

# ATLAS

PEARLS AND PERFUMES

ABN 32 009 220 053

## Appendix 4D

### Half Year Report

**Name of entity**

ATLAS PEARLS AND PERFUMES LTD

<b>ABN</b>	<b>Half Yearly</b>	<b>Preliminary final</b>	<b>Half Year ended</b>
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32 009 220 053

31 December 2015

**Results for announcement to the market**

The information in this report should be read in conjunction with the most recent annual financial report. The reporting period and previous corresponding period are 31 December 2015 and 31 December 2014.

Revenue from ordinary activities	Up 18%	To \$7,036,790
Net profit/(loss) from the period attributable to members	Up 1528%	To \$487,891
Normalised EBITDA	Up 310%	To \$732,518
Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil c	Nil c
Interim dividend		
Previous corresponding period	Nil c	Nil c
Net Tangible Asset backing	Current period	Previous corresponding period
Net Tangible Asset backing	5.8c	5.6c

Signed by:



Name: Geoff Newman

Date: 26 February 2016

# ATLAS

PEARLS AND PERFUMES

**ATLAS PEARLS AND PERFUMES LTD**

**A.B.N. 32 009 220 053**

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2015**

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

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# ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

## DIRECTORS REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Your Directors present their report on the consolidated entity, consisting of Atlas Pearls and Perfumes Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

### Directors

The following persons were directors of Atlas Pearls and Perfumes Ltd during the whole of the half-year and up to the date of this report:

Name	Period of Directorship
Geoff Newman, B.Ec (Hons), M.B.A, F.C.P.A , F.A.I.C.D <i>Chairman</i>	Director since 15 October 2010 Appointed Chairman 16 February 2015
Timothy James Martin, B.Arts, M.B.A, G.A.I.C.D <i>Independent Non-Executive Director</i>	Director since 4 February 2013
Stephen John Arrow <i>Independent Non-Executive Director</i>	Director since 2 January 2014
Pierre Fallourd <i>CEO, Managing Director</i>	Director since 4 January 2016

### REVIEW OF OPERATIONS

The six months ended 31 December 2015 has been a period of refinement, continuous improvement and commitment to purpose following the company's re-focus on its core pearling operations during 2014/15. This has taken the form of focusing on supply chain improvements, risk management, building ongoing relationships with our trading and wholesale customers and operating a more steam-lined and effective retail program.

While the company's 4-year growth cycle does not lend itself to delivery of short term returns on the basis of what must be long term decisions, many improvements have been made along the full value chain. The company is now beginning to see positive outcomes from improved husbandry techniques implemented 12 months ago, and has good reason to be optimistic about the future.

The core activities of the economic entity are:

1. the management of a pearl farming business in Indonesia, and
2. the operation of a pearl value adding platform to grade, match, design, manufacture and distribute pearls and pearl jewellery.
3. the operation of an essential oils business in Tasmania.

There have been no significant changes in the operational activities of the economic entity since the last year-end report.

#### 1. Financial Result

From a financial perspective, Atlas recorded a net profit after tax for the period ended 31 December 2015 of \$0.49M, an increase of \$7.45M when compared to the \$6.97M loss in the 6 months to 31 December 2014.

The company's financial statements can be subject to significant variances generated by Fair Value assessments and foreign exchange movements. To give a better picture of underlying performance, it has adopted Normalised Earnings before interest, taxes, depreciation and amortisation (Normalised EBITDA) as the most effective way to report comparative results.

Normalised EBITDA (unaudited) specifically excludes foreign exchange and agricultural asset revaluation movements and as a result provides a clear assessment of the company's underlying financial performance.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**DIRECTORS REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**REVIEW OF OPERATIONS CONT.**

**1. Financial Result (Cont.)**

	Half-Year		Change	%
	6 Months Ended 31 Dec 2015	6 Months Ended 31 Dec 2014		
Total revenue from continuing operations	\$ 7,036,790	\$ 5,965,311	Up	18%
Profit/(loss) from continuing operations after tax	487,891	(6,967,115)	Up	1528%
Normalised Earnings before interest, taxes, depreciation and amortisation (Normalised EBITDA)*	732,518	(1,540,510)	Up	310%

\* Normalised EBITDA (unaudited) excludes foreign exchange and agricultural asset revaluation movements. Normalised EBITDA is adopted by the Group which represents the normal on-going realised earnings of the Group.

**Reconciliation of Normalised EBITDA to Profit/(Loss) for the Half-Year (Consolidated Statement of Profit or Loss and Other Comprehensive Income)**

	6 Months Ended 31 Dec 2015	6 Months Ended 31 Dec 2014
<b>Profit/ (Loss) for the Half-Year</b>	<b>\$487,891</b>	<b>(\$6,967,115)</b>
Less: Net Forex (gain)	(\$243,200)	(430,148)
Add: Net Interest	\$149,378	\$231,174
Add: Depreciation/Amortisation	\$209,091	\$198,576
Add: Income tax charge/(refund)	\$997,718	(\$2,953,300)
Less: Other non-operating (income)/expense	(\$170,234)	\$130,530
Add: Inventory adjustments	-	\$342
Add: Derivative instruments loss/(gain) unrealised	\$ 97,051	(\$69,760)
Less: Revaluation of Biological Assets and Inventory	(\$795,177)	\$8,319,191
<b>Normalised EBITDA</b>	<b>\$732,518</b>	<b>(\$1,540,510)</b>

**a. Operating results**

Consolidated revenues were \$7.03M for the six months ended 31 December 2015, up 18% or \$1.07M over the same 6 month period in 2014. The primary driver for this increase has been the company's loose pearl sales values at a trading level, with strong Yen / Momme outcomes, but also positively affected by the falling AUD and the ongoing strength of the Japanese Yen. Auction and private sales revenues for the half year totalled \$6,281,649, (2014: \$4,040,945),

Gross profit results followed this trend with the gross margin at 50.04%, up from 43.9% in the equivalent period in 2014.

At the same time, the company has maintained good control on its operating costs and decreased its administration overheads by 31%, or \$1.2M, when compared to the 6 months ended 31 December 2014.

During the period the company received assessments in relation to the PT. Cendana Indopearl tax returns in relation to the 2008 and 2012 calendar years. The net result of the assessments, including penalties, was a charge of \$447,903; this has been brought to account in the income tax charge for the half year ending 31 December 2015.

# ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

## DIRECTORS REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### REVIEW OF OPERATIONS CONT.

#### 1. Financial Result (Cont.)

##### a. Operating results (Cont.)

Increases to operating costs in Indonesia will be seen in 2016 following a decision in January 2016 by the Indonesian Government to uplift minimum wage by approx.11.5% on average across the region. In conjunction with this, Atlas has also decided to review upward it's Indonesian labour commitment to reinforce and acknowledge the positive contribution of its increasingly experienced Indonesian workforce and confirm the company's transfer of skills mandate. These costs are budgeted for in the company's current financial year budget, and within expected cost increases reflected in the company's 5-year plan.

##### b. Financial position

Cash reserves increased to \$2.9M (30 June 2015 - \$2.6M) at 31 December 2015.

Oyster asset values have increased by \$0.95M during the six months ended 31 December 2015. This is due to an increase in the valuation of oyster stock based on actual harvest and sales results achieved over the last six months. The total change in fair value less husbandry costs of oysters during the six months ended 31 December 2015 was \$0.8M.

Pearls on hand have increased from 94,046 at 30 June 2015 to 97,967 at 31 December 2015 and the quality has improved significantly. The net realisable value has increased from \$0.9M at 30 June 2015 to \$2.4M at 31 December 2015, however pearl stock is held at a value of \$2.0M as inventory is required to be valued at the lower of cost and net realisable value.

Jewellery inventory was \$1.5M as at 31 December 2015, down \$0.3M on the balance of \$1.8M at 30 June 2015. A provision for inventory obsolescence for \$0.8M was booked during the year ended 30 June 2015 to provide for slower moving inventory lines, and this provision remains in place at 31 December 2015.

Borrowings were \$4.9M at 31 December 2015, \$0.9M higher than 30 June 2015 (\$4M) due to the drawdown in the Yen loan facility in August 2015. In the six months to December 2015, \$0.25M of core debt has been re-paid to the Commonwealth Bank.

The Company's net tangible assets per share were \$0.058 as at 31 December 2015, which has improved the position from 30 June 2015 (30 June 2015 net tangible assets per share at \$0.056). The number of shares in issue remains at 425,398,600.

DIRECTORS REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

REVIEW OF OPERATIONS CONT.

**2. Pearling Operations**

The profile of pearl harvests (size and quality) is progressively improving with advanced shell care practices applied to shells seeded in 2013. The company has seen a direct financial benefit at market related to this in the last 6 months.

Post seeding retention rates have improved significantly in the last year as a result of good oyster selection, refined seeding techniques and the production optimisation plan implemented across the pearling operations. The company expects these refinements to deliver healthier oyster stock and further steady improvements in its harvest profiles over the next 2 to 4 years.

The El Nino phenomenon continues to deliver unusual weather patterns in our growing areas, with high ocean surface temperatures affecting plankton supply profiles, tides and currents flow. The company has increased its monitoring of oyster stock of all ages to ensure they remain as comfortable as possible, and will relocate critical stocks should it become necessary.

Spats and juveniles shells are particularly prone to temperature and salinity variations. Innovative hatchery techniques are being validated at both North Bali and Lembata technical hubs to ensure highest survival rates are achieved consistently to guarantee a steady supply of quality shells.

In order to facilitate production growth, risk management and economies of scale, the company is evaluating a series of new farming sites within reach of current logistical hubs. These steps will also provide opportunities to manage stocking densities and rotate oysters to the optimal environments that suit each stage in the growth cycle, resulting in further gains in oyster health and growth patterns.

**3. Sales**

The Pearl trading market represents 80% of the company's annual revenues and is vital to the company's strategic direction. The improving profile of the pearls presented at auction in the last 6 to 9 months has been positively acknowledged via improved prices from both our key major returning customers, and new buyers entering our private auctions increasing pricing tension. It is clear that Atlas now has a key role in supplying quality product into the supply chain of major worldwide brands, and the market has unfilled capacity for the profile of pearls the company is producing.

Atlas's own efforts geared towards uplifting the value of its harvested pearls continues and has been rewarded with improved margins on both Wholesale and Retail business while the liquidation process of older jewellery collections will remain ongoing for another 6 to 12 months via a range of markets.

Consolidation of retail operations in June 2015 is delivering both in terms of cost of operation reductions and improving performance per store, ensuring the company continues to service its retail customer base in a more effective and refined manner.

Commercialization of pearling by-products (pearl meat and shells) in gaining ground with the first commercial invoice for pearl protein and powder issued into the North American market via it's 50% owned JV with Nomads Two Worlds: World Senses.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**DIRECTORS REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**SIGNIFICANT CHANGES**

On the 4<sup>th</sup> January 2016 Pierre Fallourd, CEO, was appointed Managing Director. On the same date Trevor Harris, CFO, was appointed Joint Company Secretary.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'G Newman', with a long horizontal line extending to the right.

**G Newman**  
**Chairman**  
26 February 2016



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

As lead auditor for the review of Atlas Pearls and Perfumes Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



Glyn O'Brien  
Director

BDO Audit (WA) Pty Ltd  
Perth, 26 February 2016

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

		<b>6 Months Ending</b>	<b>6 Months Ending</b>
		<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	3	7,036,790	5,965,311
Cost of goods sold		(3,485,292)	(3,342,143)
Gross profit		3,551,498	2,623,168
Other income	3	996,272	1,074,610
Marketing expenses		(107,333)	(277,430)
Administration expenses	4	(2,842,975)	(4,124,714)
Finance costs	4	(200,681)	(257,575)
Other expenses	4	(625,229)	(508,753)
Change in fair value less husbandry cost of oysters and pearls		795,177	(8,486,295)
Change in fair value of crops		-	167,104
Share of equity accounted investments		(81,120)	(130,530)
<b>Profit/(Loss) before income tax</b>		<b>1,485,609</b>	<b>(9,920,415)</b>
Income tax (charge)/benefit	17	(997,718)	2,953,300
<b>Profit/(Loss) for the period from continuing operations after income tax</b>		<b>487,891</b>	<b>(6,967,115)</b>
<b>Other comprehensive (expenses)/income</b>			
Items that will be reclassified as profit or loss:			
Exchange differences on translation of foreign operations		221,985	(55,771)
<b>Other comprehensive income/(expenses) for the period, net of tax</b>		<b>221,985</b>	<b>(55,771)</b>
<b>Total comprehensive income/(expenses) for the period</b>		<b>709,876</b>	<b>(7,022,886)</b>
<b>Profit/(loss) is attributable to:</b>			
<b>Owners of the Company</b>		<b>487,891</b>	<b>(6,967,115)</b>
<b>Total comprehensive income/(expenses) is attributable to:</b>			
<b>Owners of the Company</b>		<b>709,876</b>	<b>(7,022,886)</b>
Overall operations:			
<b>Earnings per share</b>			
<b>for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings/(loss) per share (cents)	5	0.12	(2.17)
Diluted earnings/(loss) per share (cents)	5	0.11	N/A

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to and forming part of the half-year financial report.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

		31 Dec 2015	30 June 2015
		\$	\$
<b>Current assets</b>	<b>Note</b>		
Cash and cash equivalents		2,941,950	2,632,311
Trade and other receivables		634,643	562,021
Derivative financial instruments	10	-	14,245
Asset held as available for sale	12	319,490	292,940
Inventories	6	4,058,132	3,030,227
Biological assets	7	6,174,423	3,565,680
<b>Total current assets</b>		<b>14,128,638</b>	<b>9,804,484</b>
<b>Non-current assets</b>			
Intangibles		219,100	276,854
Loans due from asset held for sale	12	1,651,506	1,597,015
Inventories	6	167,867	173,510
Biological assets	7	9,330,565	10,988,645
Property, plant and equipment	8	4,508,097	4,473,286
Deferred tax assets		3,073,993	3,335,614
<b>Total non-current assets</b>		<b>18,951,128</b>	<b>21,137,864</b>
<b>Total assets</b>		<b>33,079,766</b>	<b>30,942,348</b>
<b>Current liabilities</b>			
Trade and other payables		1,933,631	1,685,124
Borrowings	9	4,858,142	3,954,527
Current tax liabilities		235,190	225,528
<b>Total current liabilities</b>		<b>7,026,963</b>	<b>5,865,179</b>
<b>Non-current liabilities</b>			
Borrowings	9	88,918	130,208
Deferred tax liabilities		1,158,991	972,780
Derivative financial instruments	10	82,806	-
<b>Total non-current liabilities</b>		<b>1,330,715</b>	<b>1,102,988</b>
<b>Total liabilities</b>		<b>8,357,678</b>	<b>6,968,167</b>
<b>Net assets</b>		<b>24,722,088</b>	<b>23,974,181</b>
<b>Equity</b>			
Contributed equity	14	36,474,779	36,465,656
Reserves		(8,799,065)	(9,049,958)
Retained profits/(accumulated reserves)		(2,953,626)	(3,441,517)
<b>Total equity</b>		<b>24,722,088</b>	<b>23,974,181</b>

The above-consolidated statement of financial position should be read in conjunction with the notes to and forming part of the half-year financial report.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Attributable to owners of Atlas Pearls and Perfumes Ltd					
	Contributed equity	Share based payment reserve	Foreign currency translation reserve	Retained profits/(accumulated reserves)	Total equity	
	Note	\$	\$	\$	\$	
<b>Balance at 1 July 2014</b>		32,153,001	622,574	(8,658,779)	4,692,532	28,809,329
<b>(Loss) for the period</b>		-	-	-	(6,967,115)	(6,967,115)
<b>Exchange differences on translation of foreign operations</b>		-	-	(55,771)	-	(55,771)
<b>Total comprehensive income for the period</b>		-	-	(55,771)	(6,967,115)	(7,022,886)
<b>Transactions with owners in their capacity as owners</b>						
<b>Contributions of equity, net of transaction costs</b>		315,511	-	-	-	315,511
<b>Dividends provided for or paid</b>		-	-	-	-	-
<b>Employee share scheme</b>		-	128,922	-	-	128,922
<b>Acquisition of EOT</b>		315,511	128,922	-	-	444,433
<b>Balance at 31 December 2014</b>		32,468,512	751,496	(8,714,549)	(2,274,583)	22,230,876
<b>Balance at 1 July 2015</b>		36,465,656	682,341	(9,732,299)	(3,441,517)	23,974,181
<b>Profit for the period</b>		-	-	-	487,891	487,891
<b>Exchange differences on translation of foreign operations</b>		-	-	221,985	-	221,985
<b>Total comprehensive income for the period</b>		-	-	221,985	487,891	709,876
<b>Transactions with owners in their capacity as owners</b>						
<b>Contributions of equity, net of transaction costs</b>	14	9,123	-	-	-	9,123
<b>Dividends provided for or paid</b>		-	-	-	-	-
<b>Employee share scheme</b>		-	28,908	-	-	28,908
		9,123	28,908	-	-	38,031
<b>Balance at 31 December 2015</b>		36,474,779	711,249	(9,510,314)	(2,953,626)	24,722,088

The above consolidated statement of changes in equity should be read in conjunction with the notes to and forming part of the half-year financial report.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>6 Months Ending 31 Dec 2015</b>	<b>6 Months Ending 31 Dec 2014</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Proceeds from pearl, jewellery and oyster sales	6,962,587	6,944,175
Proceeds from essential oil sales	-	986,913
Proceeds from other operating activities	351,997	321,036
Interest paid	(169,869)	(121,017)
Interest received	20,491	1,820
Payments to suppliers and employees	(6,623,189)	(7,956,664)
Income tax (paid)/ refund received	(725,255)	265,506
	<hr/>	<hr/>
Net cash (used)/ provided by operating activities	(183,238)	441,769
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(363,419)	(1,402,292)
Joint venture partnership contributions (paid)	-	(7,579)
	<hr/>	<hr/>
Net cash (used in) investing activities	(363,419)	(1,409,871)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,176,521	1,079,589
Repayment of borrowings	(314,195)	-
Proceeds from issue of shares	-	50,000
Share transaction costs	(1,874)	(25,369)
	<hr/>	<hr/>
Net cash provided by financing activities	860,452	1,104,220
Net increase in cash and cash equivalents	313,795	136,118
Cash and cash equivalents at the beginning of the financial period	2,632,311	1,665,207
Effects of exchange rate changes on cash and cash equivalents	(4,156)	(19,922)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	2,941,950	1,781,403

The above consolidated statement of cash flows should be read in conjunction with the notes to and forming part of the half-year financial report.

## ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

#### 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the period ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

There were no new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2015, which impacted the Group.

The Group has not elected to early adopt any new standards or amendments.

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 5 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 essential oils business is a producer and supplier of essential oils within the wholesale market.

#### 2. GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of the business. The net profit after tax for the Group for the year ended 31 December 2015 amounted to a profit of \$0.49M (year ended 31 December 2014 \$7M loss).

At 31 December 2015 the Group had a working capital balance of \$7.1M (June 2015 \$3.9M); \$6M (June 2015 \$3.5M) of this balance comprised of unharvested oysters due for harvest during the next 12 months. As at the 31 December 2015 the Group had a net asset position of \$24.7M; \$15.5M relates to unharvested oysters.

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

- Atlas will seek to refinance the facility with a new lender on or before 30 June 2016 and provide CBA with an update on their refinancing progress on a quarterly basis.
- Continuation of the existing covenants;
  - Annual Normalised EBITDA greater than \$1.5m.
  - Minimum net worth of AUD \$18m
  - Ratio of net-worth to tangible assets equal to or greater than 60%

## ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

### NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

#### 2. GOING CONCERN CONT.

- Quarterly reporting of the Atlas Group to be provided within 35 days from the end of each period, including commentary for variances to budget +/- 10%.
- Atlas to notify the CBA of the loose pearl auction results within 7 days including relevant commentary.
- Principle repayment plan of \$1m during the FY15/16 with the schedule of repayments as follows:

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

- The first two payments have been made in line with the agreed re-payment plan, reducing the overall facility from \$5,000,000 at 30 June 15 to \$4,750,000 at 31 December 2015.

However, without:

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

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

On this basis and considering the options available to the Group, the directors declared on page 24 that there are reasonable grounds to believe that the Group can pay its debts, as and when they fall due.

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

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

<b>3. PROFIT FOR THE HALF-YEAR</b>	<b>Consolidated</b>	
	<b>6 Months Ending</b>	<b>6 Months Ending</b>
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
Sales Revenue		
Sale of goods	<b>6,831,121</b>	5,806,487
Other Revenue		
Interest income	<b>20,490</b>	1,820
Other revenues	<b>185,179</b>	157,004
<b>Revenue</b>	<b>7,036,790</b>	5,965,311
Other Income		
Foreign exchange gains realised	<b>243,256</b>	391,904
Foreign exchange gains unrealised	<b>378,108</b>	398,893
Grant funding	<b>40,000</b>	283,813
R&D refund	<b>334,908</b>	-
<b>Other Income</b>	<b>996,272</b>	1,074,610



**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

<b>4. PROFIT BEFORE INCOME TAX FOR THE HALF-YEAR INCLUDES THE FOLLOWING SPECIFIC ITEMS</b>	<b>Consolidated</b>	
	<b>6 Months Ending</b>	<b>6 Months Ending</b>
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Administration expenses from ordinary activities</b>		
Salaries and wages	1,658,461	2,678,137
Depreciation property, plant and equipment	209,091	198,576
Operating costs	256,683	356,621
Compliance and finance	237,590	414,622
Other	481,150	476,758
	<b>2,842,975</b>	<b>4,124,714</b>
 <b>Other expenses</b>		
Loss on foreign exchange realised	376,484	200,038
Loss on foreign exchange unrealised	1,680	54,572
Loss/(gain) on financial instruments unrealised	97,051	106,039
(Gain)/loss on derivative financial instruments	-	(69,760)
Provision for employee entitlements	71,197	163,223
Impairment of joint venture loan	49,908	-
Share option expense	28,909	-
Other	-	54,641
	<b>625,229</b>	<b>508,753</b>
 <b>Finance costs</b>		
Interest and finance charges payable	200,681	257,575
	<b>200,681</b>	<b>257,575</b>
 <b>Net loss/(profit) on foreign currency derivatives not qualifying as hedges</b>	<b>97,051</b>	<b>106,039</b>

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**5. EARNINGS PER SHARE**

	<b>31 Dec 2015 Cents</b>	<b>31 Dec 2014 Cents</b>
Basic earnings/(loss) per share	<b>0.12</b>	(2.17)
Diluted earnings/(loss) per share	<b>0.11</b>	N/A
 <b>Earnings reconciliation</b>		
Net profit/ (loss) used for basic earnings	<b>487,891</b>	(6,967,115)
After tax effect of dilutive securities	-	-
Diluted earnings	<b>487,891</b>	(6,967,115)
	<b>No.</b>	No.
Weighted average number of ordinary share outstanding during the half-year used for calculation of basic earnings per share	<b>411,388,700</b>	321,227,669
Adjustments for calculation of diluted earnings per share: Convertible notes	-	20,000,000
Employee Options	<b>34,000,000</b>	-
Weighted average number of potential ordinary shares outstanding during the half-year used for calculation of diluted earnings per share	<b>445,388,700</b>	341,227,669

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted at 31 December 2015 as potential ordinary shares which may have a dilutive effect on the profit of the Group.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>6 Months Ending</b>	12 Months Ending
	<b>31 Dec 2015</b>	30 June 2015
	\$	\$
<b>6. INVENTORIES</b>		
CURRENT		
Pearls	<b>2,015,770</b>	904,501
Jewellery	<b>2,335,954</b>	2,616,673
Jewellery obsolescence provision	<b>(814,504)</b>	(823,434)
Pearl Meat	<b>14,660</b>	3,172
Mother of Pearl	<b>51,021</b>	30,302
Farm Consumables & Fuel	<b>418,818</b>	255,652
Cosmetics	<b>36,413</b>	43,361
	<b>2,042,362</b>	2,125,726
	<b>4,058,132</b>	3,030,227
NON CURRENT		
Nuclei – at cost	<b>167,867</b>	173,510
TOTAL INVENTORY	<b>4,225,999</b>	3,203,737

**7. BIOLOGICAL ASSETS**

	<b>6 Months Ending</b>	12 Months Ending
	<b>31 Dec 2015</b>	30 June 2015
	\$	\$
CURRENT		
Oysters – at fair value	<b>6,174,423</b>	3,565,680
Crops – at fair value	-	-
	<b>6,174,423</b>	3,565,680
NON CURRENT		
Oysters – at fair value	<b>9,330,565</b>	10,988,645
Crops – at fair value	-	-
	<b>9,330,565</b>	10,988,645
Total Biological Assets	<b>15,504,988</b>	14,554,325
	<b>No.</b>	<b>No.</b>
Quantity held within the Group operations:-		
Juvenile and mature oysters which are not seeded	<b>1,226,127</b>	1,872,916
Nucleated oysters	<b>774,573</b>	750,954
	<b>2,000,700</b>	2,623,870

During the six month ended 31 December 2015 no significant events occurred which impacted on oyster mortalities.

ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8. PROPERTY, PLANT AND EQUIPMENT

	Non – Pearling Assets		Pearling Project		Total
	Plant & equipment	Leasehold improvements	Leasehold land & buildings	Plant & equipment, vessels, vehicles	
	\$	\$	\$	\$	\$
<b>At 30 June 2015</b>					
- at cost	2,740,519	1,314,614	1,394,817	5,630,093	11,080,043
- accumulated depreciation	(1,404,238)	(660,424)	(287,195)	(3,460,990)	(5,812,847)
- EOT asset delist on deconsolidation	(752,005)	(41,905)	-	-	(793,910)
	<b>584,276</b>	<b>612,285</b>	<b>1,107,622</b>	<b>2,169,103</b>	<b>4,473,286</b>
<b>Half-year ended 31 December 2015</b>					
Carrying amount at beginning of period	584,276	612,285	1,107,622	2,169,103	4,473,286
Additions	10,467	-	269,674	83,280	363,421
Disposals/ writedowns	-	-	-	-	-
Depreciation	(76,118)	(39,090)	(26,085)	(244,756)	(386,049)
Foreign exchange movement	18	3,168	17,560	36,693	57,439
	<b>518,643</b>	<b>576,363</b>	<b>1,368,771</b>	<b>2,044,320</b>	<b>4,508,097</b>
<b>At 31 December 2015</b>					
-at cost	1,100,760	1,052,044	1,686,068	5,800,140	9,639,012
-accumulated depreciation	(582,117)	(475,681)	(317,297)	(3,755,820)	(5,130,915)
	<b>518,643</b>	<b>576,363</b>	<b>1,368,771</b>	<b>2,044,320</b>	<b>4,508,097</b>

9. BORROWINGS

	31 Dec 2015	30 June 2015
	\$	\$
<b>CURRENT</b>		
<b>Secured</b>		
Bank loan	4,639,571	3,816,805
Other bank loan	179,938	122,204
Lease liabilities	38,633	15,518
Total secured current borrowings	<b>4,858,142</b>	<b>3,954,527</b>
<b>Unsecured</b>		
Other	-	-
Convertible notes	-	-
<b>Total current borrowings</b>	<b>4,858,142</b>	<b>3,954,527</b>
<b>NON CURRENT</b>		
<b>Secured</b>		
Other bank loan	88,918	125,036
Lease liabilities	-	5,172
Total secured non-current borrowings	<b>88,918</b>	<b>130,208</b>
<b>Total non-current borrowings</b>	<b>88,918</b>	<b>130,208</b>

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

**(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 31 December and 30 June 2015 on a recurring basis:

<b>31 December 2015</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-
Forward foreign exchange contracts	-	(82,806)	-	<b>(82,806)</b>
<b>Total Assets (Liabilities)</b>		<b>(82,806)</b>		<b>(82,806)</b>

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**(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 six months to 31 December 2015. There were also no changes made to any of the valuation techniques applied as of 30 June 2015.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS CONT.**

**(c) Fair values of other financial instruments**

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. These had the following fair values as at 31 December 2015:

	<b>31 Dec 2015</b>	<b>31 Dec 2015</b>	<b>30 June 2015</b>	<b>30 June 2015</b>
	\$	\$	\$	\$
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Non-current borrowings</b>				
Bank Loan	88,918	88,918	125,036	125,036
	<u>88,918</u>	<u>88,918</u>	<u>125,036</u>	<u>125,036</u>

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

**11. SEGMENT INFORMATION**

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

- (i) The segment information provided to the board of Directors for the reportable segments for the half-year ended 31 December 2015 is as follows:

<b>31 Dec 2015</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>		
	\$	\$	\$	\$	\$	\$	\$
Total segment revenue	6,326,114	5,059,037	246,514	247,568	-	-	<b>11,879,233</b>
Inter-segment revenue	-	(5,048,112)	-	-	-	-	<b>(5,048,112)</b>
<b>Revenue from external customers</b>	<u>6,326,114</u>	<u>10,925</u>	<u>246,514</u>	<u>247,568</u>	-	-	<u>6,831,121</u>
<b>Normalised EBITDA</b>	<u>125,597</u>	<u>695,973</u>	<u>(127,809)</u>	<u>38,757</u>	-	-	<u>732,518</u>
<b>Adjusted net operating profit/(loss) before income tax</b>	<u>137,793</u>	<u>658,768</u>	<u>(151,349)</u>	<u>30,099</u>	-	-	<u>675,311</u>

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**11. SEGMENT INFORMATION CONT.**

31 Dec 2014	Wholesale Loose Pearl		Jewellery		Essential Oils	All other segments	Total
	Australia \$	Indonesia \$	Australia \$	Indonesia \$	Australia \$	\$	\$
Total segment revenue	4,081,879	5,370,304	366,963	345,337	799,619	-	10,964,102
Inter-segment revenue	-	(5,157,615)	-	-	-	-	(5,157,615)
Revenue from external customers	4,081,879	212,689	366,963	345,337	799,619	-	5,806,487
Normalised EBITDA	(1,683,430)	1,041,301	(331,406)	(616,962)	49,985	-	(1,540,510)
Adjusted net operating profit/(loss) before income tax	(2,042,082)	1,025,479	(357,836)	(639,728)	43,905	-	(1,970,261)
<b>Total segment assets</b>							
<b>31 December 2015</b>	<b>5,052,347</b>	<b>21,232,464</b>	<b>1,371,785</b>	<b>688,762</b>	-	-	<b>28,345,359</b>
30 June 2015	4,672,176	18,945,577	1,541,652	850,314	-	-	26,009,719
<b>Total segment liabilities</b>							
<b>31 December 2015</b>	<b>(799,431)</b>	<b>(1,184,898)</b>	<b>(9,546)</b>	<b>(22,562)</b>	-	-	<b>(2,016,437)</b>
30 June 2015	(685,300)	(968,320)	(23,147)	(8,357)	-	-	(1,685,124)

**(b) Other segment information**

*(i) 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 management team assesses the performance of the operating segments based on a measure of net operating profit. This measurement basis excludes the effects of foreign exchange losses and gains, both realised and unrealised, impairment expenses on financial assets and the effects of fair value adjustments on biological and agricultural assets.

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

ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

11. SEGMENT INFORMATION CONT.

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
<b>Net operating profit / (loss) before tax</b>	<b>675,311</b>	<b>(1,970,261)</b>
Intersegment eliminations	-	-
Change in fair value of biological assets	<b>795,177</b>	<b>(5,770,884)</b>
JV (loss)	<b>(81,120)</b>	<b>(130,530)</b>
Impairment expense	<b>(49,908)</b>	<b>(341)</b>
Foreign exchange losses	<b>(378,164)</b>	<b>197,465</b>
Foreign exchange gains	<b>621,364</b>	<b>232,683</b>
Gains/(loss) on derivative financial instruments	<b>(97,051)</b>	<b>69,760</b>
Change in fair value of pearls	-	<b>(2,548,307)</b>
<b>Profit/(Loss) before income tax from continuing operations</b>	<b>1,485,609</b>	<b>(9,920,415)</b>

The amounts provided to the board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements except for excluding fair value adjustments in relation to biological and agricultural assets. These assets are allocated based on the operations of the segment and the physical location of the asset.

(ii) *Segment assets*

Assets are located based on the operations of the segment and the physical location of the asset.

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

	31 Dec 2015	30 June 2015
	\$	\$
<b>Segment assets</b>	<b>28,345,359</b>	<b>26,009,719</b>
Intersegment eliminations	-	-
Unallocated:		
Joint Venture Loans	<b>1,651,506</b>	<b>1,597,015</b>
Deferred tax assets	<b>3,073,993</b>	<b>3,335,614</b>
Other	<b>8,908</b>	<b>-</b>
<b>Total assets as per the statement of financial position</b>	<b>33,079,766</b>	<b>30,942,348</b>

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$3,329,780 (June 2015: \$2,674,188). The total located in Indonesia is \$13,124,650 (June 2015: \$14,658,559).



**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**11. SEGMENT INFORMATION CONT.**

*(iii) 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>31 Dec 2015</b>	30 June 2015
	\$	\$
<b>Segment liabilities</b>		
Intersegment eliminations	<b>2,016,437</b>	1,685,124
Unallocated:	-	-
Current tax liabilities	<b>235,190</b>	225,529
Borrowings	<b>4,947,060</b>	4,084,734
Deferred tax liabilities	<b>1,158,991</b>	972,780
<b>Total liabilities as per the statement of financial position</b>	<b>8,357,678</b>	6,968,167

**12. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>31 Dec 2015</b>	30 June 2015
	\$	\$
<b>Non - Current Asset held for sale</b>		
Investment in Essential Oils of Tasmania	<b>319,490</b>	292,940
<b>Asset classified as held for sale</b>	<b>319,940</b>	292,940

Essential Oils of Tasmania Pty Ltd was acquired on 15 January 2013. On 20 April 2015 50% of Essentials of Tasmania was sold to Westwood Properties Ltd. At this point, it was no longer consolidated in the Atlas group financials due to the relinquishment of control of the entity. The investment in Essential Oils of Tasmania Pty Ltd was equity accounted for as a joint venture at 30 June 2015.

As of 31 December 2015 this investment is now classified as held for sale. Atlas Pearls and Perfumes Ltd has an investment of \$319,490 (\$292,940 at June 15) and an Intercompany receivable loan of \$1,651,506 (\$1,597,015 at June 15) with Essential Oils of Tasmania Pty Ltd. Atlas Pearls and Perfumes Ltd is currently marketing its remaining 50% share of Essential Oils of Tasmania as for sale. There are a number of interested parties and a sale is expected to be completed.

**13. CONTINGENT LIABILITIES**

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

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**14. CONTRIBUTED EQUITY**

	<b>31 Dec 2015</b>	<b>30 June 2015</b>	<b>31 Dec 2015</b>	<b>30 June 2015</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>\$</b>	<b>\$</b>
Issued and fully paid-up capital	<b>414,682,030</b>	414,327,191	<b>36,474,779</b>	36,465,656
<b>Ordinary Shares</b>				
Balance at beginning of period	<b>414,327,191</b>	319,485,425	<b>36,465,656</b>	32,153,001
Shares issued	<b>354,839</b>	94,841,766	<b>11,000</b>	4,704,603
Share transaction costs	-	-	<b>(1,877)</b>	(391,948)
Balance at end of period	<b>414,682,030</b>	414,327,191	<b>36,474,779</b>	36,465,656
<b>Treasury Shares</b>				
Balance at beginning of period	<b>11,071,409</b>	7,131,027		
Acquisition of shares by Trust under Plan	-	7,000,000		
Shares released	<b>(354,839)</b>	(3,059,618)		
Balance at end of period	<b>10,716,570</b>	11,071,409		

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

**15. POST REPORTING DATE EVENTS**

On the 4<sup>th</sup> January 2016 Pierre Fallourd, CEO, was appointed Managing Director. On the same date Trevor Harris, CFO, was appointed Joint Company Secretary.

**16. SUBSIDIARIES**

There have been no changes to subsidiaries during the reporting period.

**17. INCOME TAX**

During the period the company received assessments in relation to the PT. Cendana Indopearl tax returns in relation to the 2008 and 2012 calendar years. The net result of the assessments, including penalties, was a charge of \$447,903; this has been brought to account in the income tax charge for the half year ending 31 December 2015.

**ATLAS PEARLS AND PERFUMES LTD AND ITS CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 7 to 23:

- (a) comply with Accounting Standard AASB134 "Interim Financial Reporting" and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

In the Directors opinion there are reasonable grounds to believe that Atlas Pearls and Perfumes Ltd will be able to pay its debts as and when they become due and payable.

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



**G Newman**  
**Chairman**

Perth, Western Australia  
26 February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atlas Pearls and Perfumes Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlas Pearls and Perfumes Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Atlas Pearls and Perfumes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Atlas Pearls and Perfumes Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlas Pearls and Perfumes Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

#### Emphasis of Matter

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

BDO (WA) Audit Pty Ltd



Glyn O'Brien

Director

Perth, 26 February 2016