets acquired	<u>559,911</u>
Gain on acquisition	<u>59,911</u>

*(i) Share based payment consideration*

Atlas acquired Essential Oils of Tasmania by way of issuing 10,000,000 fully paid ordinary shares in Atlas. The fully paid ordinary shares in Atlas issued to the owners of Essential Oils of Tasmania must be recorded at fair value. The share price of Atlas at the date of settlement being the 15th of January 2013 was \$0.05. The fair value of the 10,000,000 fully paid ordinary shares is \$500,000.

*(ii) Revenue and profit contribution*

The acquired business contributed revenues of \$503,076 and a net loss of (\$533,446) to the group for the period 1 January to 30 June 2013.

*(iii) Information not disclosed as not yet available*

The Group has reported a provisional gain on acquisition as part of the purchase of Essential Oils of Tasmania Pty Ltd (see above) as the final assessment of the fair value of assets is yet to be determined. The group is still in the provisional accounting period as at 31 December 2013.

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**34. 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 2014 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.

<b>AASB Amendment</b>	<b>Affected Standard(s)</b>	<b>Nature of Change to Accounting Policy</b>	<b>Application Date of Standard*</b>	<b>Application Date for Group</b>
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments.	1 Jan 17	1 July 17
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	AASB 2013-9 makes three amendments to AASB 9	1 Jan 15	1 July 17
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	Clarifies disclosure requirements for goodwill and intangibles	1 Jan 14	1 July 14
IFRS 2	Share-based Payment	Changes definition of vesting condition	1 July 14	1 July 14
IFRS 3	Business Combinations	Clarifies Accounting for contingent consideration in a business combination	1 July 14	1 July 14
IFRS 8	Operating Segments	Clarifies aggregation of operating segments and reconciliation of the reportable segment's assets to the entity's assets	1 July 14	1 July 14
IAS 16	Property, Plant and Equipment	Clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model.	1 July 14	1 July 14
IAS 24	Related Party Disclosures	Changes key management personnel disclosures	1 July 14	1 July 14
IAS 38	Intangible Assets	Clarifies the computation of accumulated amortisation when intangible assets are subsequently measured using the revaluation model.	1 July 14	1 July 14
IFRS 13	Fair Value Measurement	Changes the scope of contracts that qualify for the portfolio exception.	1 July 14	1 July 14

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



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
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**35. EVENTS OCCURING AFTER THE REPORTING PERIOD**

Mr Nelson Rocher was appointed Alternate Director to Mr Stephen Birkbeck on 18 July 2014.

**36. ECONOMIC DEPENDENCY**

All of the company's pearls are purchased from its wholly owned subsidiary PT Cendana Indopearls.

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and :
  - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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 2014 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:



S.P. Birkbeck  
Chairman  
Perth, Western Australia

28<sup>th</sup> August 2014

## INDEPENDENT AUDITOR'S REPORT

To the members of Atlas Pearls and Perfumes Ltd

### Report on the Financial Report

We have audited the accompanying financial report of Atlas Pearls and Perfumes Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

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

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

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



#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Atlas Pearls and Perfumes Ltd, 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 Ltd 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 2014 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 1.2.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO  


Chris Burton

Director

Perth, 28 August 2014

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES

ADDITIONAL INFORMATION - UNAUDITED

NORMALISED EBITDA

	12 Months Ending 30 June 2014 \$	12 Months Ending 30 June 2013 \$
Profit/(Loss) for the period	1,813,922	(944,694)
Less: Net Forex Gains	577,928	(2,058,701)
Add: Net Interest	470,775	(519,086)
Add: Depreciation/Amortisation	302,686	243,928
Add: Income tax expense	(355,280)	(3,293,213)
Add: Other taxes	-	(70,015)
Add: Revaluation of Biological Assets and Inventory	(75,421)	5,906,702
Add: Other non-operating (income/expense)	299,971	404,179
Add: Loss on derivative	435,732	(32,177)
<b>Normalised EBITDA</b>	<b>3,470,313</b>	<b>(363,078)</b>

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
UNAUDITED NORMALISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2014

	12 Months Ending 30 June 2014 \$	12 Months Ending 30 June 2013 \$
Revenue from continuing operations	16,283,183	10,453,703
Cost of goods sold	(6,230,257)	(4,223,494)
Gross profit	10,052,926	6,230,209
Other income	1,091,279	3,376,326
Marketing expenses	(360,364)	(148,860)
Administration expenses	(6,814,921)	(5,930,665)
Finance costs	(513,496)	(359,517)
Other expenses	(1,996,783)	(7,405,399)
<b>Profit/(Loss) before income tax</b>	<b>1,458,642</b>	<b>(4,237,906)</b>
Income tax (expense)/benefit	355,280	3,293,212
<b>Profit/(Loss) for the period from continuing operations</b>	<b>1,813,922</b>	<b>(944,694)</b>
<b>Other comprehensive income/(expenses)</b>		
Items that will be reclassified as profit or loss:		
Exchange differences on translation of foreign operations	(792,775)	(303,133)
Income tax on items that will be reclassified to profit or loss	-	-
<b>Other comprehensive income/(expenses) for the period, net of tax</b>	<b>-</b>	<b>(303,133)</b>
<b>Total comprehensive income/(expenses) for the period</b>	<b>(792,775)</b>	<b>(1,247,827)</b>
<b>Profit/(loss) is attributable to:</b>		
	<b>1,021,147</b>	
<b>Owners of the Company</b>		(944,694)
<b>Total comprehensive income/(expenses) is attributable to:</b>	<b>1,813,922</b>	<b>(1,247,827)</b>
<b>Owners of the Company</b>		
Overall operations :		
Basic earnings/(loss) per share ( <b>cents</b> )	<b>0.61</b>	(0.38)
Diluted earnings per share ( <b>cents</b> )	<b>0.57</b>	n/a

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
UNAUDITED NORMALISED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

	30 June 2014 \$	30 June 2013 \$
<b>Current assets</b>		
Cash and cash equivalents	1,665,207	1,767,156
Trade and other receivables	3,020,985	1,074,871
Derivative financial instruments	-	-
Inventories	6,114,013	7,115,790
Biological assets	8,414,231	5,914,682
<b>Total current assets</b>	<b>19,214,436</b>	<b>15,872,499</b>
<b>Non-current assets</b>		
Intangibles	392,875	-
Loans joint venture entities	67,896	313,926
Equity accounted for investments	3,025	280,984
Inventories	132,093	223,399
Biological assets	12,011,412	11,535,561
Property, plant and equipment	4,401,274	4,513,455
Deferred tax assets	4,599,784	2,936,629
<b>Total non-current assets</b>	<b>21,608,359</b>	<b>19,803,955</b>
<b>Total assets</b>	<b>40,822,795</b>	<b>35,676,454</b>
<b>Current liabilities</b>		
Trade and other payables	3,141,549	2,329,224
Borrowings	5,014,791	4,436,797
Derivative financial instruments	852,323	14,479
Current tax liabilities	(94,060)	234,884
Short-term provisions	57,298	92,037
<b>Total current liabilities</b>	<b>8,971,901</b>	<b>7,107,421</b>
<b>Non-current liabilities</b>		
Derivative financial instruments	-	390,148
Borrowings	140,168	837,646
Deferred tax liabilities	2,901,397	1,544,570
<b>Total non-current liabilities</b>	<b>3,041,565</b>	<b>2,772,364</b>
<b>Total liabilities</b>	<b>12,013,466</b>	<b>9,879,785</b>
<b>Net assets</b>	<b>28,809,329</b>	<b>25,796,669</b>
<b>Equity</b>		
Contributed equity	32,153,001	30,203,033
Reserves	(8,036,205)	(7,284,974)
Retained profits/(accumulated losses)	4,692,533	2,878,610
<b>Total equity</b>	<b>28,809,329</b>	<b>25,796,669</b>

ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
UNAUDITED NORMALISED STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2014

Consolidated	Attributable to owners of Atlas Pearls and Perfumes Limited				Total equity
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	<b>30,203,033</b>	<b>581,028</b>	<b>(7,866,003)</b>	<b>2,878,610</b>	<b>25,796,669</b>
Profit/(loss) for the period	-	-	-	1,813,922	1,813,922
Exchange differences on translation of foreign operations	-	-	(792,775)	-	(792,775)
<b>Total comprehensive income for the period</b>			<b>(792,775)</b>	<b>1,813,922</b>	<b>1,021,147</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	1,949,968	-	-	-	1,949,968
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	41,545	-	-	41,545
	1,949,968	41,545	-	-	1,991,513
<b>Balance at 30 June 2014</b>	<b>32,153,001</b>	<b>622,574</b>	<b>(8,658,778)</b>	<b>4,692,532</b>	<b>28,809,329</b>
<b>Balance at 1 July 2012</b>	<b>27,666,203</b>	<b>581,028</b>	<b>(7,562,869)</b>	<b>3,823,304</b>	<b>24,507,666</b>
Profit/(loss) for the period	-	-	-	(944,694)	(944,694)
Exchange differences on translation of foreign operations	-	-	(303,133)	-	(303,133)
<b>Total comprehensive income for the period</b>	-	-	<b>(303,133)</b>	<b>(944,694)</b>	<b>(1,247,827)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	2,536,830	-	-	-	2,536,830
Dividends provided for or paid	-	-	-	-	-
Employee share scheme	-	-	-	-	-
	2,536,830	-	-	-	2,536,830
<b>Balance at 30 June 2013</b>	<b>30,203,033</b>	<b>581,028</b>	<b>(7,866,003)</b>	<b>2,878,610</b>	<b>25,796,669</b>



ATLAS PEARLS AND PERFUMES LTD AND ITS SUBSIDIARIES  
UNAUDITED NORMALISED STATEMENT OF CASHFLOW

	Note	12 Months Ending 30 June 2014 \$	12 Months Ending 30 June 2013 \$
<b>Cash flows from operating activities</b>			
Proceeds from pearl, jewellery and oyster sales		11,858,342	8,485,855
Proceeds from essential oil sales		1,738,829	682,947
Proceeds from other operating activities		443,514	282,168
Interest paid		(204,364)	(300,472)
Interest received		9,329	30,624
Payments to suppliers and employees		(13,743,885)	(11,598,895)
Income tax (paid)/received		(359,059)	2,186,701
		<hr/>	<hr/>
Net cash used in operating activities		(257,294)	(231,072)
<b>Cash flows from investing activities</b>			
Cash obtained on business combination		-	142,221
Payments for property, plant and equipment		(1,234,528)	(687,301)
		<hr/>	<hr/>
Joint venture partnership contributions (paid)		(53,971)	(286,109)
Other loans			(89,105)
		<hr/>	<hr/>
Net cash used in investing activities		(1,288,499)	(920,294)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(329,224)	(2,337,833)
Proceeds from issue of shares		1,808,715	1,588,329
Share transaction costs		(30,321)	(149,611)
Proceeds from convertible notes		-	1,100,000
		<hr/>	<hr/>
Net cash used in financing activities		1,449,171	200,885
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(96,623)	(950,481)
Cash and cash equivalents at the beginning of the financial period		1,767,156	2,719,917
Effects of exchange rate changes on cash and cash equivalents		(5,326)	(2,280)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year		1,665,207	1,767,156
		<hr/>	<hr/>