JATCORP LIMITED
Appendix 4E – Preliminary Final Report

under ASX Listing Rule 4.3A

Current reporting period	01 July 2020 to 30 June 2021
Prior corresponding period	01 July 2019 to 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR TO 30 JUNE 2021 $	PERCENTAGE CHANGE %	YEAR TO 30 JUNE 2020 $
Revenue	20,955,975	Down 64.75%	59,452,615
Loss from ordinary activities after tax for the year	(21,065,549)	Down 20.78%	(26,590,036)
Net loss attributable to members	(21,065,549)	Down 20.78%	(26,590,036)
Net loss attributable to members of the Parent entity	(15,331,281)	Down 12.88%	(17,596,981)

EARNINGS PER SHARE

	As at 30 June 2021 Cents	As at 30 June 2020 Cents
Basic Loss per Share	(1.34)	(2.02)
Diluted Loss per Share	(1.33)	(2.02)

FINANCIAL RESULTS

The consolidated loss of the Group for the year after providing for income tax amounted to $21,065,549 (2020: $26,590,036).

- Trading Revenue of $20,955,975 (2020: $59,452,615)
- Cost of Sales of $12,760,255 (2020: $44,883,862)
- Consultancy & Professional fee expenses of $1,118,301 (2020: $636,705)
- Directors fee expenses of $408,000 (2020: $510,000)
- Impairment of intangible of assets of $12,743,781 (2020: $26,134,266)
- Depreciation and amortisation expenses of $3,054,109 (2020: $2,490,306)

NET TANGIBLE ASSETS PER SHARE

	2021 CENTS PER SHARE	2020 CENTS PER SHARE
Net tangible assets backing per share	0.002	(0.009)

Net tangible asset backing per ordinary shares as at 30 June 2021 includes right to use assets and lease liabilities.

DIVIDEND

No dividends were declared or paid by the Parent Entity Jatcorp Limited during the year ended 30 June 2021.

Dividends by subsidiaries

Sunnya Pty Limited paid a dividend of $ 2,040,816, Jatcorp received 51% of that dividend, the remaining 49% was paid to the minority shareholders in Sunnya.

DETAILS OF SUBSIDIARIES

During the financial year, Jatcorp Limited established a wholly owned subsidiary in China, Hangzhou JAT Food Group Co., Ltd (Hangzhou JAT). Established two new subsidiary companies KTPD Holding Pty Ltd (50% interest) and Jat Estates Pty Ltd (85% interest). Refer to Note 24.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

JAT Oppenheimer Pty Ltd Joint venture arrangement was terminated in June 2021. Jatcorp continues to own 50% of the shares in JWR International Limited ("JWR").

DETAILS OF FOREIGN ENTITIES

During the financial year, Jatcorp Limited established a wholly owned subsidiary in China, Hangzhou JAT Food Group Co., Ltd (Hangzhou JAT).

OTHER

This report is based upon consolidated financial statements contained within the 2021 Annual Report, Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current year are contained in the 2021 Annual Report.

AUDIT MODIFIED OPINION, EMPHASIS OF MATTER OR OTHER MATTER

The financial statements have been subject to audit and include an unqualified auditors' report with a material uncertainty relating to going concern.

JAT
REVOLUTIONIZING INNOVATION

ANNUAL REPORT 2021

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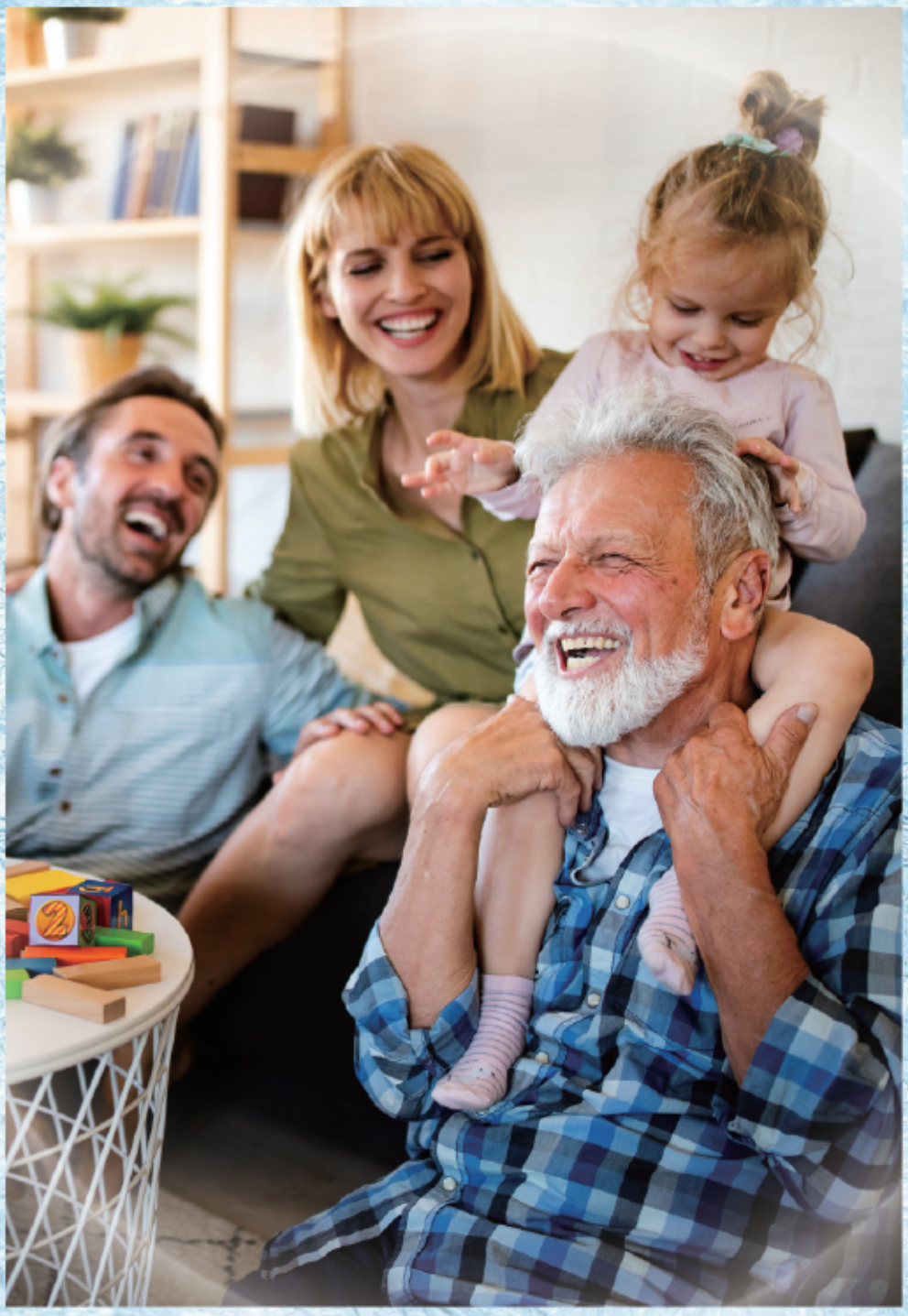

JATCORP LIMITED

ABN 31 122 826 242

Annual Report for the year ended 30 June 2021

CORPORATE DIRECTORY

Directors:	Mr. Wilton Yao *Executive Director* Mr. Brett Crowley *Non-Executive Chairman* Mr. Xin Sun (appointed on 20 August 2020) *Non-Executive Director*
Company Secretary:	Mr. Justyn Stedwell and Mr Brett Crowley
Registered Office:	Suite 306, 521 Toorak Road TOORAK VIC 3142 Phone: +61 488 248 138
Website:	www.jatcorp.com
Share Registry:	Security Transfer Australia Pty Ltd 770 Canning Highway Applecross WA 6153 Phone: 1300 992 916
Auditor:	LNP Audit and Assurance Pty Ltd Level 14, 309 Kent Street SYDNEY NSW 2000
Stock Exchange Listing:	Jatcorp Limited shares are listed on the Australian Securities Exchange (ASX) under JAT.

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Managing Director's Statement

I am pleased to present the 2021 Annual Report for Jatcorp Limited (ASX: JAT). This year has been very difficult for the group and everyone else. Evolving dynamics coupled with rapidly changing environment has created both uncertainty and opportunity. The COVID-19 pandemic, including local lockdowns, border closures, international travel bans and political tension between Australia and China have consequently impacted JAT's operations which includes selling products to local retailers, Daigou stores, pharmacies and the China market. JAT'S resilience was tested as the pandemic continued to disrupt operations throughout the year.

The high logistics costs impacted the Group's profit margins as most packaging materials plus some raw materials were imported from overseas. During the past 12 months the Group's logistics costs soared 110%. The export logistics costs also increased by 10-15% during the past year. This has shrunk our profit margins for the period.

Although our sales encountered many difficulties due to the limitations of external conditions, the Board made timely and astute adaptations towards the Group's development direction, development objectives, product positioning and market layout during this period, and has pivoted to show preliminary results in the near future.

Sunnya Pty Ltd, which operates the Neurio brand, ideally distributes large volumes of lactoferrin products into local Daigou stores and China market. Due to the lockdowns and broad closures, most of the Daigou stores closed, and many Chinese Baby-and Mother stores were also padlocked due to the impact of pandemic. This significantly impacted Sunnya's sales revenue. Furthermore, high logistics costs also affected Sunnya's profit as most of packaging materials were imported from overseas and subsequently finished products of Neurio were exported to China and other countries.

Facing severe market challenges due to COVID-19, Sunnya adjusted its sales strategy from mainly relying on the sales distributors to having its own sales team in China. At present, Sunnya has established a regional sales team in China, which is directly responsible for cooperation with major mother and baby chain groups, such as Kidswant and Babymax. This will cultivate a long-term loyal customer base by effectively availing live broadcasting and community training. At the same time, Sunnya continues to develop new products and provide the latest children's nutrition products to the market to ensure the precedence and market share.

During the past 12 months, JAT has made some significant manoeuvres to align business strategic long-term goals and have a steady development.

-**Target on health and nutritional in-house brand development**. During the period, the most ambitious project conducted by JAT was with The University of Sydney to develop antiviral supplements based on naturally derived food. The project achieved great results as five formulas developed by JAT showed promising results against COVID-19. A further study has been arranged.

During the year, the Board has focused on significant innovative Research & Development programs. JAT successfully developed a milk formula specifically targeted at the diabetic market. The product has been analysed by The University of Sydney and has been granted the "Low GI Symbol Certification" by the Australian Glycemic Index Foundation. Jinvigorate Diabetic Formula has commenced being manufactured by JAT at the ANMA facility in Melbourne and the product is available at local pharmacies in Australia, China and other overseas markets.

-China based business operations. JAT established a wholly owned subsidiary in China, Hangzhou JAT Food Group Co., Ltd (Hangzhou JAT). Hangzhou JAT will drive JAT's business operations in China to the maximum extent possible, such as the plant-based meat production and sales, JAT in-house brands distribution management and further products production and sales.

JAT has appointed a Chinese contract manufacturer to produce JAT's plant-based meats to supply to the China market. The small-scale sample products have been tested by restaurants, western style hotels and some major supermarkets in China and commercial sales expects to start in the December quarter 2021.

Other than plant-based meats, JAT is also in discussions with other Chinese contract manufacturers to produce dairy and other FMCG products for JAT. JAT will continue to expand its China business operations as it is important for the Group to secure the sales revenue, build up the brand reputations, reduce the logistics costs and avoid political uncertainties.

Managing Director's Statement

-ANMA factory. JAT conducted a major upgrading and expansion for the ANMA factory in Melbourne during the 2021 year. The major construction works were carried out in March through to mid-April 2021. JAT has positioned a new management team at ANMA to re-affirm the highest industry standards. ANMA is working towards meeting TGA requirements and will install the necessary TGA required production equipment and TGA qualified laboratory. JAT has engaged a specialist consulting firm which has commenced the preparation of the TGA application, including an inspection of the ANMA factory. JAT anticipates that the ANMA facility will have both Dairy and TGA licenses once these works have been completed.

-Capital structure improvement. The Board continues to improve the Company's capital structure. In June 2021, JAT completed a private placement of shares to raise $6.195 million. These funds were used to repay a loan of $5 million accruing interest at a high rate. The repayment of the debt will significantly reduce the interest costs of the Group. JAT will continue to improve the Company's capital structure driven by the sales profits increasing and necessary fund raising. We thank our investors for continuing to support our visions for expansion.

-Trading on both export and import with online and offline channels. The epidemic has changed the pattern of global supply chain networks. The form of two-way trade and the parallel sales mode of online and offline have become an indispensable way of product sales and trading. JAT signed an agreement to distribute leading Chinese brand BabyCare products in the Australian market. JAT's own online platform is also being considered for the sale of its in-house products. These activities will not only increase the sales but also popularise our in-house brands' visibility which can help generate a broader sales network and increase the reach of our brands.

The Board expects an increase in revenue and profitability for the 2022 year. Our China based operations will significantly help JAT to boost sales in many different ways. China local manufactured products will be more competitive as high international logistics costs, import duties and high labour costs can be avoided.

As announced to the ASX after year end, there are two significant transactions which are expected to boost JAT sales. First, JAT has become an Australian distributor for leading Chinese brand BabyCare. Second, JAT has entered into an agreement which will result in a selection of its dairy products being sold on the JD.COM platform in China. The BabyCare agreement provides a unique opportunity to JAT for bring products from overseas into the local market. The Board believes that it is a good start and there will be more similar business opportunities in the near future.

JAT has successfully expanded its sales networks for distributing in-house brands into local pharmacies, retail stores and others. JAT's major industry award winning products, Jinvigorate Diabetic Formula, Ione Full and Skin Cream Milk Powders and Moroka formulated milk powder with lactoferrin have been widely welcomed by local pharmacies and health stores. The newly developed Jinvigorate Immune Support formula tested by The University of Sydney will be released into the market in early September. New FMCG products with nutritional concept are designed and tested by our R&D team and will be released into the local and overseas markets during the 2022 year.

JAT is expanding its sales networks into other new destinations. Product samples of our in-house brands have been sent to Korea, Japan, US, Germany, Malaysia and Vietnam. JAT expects positive results from these markets in the December 2021 quarter.

JAT's Shanghai Maternity and Infant Boutique opening has been significantly delayed as a result of lockdowns and other regulatory issues in China. JAT was finally advised by Sinopharm that the operation permit has been approved by Chinese authority and the store will be opened in October 2021. The opening of the boutique will see us complete our end-to-end supply chain and delivery network.

The vaccination rollout and lifting of restrictions in the coming months to allow international students and visitors back to Australia and the re-opening of local business and Daigou channels will greatly assist the expansion of JAT's local sales networks, international market, and re-build Daigou sales channel. JAT will continue to distribute its in-house brands and other Australian products through Daigou and online channels to maximize sales and profits.

The ANMA factory is receiving solid orders from new and existing customers. In the event that a TGA licence is granted to ANMA during 2022, the Board expects ANMA will be able to produce more high-quality health and nutritional products.

We thank management and staff for their great efforts in advancing the business through a year which brought unexpected challenges, especially during the local lockdown periods.

Managing Director's Statement

We thank our shareholders and investors for their continued support in capital raising which has given us the opportunity to improve the Company's capital structure. Resilient and committed shareholders who imbibe in JAT's entrepreneurial vision and possess an owner's mindset have gone from strength to strength since inception of our company.

We look forward to coming back stronger in the 2022 year, delivering great value for our shareholders and investors and providing the market with updates on new and existing growth projects.

Wilton Yao
Managing Director

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Jatcorp Limited ("Jatcorp", "JAT" or "Company") and its controlled entities during the year ended 30 June 2021.

Directors

The following were Directors of Jatcorp Limited during the whole of the financial year and up to the date of this report.

- Wilton Yao — Executive Director
- Brett Crowley — Non-Executive Chairman
- Xipeng Li — Non-Executive Director (resigned on 20 August 2020)
- Xin Sun — Non-Executive Director (appointed on 20 August 2020)

Principal activity

JAT, at the forefront of innovative technology servicing the world's largest retail markets. With a track record of successful product development and distinguished technology, Jatcorp is a leading producer of dairy products, plant-based meats, clinical skin care and other retail lines. This activity encompasses:

- Innovating, new product development and manufacture of range of consumer products. JAT specialises in cow, goat and camel milk powder-based formulations for infants through to seniors. Many of our formulations contain lactoferrin- highly effective in strengthening the immune system and enhancing intestinal health, as well as providing a range of other health benefits; pre-and probiotics; vitamins and other ingredients to promote good health.
- Associated brand development, marketing and promotion; and the sale of client and in-house products, primarily in Australia and China via a multichannel strategy including traditional retail, and e-commerce platforms.

There have been no changes in the principal activity during the year.

Operations and financial review

The revenue of the Group has decreased during the current period to $20.95 million (2020: $59.45 million). Decreased revenue was caused by COVID-19 lockdowns, closed Daigou stores, border closures, international travel ban and political tension between Australia and China.

Unexpected high logistics costs reduced the Group's profit margins as most packaging materials and some raw materials were imported from overseas. During the past 12 months the Group's logistics costs increased by more than 110%. The export logistics costs also increased by 10-15% during the past year.

The Group's trading activities resulted in gross profit of $8.19 million for the year ended 30 June 2021 (2020: $14.56 million). Despite the reductions in sales, negative cash outflow from operating activities was $1.84 million.

JAT Strategy

Throughout the year, JAT continued with its strategy of:

- establishing its China-located business;
- developing its own proprietary products;
- expanding its ANMA manufacturing facility;
- reducing risk by manufacturing products outside Australia; and
- expanding sales destinations so as not to be wholly reliant on the China market.

Directors' Report

Operations and financial review (continued)

China-located business

The following is a summary of the status of JAT's China business development:

- Establishment of wholly owned subsidiary: JAT established a wholly owned subsidiary in China, Hangzhou JAT Food Group Co., Ltd (Hangzhou JAT). Hangzhou JAT will conduct JAT's business operations in China to the maximum extent possible, such as the plant-based meat production and sales.
- Plant-based meats (PBM) business: JAT has entered into an agreement with Aofu Trading Co., Ltd to produce PBM products in China. The agreement allows JAT's PBM's to be produced in its key market of China rather than exporting from Australia. Manufacturing in China reduces the political and business risk of clearing Australian-made goods through the Chinese border. JAT's products have been very successfully received by major Chinese vegetarian restaurants, Western-style hotels and food retailers. It is expected that the commercial sale of PBM products will be ready for the Chinese markets in the December quarter.
- Shanghai retail store: the fit out of JAT's Shanghai retail store is complete and is expected to open in October. The opening of the store has been significantly delayed as a result of lockdowns and other regulatory issues in China.
- Online China sales platform: The establishment of the Shanghai store will assist in driving consumers to JAT's online China sales platform to be established and operated by JAT's Chinese subsidiary, Hangzhou JAT.
- Suning Group: JAT has entered into a distribution agreement with the Suning Group where Suning will JAT's in-house brands in mainland China on a non-exclusive basis.

R&D and new products

Significant R&D programs have resulted in the development of new products. A major program undertaken with The University of Sydney established that five formulas developed by JAT showed promising antiviral results against viruses including the virus causing COVID-19. Further research is currently being undertaken.

The results of the study were obtained based on independent tests directed by the Centre for Advanced Food Engineering, The University of Sydney, as part of the collaborative research project with Jatcorp.

The tested Jatcorp formulas demonstrated the ability to prevent cell death from SARS-CoV- 2 infection. All five mixtures demonstrated strong antiviral activity at a concentration of 0.4-1.0 mg/ml. The concentrations required to prevent 50% of cell death. All formulas showed minimal cytotoxicity at 1mg/ml and there was evidence for promotion of cell growth. Four formulas (Formulas 1-4) also demonstrated negligible cytotoxicity at the highest tested concentration, 4mg/ml.

As a sequel to the successful result, JAT has proactively launched Jinvigorate Platinum (FSANZ) and Moroka (GB Standard) in the respective markets this month.

ANMA

Very significant upgrades of the ANMA facility have been completed so that it can meet the expected demand for JAT's new antiviral formulas and probiotics range of products. The facility is also seeking TGA registration to be able to produce pharmaceutical products. TGA licensing will open an array of opportunities for ANMA. A strong order book is building at ANMA as well as enquiries from potential new customers. Plans are underway to acquire new equipment to meet the demand and for the production of new products.

Cosmetics

JAT's Hong Kong based JV developed its first cosmetic product, Poupin Silky Brighten Revitalizing Serum. The product has been approved by the relevant Chinese regulatory authority for sale in China through off the line channels.

Australian sales

Development of the Australian market commenced during the year. A number of JAT products are now being sold through local pharmacies and retail stores.

Directors' Report

Operations and financial review (continued)

Debt repayment

In June 2021, JAT completed a private placement of shares to raise $6.195 million. These funds were used to repay a loan of $5 million which was accruing interest at a commercially high rate. The repayment of the debt will significantly reduce the interest costs of the Group.

Green Forest

The legal proceedings commenced in October 2019 against Green Forest International Pty Ltd (GFI), a subsidiary of Jatcorp Limited, are continuing. GFI is defending these proceedings and has filed a cross-claim against the applicant. The Board believes that GFI will be successful in these proceedings.

Outlook

As a result of the above initiatives, the Board expects an increase in revenue and profitability for the 2022 year. As announced to the ASX after year end, there are two significant transactions which are expected to boost JAT sales. First, JAT has become the exclusive Australian distributor for leading Chinese brand BabyCare. Second, JAT has entered into an agreement which will result in a selection of its dairy products being sold on the JD.COM platform in China. Furthermore, JAT has successfully expanded sales networks for distributing in-house brands into local pharmacies, retail stores and others.

Dividends paid or recommended

No dividends were paid or declared by the parent company, Jatcorp Ltd, since the start of the period. No recommendation for payment of dividends has been made (2020: nil).

During the year, Sunnya Pty Limited paid a fully franked dividend of $2,040,816. As 51% shareholder of Sunnya, JAT received $1,040,816 of that dividend.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the group during the financial year other than noted in this annual report.

Matters subsequent to the end of the financial year

Capital raising

On 6 July 2021, the following securities were issued in accordance with the approval of shareholders at the meeting held on 7 June 2021:

- 10 million ordinary shares at $0.02 per share and 5 million options with an exercise price of $0.02 and an expiry date of 29 January 2023.
- 10 million options at an exercise price of $0.06 and an expiry date of 29 January 2023 to Everblu Capital Pty Limited ('Everblu') as a fee for managing the share placement on 22 January 2021.

As announced on 30 July 2021, the Company completed a private placement to raise $2.961 million through the issue of 155,833,324 fully paid ordinary JAT shares to sophisticated and professional investors at an issue price of A$0.019 per share. The investors will receive one free attaching option for every two placement shares subscribed, with a strike price of $0.05 and an expiry date of 29 July 2023. Everblu acted as lead manager to the Placement. Everblu will be paid a lead manager fee of 6% of funds raised and, subject to shareholder approval, 35 million options to subscribe for JAT shares at an exercise price of $0.05 per share and an expiry date of 29 July 2023.

Other than the above, no other matters have arisen since 30 June 2021 that have significantly affected the Group's operations.

Directors' Report

Operations and financial review (continued)

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this Operations and Financial Review.

Environmental regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

Information on directors and company secretaries

Wilton Yao

MANAGING DIRECTOR – Appointed in November 2018

Wilton Yao has many years of experience in investment and business management. He used to be a member of the board of directors of several Australian listed companies and has close ties with overseas, especially Asian investors. He has participated in the financing, investment and daily management of Australian listed companies. He has extensive experience in the operation and management of health food and dairy industries, as well as successful experience in business strategy development planning, new product development and brand building.

Brett Crowley

NON-EXECUTIVE CHAIRMAN – Appointed on 23 August 2018,
COMPANY SECRETARY – Appointed 11 December 2017

Mr Crowley is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. He established and managed a joint venture company in China. Mr Crowley is an experienced chairman, finance director and company secretary of ASX-listed companies, and is a former Senior Legal Member of the NSW Civil and Administrative Tribunal.

Other current directorships in listed entities of which Mr Crowley hold are Non-Executive Director of both Uscom Limited (UCM) and Credit Intelligence Limited (CI1).

Xipeng Li

NON-EXECUTIVE DIRECTOR – Appointed on 15 April 2011 and resigned on 20 August 2020

Xipeng Li is an experienced executive and has served as a Director and Chief Executive Officer of Pinglin Expressway Limited. He has also served as Chairman of Pinglin Expressway Limited since May 2003. Prior to that, Mr Li served as Chairman of HSV, China since May 2001 and as Chairman of Henan Shengrun Real Estate Co Ltd, China, since May 2000. Mr Li graduated from Zhongnan University of Economics and Law and he earned his EMBA at Cheung Kong Graduate School of Business.

Xin Sun

NON-EXECUTIVE DIRECTOR – Appointed on 20 August 2020

Mr Sun is currently Managing Director of Guangdong RYS Investment Ltd, a midmarket private equity buyout firm with a focus on mainland China. RYS is based in Shenzhen, China, and currently employs a team of 20 professionals. Prior to commencing with RYS, Mr Sun worked for a number of securities firms including CDB Securities Ltd, a company within the China Development Bank group. Mr Sun is well experienced in Chinese securities and business regulation as well as the development and execution of strategic transactions in China and the Asia-Pacific. Mr Sun is a sponsor of the China Securities Regulatory Commission.

Directors' Report

Information on directors and company secretaries (continued)

Justyn Stedwell

COMPANY SECRETARY – Appointed on 8 January 2019

Justyn is a professional company secretary consultant, with over 12 years' experience as a company secretary of ASX-listed companies in various industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications. Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. He is currently company secretary at several ASX-listed companies.

Board meetings

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2021 and the numbers of meetings attended by each Director were:

	A	B
Wilton Yao	7	7
Brett Crowley	7	7
Xin Sun	4	6
Xipeng Li	1	2

A Number of meetings attended
B Number of meetings held during the time the Director held office

Corporate Governance

The Board of Directors of Jatcorp is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Jatcorp on behalf of the shareholders by whom they are elected and to whom they are accountable.

Jatcorp's corporate governance practices were in place for the year and were compliant with the ASX Governing council's best practice recommendations. In compliance with the "If not why not" reporting regime, where the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the company has adopted instead of those in the recommendation.

Information on corporate governance is listed on JAT website (www.jatcorp.com) and further information can be requested from the Company's corporate office – Suite 306, 521 Toorak Road, TOORAK VIC 3142.

Risk management

The Group takes a proactive approach to risk management. Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board on the Group's key risks and the extent to which it believes these risks are being managed. This is performed informally on a six-monthly basis or more frequently as required by the Board.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control.

Directors' Report

Risk management (continued)

The Group has developed a series of risks which the Group believes to be inherent in the business and industry in which the Group operates.

These include:

- operating risk;
- environmental risk;
- branding and reputation risk;
- legal, compliance and regulatory risk;
- competitor and market risk;
- intellectual property risk;
- occupational health and safety risk; and
- financing and adequacy of capital risk.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which we operate. This is not necessarily an exhaustive list.

The Board receives regular reports on addressing and management of the key risks associated with the Group's business. The Board has the right to appoint external professional advisers to carryout investigations into control mechanisms and report their findings and recommendations in relation to control improvements, processes and procedures to the Board.

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for Financial Year 2021. The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration;
B. Details of remuneration;
C. Service agreements;
D. Share-based compensation; and
E. Other Information.

These disclosures have been audited, as required by section 308(3C) of the Corporations Act 2001.

Role of the remuneration committee

Currently the role of the Remuneration Committee is undertaken by the Board given the number of directors and the nature and size of the Company. Its role is to make recommendations on:

- non-executive director fees;
- executive remuneration (directors and other executives including key management personnel); and
- the over-arching executive remuneration framework and incentive plan policies.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the remuneration committee seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of this committee.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its Directors, Executives and other key management personnel.

To prosper, the Group must attract, motivate and retain highly skilled Directors, Executives and other key management personnel. To this end, the Group embodies the following principles in its remuneration framework:

Directors' Report

Remuneration Report (continued)

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- ensure that a significant portion of executive remuneration is 'at risk', and therefore dependent on meeting pre-determined performance benchmarks; and
- establish appropriate performance hurdles in relation to variable executive remuneration.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of Directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Currently the Board has determined that Directors and senior managers will be remunerated at fixed rates per month to enable the Group to have control of its costs and cash flows.

Directors will reintroduce remuneration policies which place a significant portion of executive remuneration 'at risk'.

Remuneration structure

In accordance with the corporate governance principles and recommendations, the structure of Non-Executive Director and Executive and key management personnel remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

The constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders held on 17 November 2020 this maximum amount was set at $350,000 per annum. The Group had two Non-Executive Directors during the year. Mr Xipeng Li (resigned in August 2020) received $Nil in remuneration (2020: $Nil), Mr Xinsun (appointed in August 2020) received $ Nil in remuneration and Brett Crowley received $84,000 in 2021 financial year (2020: $110,000).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to Directors are reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Executive and Key Management Personnel remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is to establish employment or consulting contracts with the chairman, managing director and other senior executives. At the time of this report there is a consulting agreement with Wilton Yao.

Directors' Report

Remuneration Report (continued)

Remuneration consists of fixed remuneration under a consultancy agreement and long-term equity-based incentives that are subject to satisfaction of performance conditions. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

Remuneration Policy and Performance

KPIs are set annually, with a certain level of consultation with Key Management Personnel. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures and/or operational targets for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, and bonuses may be awarded from time to time depending on the number and deemed difficulty of the KPIs achieved and overall Group performance. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPIs are set for the following year.

Voting and comments made at the Company's last Annual General Meeting

The Remuneration Report was passed unanimously on a show of hands at the 2021. Annual General Meeting. The Company did not receive any feedback on the Report during this meeting.

Relationship between remuneration policy and Group performance

Information is provided below in relation to revenue, profitability and share price for the past 5 years. The Company does not currently have any full-time executives, other than Key Management Personnel and therefore there is no comparative remuneration information and how it relates to the performance of the company. The Managing Director's contract is a fixed fee per month and does provide for any incentive performance payments which can be in the form of capital raising and/or to assist in bringing in a Daigou store or business into Jatcorp.

	2021	2020	2019	2018	2017
	$	$	$	$	$
Revenue	20,955,975	59,452,615	66,444,062	2,316,868	9,826,738
EBITDA	(1,661,158)	7,081,117	5,279,658	(1,268,258)	(402,366)
Loss After Income Tax	(21,065,549)	(26,590,036)	(20,492,541)	(1,268,891)	(406,025)
Share Price	0.022	0.040	0.047	0.06	0.014

The Company is currently reviewing its remuneration policies as indicated above.

Incentive performance payments related to capital raising for the current financial year.

Directors' Report

Remuneration Report (continued)

B – Details of remuneration

The remuneration of the Directors and other key management personnel of Jatcorp are set out below. Key management personnel for the year ended 30 June 2021 include Wilton Yao, Brett Crowley and Jennifer Liu. Mr Yao has contracts currently in place with the Group.

Name	Cash salary and fees	Total	Performance related
2021	**$**	**$**	**%**
Non-executive directors			
Xin Sun	-	-	
Brett Crowley	84,000	84,000	
Total non-executive directors	**84,000**	**84,000**	
Executive directors			
Wilton Yao	324,000	324,000	
Total executive directors	**324,000**	**324,000**	
Other key management personnel			
Jennifer Liu (appointed in October 2020)	154,212	154,212	
Total other key management personnel	**154,212**	**154,212**	
Total	**562,212**	**562,212**	

Name	Cash salary and fees	Total	Performance related
2020	**$**	**$**	**%**
Non-executive directors			
Xipeng Li			
Brett Crowley	110,000	110,000	45%
Total non-executive directors	**110,000**	**110,000**	
Executive directors			
Wilton Yao	400,000	400,000	25%
Total executive directors	**400,000**	**400,000**	
Other key management personnel			
Parag Khandekar (resigned on 11 August 2020)	260,788	260,788	
Total other key management personnel	**260,788**	**260,788**	
Total	**770,788**	**770,788**	

Directors' Report

Remuneration Report (continued)

C. Service Agreements

The following executives are employed under consulting contracts. The major provisions of the agreements are as follows.

Name	Terms of agreement	Notice period
Wilton Yao	Contract dated 1 July 2020 for $27,000/month (ex GST) from 1 July 2020 for 12 months ending 30th June 2021. The total amount payable under the contract was $324,000 (ex GST).	Consultant to provide minimum 7 days written notice to the company.

D. Shareholding of Key Management Personnel and Directors

Details of ordinary shares held by key management personnel and directors are shown below.

	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors and key management personnel	**No.**	**No.**	**No.**
2021			
Xin Sun	-	-	-
Wilton Yao	21,811,111	-	21,811,111
Brett Crowley	1,334,533	-	1,334,533
Xipeng Li (resigned on 20 August 2020)	80,077,888	(80,077,888)	-
Parag Khandekar (resigned on 11 August 2020)	166,667	-	166,667
2020			
Xipeng Li (resigned on 20 August 2020)	80,077,888	-	80,077,888
Wilton Yao	19,811,111	2,000,000	21,811,111
Brett Crowley	1,112,111	222,422	1,334,533
Parag Khandekar (resigned on11 August 2020)	-	166,667	166,667

Director and executive options

No options were granted as remuneration in the financial year ended 30 June 2021, or the year ended 30 June 2020.

There were no options held by key management personnel in 2021 (2020: nil).

E. Other Information

There were no loans to Directors or executives during or since the end of the year or during the prior year.

END OF REMUNERATION REPORT

Directors' Report

Insurance and Indemnification of officers and auditors

During the financial year, the Company paid premiums to insure the Directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity of officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company.

The Company entered into Deeds of Indemnity, Insurance and Access with each of the Directors and the Company Secretary. Each deed provides officers with the following:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the Corporations Act an indemnity in respect of liability to persons other than the Company and its related companies that they may incur while acting in their capacity as an officer of the Company or a related company, except where that liability involves a lack of good faith and for defending certain legal proceedings; and
- the requirement that the Company maintain appropriate Directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of this report. No insurance or indemnification has been given to the auditors.

Options on issue

There were 74,408,886 options with exercise price of $0.06 per option issued on 22 June 2021. There remain 78,408,886 unexercised options as at 30 June 2021. No amounts are unpaid on any of the shares.

Proceedings on behalf of the Company

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

There are no other proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Company are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services are detailed in Note 20, no non-audit services were provided by the auditors in the year or the prior year.

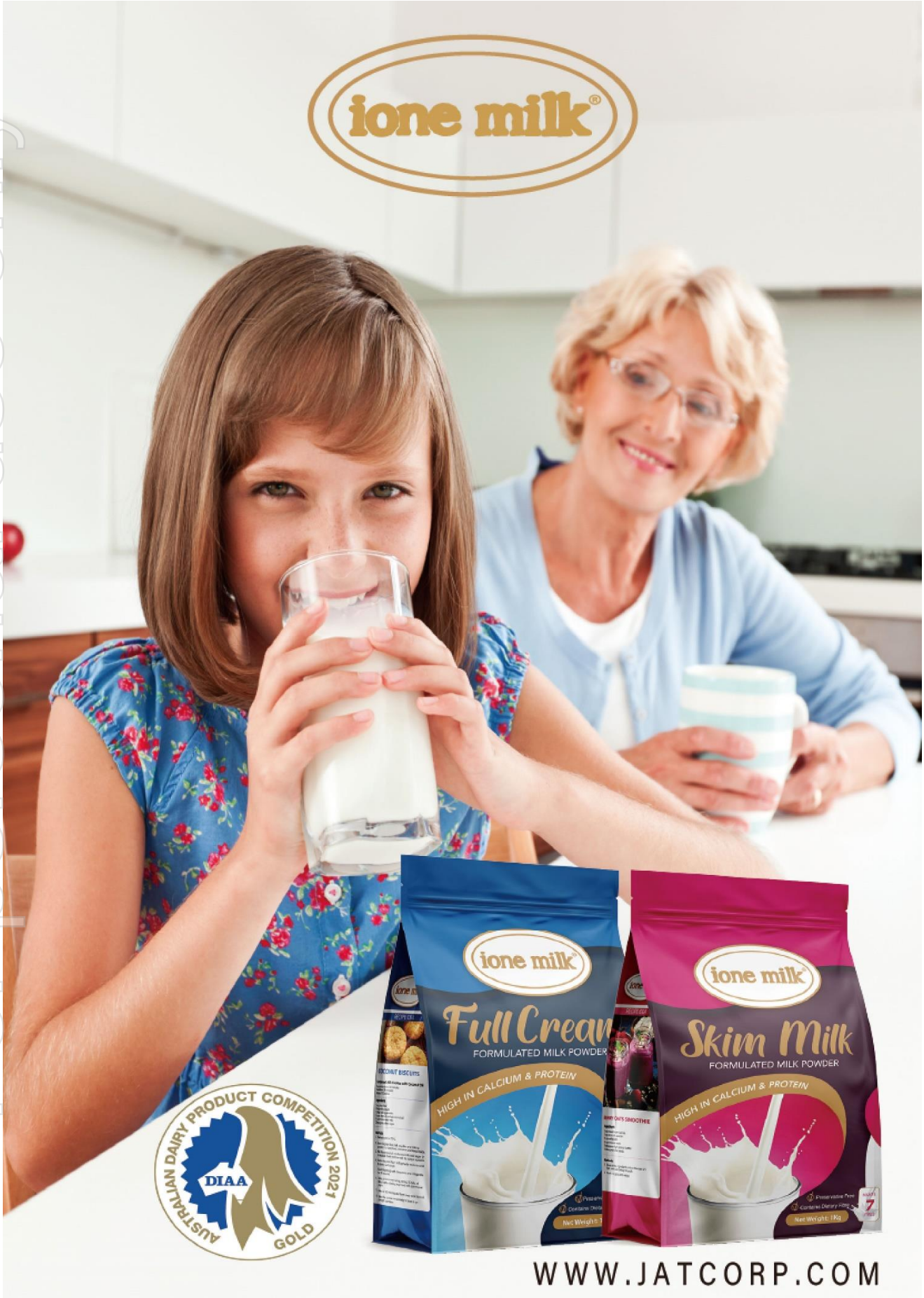
The Board has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit service is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

This report is made in accordance with a resolution of the Board of Directors:

Managing Director
Wilton Yao
Dated this 31 day of August 2021



LNP Audit + Assurance

ABN 65 155 188 837

L14 309 Kent Street Sydney NSW 2000
+61 2 9290 8515

L24 570 Bourke Street Melbourne VIC 3000
+61 3 8658 5928

L14 167 Eagle Street Brisbane QLD 4000
+61 7 3607 6379

www.lnpaudit.com

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF JATCORP LIMITED

As lead auditor of Jatcorp Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in 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.

LNP Audit and Assurance Pty Ltd

Anthony Rose, Director

Sydney, 31 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Revenue	4	**20,955,975**	59,452,615
Cost of Sales		**(12,760,255)**	(44,883,862)
Gross Profit		**8,195,720**	14,568,753
Other Income	4	**1,121,287**	880,768
Advertising & Marketing		**(3,216,732)**	(1,026,351)
Consultancy & Professional Fees		**(1,118,301)**	(636,705)
Employee Benefits		**(2,433,026)**	(2,400,400)
Directors' Fees		**(408,000)**	(510,000)
Administration Expenses		**(620,176)**	(1,716,945)
Other Expenses		**(1,913,597)**	(1,646,336)
Finance Costs	5	**(2,911,738)**	(2,115,414)
Share Based Payments	7	**(1,268,333)**	(431,667)
Depreciation & Amortisation		**(3,054,109)**	(2,490,306)
Impairment Loss		**(12,743,781)**	(26,134,266)
Loss Before Income Tax		**(20,370,786)**	(23,658,869)
Income Tax Expense	6	**(694,763)**	(2,931,167)
Total Comprehensive Loss for the year		**(21,065,549)**	(26,590,036)
Loss attributable to:			
- Members of parent entity		**(15,331,281)**	(17,596,981)
- Non-controlling interest		**(5,734,268)**	(8,993,055)
		(21,065,549)	(26,590,036)
Loss per share for loss attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic loss per share	27	(1.34)	(2.02)
Diluted loss per share	27	(1.33)	(2.02)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
CURRENT ASSETS			
Cash & Cash Equivalents		**6,414,713**	11,419,725
Trade and Other Receivables	8	**1,890,546**	6,482,872
Inventory	10	**3,654,822**	4,596,492
Financial Assets		**-**	129,167
TOTAL CURRENT ASSETS		**11,960,081**	22,628,256
NON-CURRENT ASSETS			
Property, Plant and Equipment	11	**5,221,040**	3,550,139
Trade and Other Receivables	8	**84,629**	-
Right of Use Asset	9	**4,078,384**	5,049,165
Investment in Joint Ventures		**365,266**	523,247
Intangible Assets	12	**6,809,642**	26,542,383
TOTAL NON-CURRENT ASSETS		**16,558,961**	35,664,934
TOTAL ASSETS		**28,519,042**	58,293,190
CURRENT LIABILITIES			
Trade and Other Payable	13	**4,267,018**	7,413,007
Borrowings	14	**6,902,080**	12,592,508
Lease Liabilities		**423,364**	441,817
Tax Liabilities		**591,915**	2,182,761
Provision for Employee Benefits		**228,191**	168,526
Other Liabilities		**600,000**	-
TOTAL CURRENT LIABILITIES		**13,012,568**	22,798,619
NON-CURRENT LIABILITIES			
Borrowings	14	**1,097,267**	7,467,033
Lease Liabilities		**4,029,188**	4,883,789
Deferred Tax Liabilities	16	**458,100**	5,117,460
TOTAL NON-CURRENT LIABILITIES		**5,584,555**	17,468,282
TOTAL LIABILITIES		**18,597,123**	40,266,901
NET ASSETS		**9,921,919**	18,026,289
EQUITY			
Contributed Equity	17	**77,859,269**	63,977,915
Unissued Shares		**-**	320,175
Share Option reserve		**400,000**	-
Accumulated Losses		**(73,195,855)**	(57,864,574)
Total Parent Equity		**5,063,414**	6,433,516
Non-controlling Interests		**4,858,505**	11,592,773
TOTAL EQUITY		**9,921,919**	18,026,289

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Contributed Equity	Non-Controlling Interest	Accumulated losses	Share Options Reserve	Unissued Shares	Collateral Share Reserve	Total Equity
	$	$	$	$	$	$	$
Balance at 1 July 2019	57,556,005	14,853,025	(40,267,593)	-	-	-	32,141,437
Loss for the year	-	(8,993,055)	(17,596,981)	-	-	-	(26,590,036)
Dividend declared by Subsidiaries	-	(1,208,660)	-	-	-	-	(1,208,660)
Shares issued during the year net of cost	6,421,910	-	-	-	-	-	6,421,910
Recognition of Non-controlling Interests	-	6,941,463	-	-	-	-	6,941,463
Unissued Shares	-	-	-	-	320,175	-	320,175
Balance at 30 June 2020	**63,977,915**	**11,592,773**	**(57,864,574)**	**-**	**320,175**	**-**	**18,026,289**
Balance at 1 July 2020	63,977,915	11,592,773	(57,864,574)	-	320,175	-	18,026,289
Loss for the year	-	(5,734,268)	(15,331,281)	-	-	-	(21,065,549)
Dividend declared by Subsidiaries	-	(1,000,000)	-	-	-	-	(1,000,000)
Collateral share issued during the year	-	-	-	-	-	1,813,000	1,813,000
Shares issued during the year net of cost	13,881,354	-	-	-	-	(721,815)	13,159,539
Share Options	-	-	-	400,000	-	-	400,000
Derecognition of unissued Shares	-	-	-	-	(320,175)	-	(320,175)
Cancellation of Collateral Shares	-	-	-	-	-	(1,091,185)	(1,091,185)
Balance at 30 June 2021	**77,859,269**	**4,858,505**	**(73,195,855)**	**400,000**	**-**	**-**	**9,921,919**

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

Consolidated Statement of Cashflows

For the year ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**26,070,967**	56,135,155
Payments to suppliers and employees		**(24,447,281)**	(51,178,724)
Interest received		**4,000**	283,848
Finance costs paid		**(1,844,019)**	(2,115,414)
Income taxes paid		**(2,285,609)**	(1,667,790)
Government grants and tax incentives		**661,133**	-
Net cash inflow/(outflow) in operating activities	26	**(1,840,809)**	1,457,075
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(1,821,289)**	(2,962,890)
Payments for the acquisition of controlled entities		**(700,574)**	(7,000,000)
Payments for investment in joint ventures		**-**	(523,247)
Earnout payment			(2,600,000)
Net cash outflow in investing activities		**(2,521,863)**	(13,086,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**8,852,885**	754,137
Net proceeds from / (repayment of) borrowings		**(8,019,619)**	16,319,197
Right of use asset payment		**(475,606)**	(660,558)
Dividends declared by subsidiaries		**(1,000,000)**	(1,208,660)
Net cash inflow/(outflow) in finance activities		**(642,340)**	15,204,116
Net increase/(decrease) in cash and cash equivalents		**(5,005,012)**	3,575,054
Cash and cash equivalents at the beginning of the year		**11,419,725**	7,844,671
Cash and cash equivalents at the end of the year		**6,414,713**	11,419,725

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

Notes to Financial Statements

For the year ended 30 June 2021

Corporate Information

Jatcorp Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 306, 521 Toorak Road, Toorak VIC 3142.

This financial report covers the consolidated entities consisting of Jatcorp Limited and its controlled entities (the Group).

General Information and Statement of compliance

These general-purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial report has been prepared on an accrual basis.

The financial report is presented in Australian currency. The financial report was authorised for issue by the Directors on 31 August 2021. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.jatcorp.com.

1. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent company ('Jatcorp') and all of the subsidiaries. The parent company controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 24.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and comprehensive income.

(b) Comparatives

Comparatives are consistent with previous year, unless otherwise stated.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates**.**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows: Identifying the contract with a customer; Identifying the performance obligations; Determining the transaction price; Allocating the transaction price to the performance obligations; and Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers

Revenue from sales is recognised when control of the goods has transferred, being the point in time when the goods have been shipped to the customer. Revenue is only recognised where it is highly probable that a significant reversal of revenue will not occur and control gets completely passed on to the wholesaler or to the ultimate customers.

The Group's sales are accompanied by an obligation that the Group will provide a refund where the goods are deemed to be faulty. This obligation is accounted for in accordance with the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets however based on history, the level of refunds for faulty products has been minimal and therefore there is no provision at 30 June 2021. The general credit terms vary between 30 days to 120 days from the date of despatch of goods and hence there is no financing element to the Group's sales.

On delivery of the goods to the wholesaler (i.e. when they are shipped and received by wholesaler) the Group recognises a receivable as this represents the point in time at which the Group's right to consideration becomes unconditional as an invoice is issued immediately post shipment.

The Group recognises revenue from the following major sources:

- sale of formulated milk powder with lactoferrin to wholesale and retail customers;
- sale of vitamins, cosmetic products, dairy products and other health-related consumer goods to wholesale and retail customers; and
- Manufacturing OEM products.

Costs to obtain a contract

Costs incurred that would have been incurred regardless of whether the contract was won are expensed, unless those costs are explicitly chargeable to the customer in any case (whether or not the contract is won).

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year taxable income based on the tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(f) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries (note 12) is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Tradename and customer relationships

Separately acquired tradename and customer relationships are shown at historical cost. Tradename and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Tradename has an estimated useful life of ten years and customer relationships has an estimated useful life of five years.

(iii) Import Licence

Import Licence has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Import Licence has an estimated useful life of eight years. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if accordingly.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(g) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Example of such benefits include wages and salaries. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

(i) Cash and Cash equivalents

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

(j) Leases

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the relevant commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the relevant lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the relevant lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the relevant lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the relevant commencement date), and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group applies the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated lease components as a single lease component.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(j) Leases (continued)

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the relevant lease commencement date if the interest rate implicit in the lease is not readily determinable. After the relevant commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgements

The Group has made the following significant judgements with respect to its leases as lessee:

i. Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under the office premise leases, the Group is able to continually exercise the option to extend the term of the lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy). The Group has included reasonably certain renewal options as part of the lease term for three of its facility premises leases for a further five years.

i. Determining the incremental borrowing rate

The Group has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities or right-of-use assets recognised. The Group reassesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date based on the term of the lease (or the remaining term of the lease at the initial date of application).

(k) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised costs or fair value, depending on the classification of the financial assets.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Classification

On initial recognition, the Group classified its financial assets at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Assets measured at amortised cost are financial assets where the business model is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, forging exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "interest paid". Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include trade and other payables, borrowings and finance lease liabilities, which are measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method or cost.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(k) Financial Instruments (continued)

Impairment of Financial Assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost. When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.
Impairment of trade and other receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight -line or diminishing value basis over their useful lives (commencing from the time the asset is ready for use). The following useful lives are used in the calculation of depreciation:

Class of Fixed Assets	Depreciation Rate (Years)
Buildings	40
Plant and Equipment	5-25
Motor Vehicles	5

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The assets' residual values and useful lives are reviewed, and adjusted if appreciate, at each balance sheet date.

Notes to Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

(n) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of 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 Group's functional and presentation currency.

(ii) Transactions and balances

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

(o) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

(p) Share-Based payment arrangements

Equity-settled share-based payment transactions with parties are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders services.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. When any entity within the Group purchases the Company's ordinary shares, the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

(r) Earnings per shares

The calculation of basic EPS has been based on the profit/loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding (see note 27 for details).

(s) New and Amended Accounting Standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standard and interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current period. Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

Notes to Financial Statements

For the year ended 30 June 2021

2. Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates estimates and judgements incorporated into the financial statements 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.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

A. Carrying amount of Intangible Assets (refer note 12)

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least at each reporting date. This requires an estimation of the recoverable amount of the cash-generating units (CGU) to which goodwill has been allocated, using value-in-use discounted cash flow methodology. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash -generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Green Forest International Pty Ltd – Customer relationship

During the financial year, Management continued to see decline in Green Forest sales due to closure of Daigou stores, constant lockdowns within Australia and no international tourists or students due to international boarders' closures. Management has re-assessed the carrying value of customer relationships based on existing customers, sales to date and present value estimates of future sales. After taking a prudent approach based on recent information, the Board of Directors has made decision to fully impair the carrying amount of $802,685.

Sunnya Pty Ltd

In October 2018, Jatcorp Limited acquired 51% of Sunnya Pty Ltd ('Sunnya'), goodwill of $11,902,162 was recognised in prior year. Management has critically assessed its "value in use" discounted cash flow models to assess the recoverable amount of goodwill based on both local and global economic situations.

During the year, Sunnya's sales have decreased by 45% compared to prior year. This is due to Chinese government restrictions on distribution channels and COVID-19 impact within Australia and China. Uncertainty and volatility caused by the prolonged impact of COVID-19 and a rapidly changing China market. Management has stress tested its discounted cashflow model by assuming that the future revenue for 2022FY will reduce by 10% compared to the current 2021FY sales. Management's assumption also include that there may be further restrictions from China and that international borders may open in late 2022. The Board has taken a prudent approach and made the decision to partially impair 50% of the goodwill balance of $5,951,081. As at 30 June 2021, the carrying value of goodwill amounted to $5,951,081.

Customer relationships of $930,000 and tradenames of $597,000 were recognised as a result of the acquisition in a prior year. Management has re-assessed the useful life of customer relationships based on existing customers and sales to date and present value estimates of future sales and considers 5 years as reasonable estimated useful life for customer relationships and 10 years as reasonable estimated useful life for tradenames. As at 30 June 2021, the carrying value of customer relationships amounted to $423,978 and tradenames amounted to $434,583.

Australian Natural Milk Association Pty Ltd (ANMA) – Import Licence

During the current financial year, Victoria was subject to numerous lockdowns, especially a stage 4 lockdown between July and September 2020. ANMA was required to reduce the shifts and labour on site to comply with Victorian Government's restriction rules, and therefore production was heavily impacted. In addition, the major construction works at ANMA's manufacturing facility were carried out in March through to mid-April. During this time the power and gas supply was disconnected to ensure the safe installation of the new machines and other equipment. This interruption resulted in a decreased of the production and revenue. After consideration of the current year's financial outcome and future expected performance, the Board has made the decision to fully impair the carrying value of the licence in the amount of $10,649,375.

Notes to Financial Statements

For the year ended 30 June 2021

2. Critical Accounting Estimates and Judgements (continued)

B. Going concern basis of accounting

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and the discharge of liabilities in the ordinary course of business.

For the year ended 30 June 2021, the Group has incurred a loss after tax of $21,065,549, which is mainly driven by finance costs of $2,911,738 and non-cash expenses, including intangible assets impairment loss of $12,743,781, share based payments $1,268,333 and depreciation and amortisation totalling $3,054,109.

At 30 June 2021, the Group has net current liabilities of $1,052,487 (2020: $170,363 net current liabilities) and has surplus of net tangible assets over liabilities of $3,112,277 (2020: $8,516,094 excess of liabilities over net tangible assets). The surplus of net tangible assets is driven by reduction of debts and convertible notes. During the current financial year, a $5 million loan from Topwei Two Pty Ltd was repaid and the convertible notes were fully converted to ordinary shares.

The directors believe that the going concern basis of preparation is appropriate due to: the Group having cash balances of $6,414,713 (2020: $11,419,725); the Group has raised capital of $9,022,537 from external investors and fully converted 2,771,600 units of convertible notes into shares during the reporting year; the Group has raised further capital of $2,960,833 in August 2021; the Group has ability to extend the maturity date on existing loan agreements if it is required; the Group is expecting to deliver growth via developing new products, expanding JAT business and distribution networks, and seeking new sales channels to offset the constraint of Daigou channels; and the Directors consider the Group is able to scale back activities in order to preserve cash should this be required. Accordingly, the financial report has been prepared on the going concern basis and can meet its obligations in the ordinary course of business as and when they fall due. No adjustments have been made to the financial report relating to the recoverability or classification of recorded assets and classification of liabilities that maybe necessary should the Group not continue as a going concern.

3 Segment information

The Group has identified its geographic segments based on the internal reports that are reviewed and used by the Executive Director (chief operating decision maker) in assessing performance and determining the allocation of resources. Geographic segments are determined based on location of its markets and customers which are Australia, China, New Zealand and other Asia Pacific countries.

	Australia	China	New Zealand	Others	Total
	$	$	$	$	$
Revenue	8,013,801	13,767,768	106,258	189,435	22,077,262
Expense	(17,793,447)	(7,890,097)	(1,059,235)	(49,750)	(26,792,529)
Finance Cost	(2,911,738)	-	-	-	(2,911,738)
Impairment	(12,743,781)	-	-	-	(12,743,781)
Income tax expense	(694,763)	-	-	-	(694,763)
Profit/(loss) after income tax	(26,129,928)	5,877,671	(952,977)	139,685	(21,065,549)
Total Assets	26,423,334	1,679,181	416,527	-	28,519,042
Total Liabilities	(18,473,208)	(123,915)	-	-	(18,597,123)
Net Assets	7,950,126	1,555,266	416,527	-	9,921,919

Economic dependency

The Group is dependent on the sales to the People's Republic of China which makes up 62% of total revenue for the year. Refer to above segment information.

Notes to Financial Statements

For the year ended 30 June 2021

4 Revenue

	2021	2020
	$	$
Revenue		
Trading Income	**20,955,975**	59,452,615
Total Revenue	**20,955,975**	59,452,615
Other Income		
Interest Income	**4,000**	283,879
Rental Income	**141,341**	95,881
Government subsidies	**318,000**	-
EMD Grant	**71,554**	44,000
Miscellaneous Income	**586,392**	457,008
Total Other Income	**1,121,287**	880,768

5 Finance Costs

Interest Expense on $5 M Loan $5M @20% interest rate	**1,000,000**	833,333
Interest Expense on $5 M Loan $5M @13% interest rate	**583,842**	325,000
Interest Expense on Shareholder Loan @ 15% interest rate	**1,911**	571,644
Other Interest Expense	**11,548**	107,800
Finance Costs - Convertible Loan Obsidian	**1,067,719**	-
Finance Costs - Lease	**246,718**	277,637
Total	**2,911,738**	2,115,414

6 Income tax expense

(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(20,370,786)**	(23,658,869)
Tax (benefits) at the Australian tax rate of 26% (2020:30%)	**(5,296,404)**	(7,097,661)
Tax effect of amounts which are not deductible in calculating taxable income		
Tax effect of:		
non-deductible expenses	**2,986,778**	7,840,281
changes in recognised temporary differences	**89,352**	78,327
Adjusted income tax	**(2,220,274)**	820,947
Tax losses not brought to account	**2,870,037**	2,110,220
Income tax expenses	**649,763**	2,931,167

The Group has a turnover $20.96 million for the year ended 30 June 2021. It is less than the base rate entity threshold and therefore, tax rate of the Group is 26% in 2021 (2020: 30%)

The Parent company has unrecognised available tax losses of $2,870,037 as at 30 June 2021. These tax losses have not been recognised due to uncertainty of their recoverability in future periods.

Jatcorp has not formed a tax consolidated group.

Notes to Financial Statements

For the year ended 30 June 2021

7 Share based payments

	2021	2020
	$	$
Shares issued to Chris Pang for promoting Jatcorp's products as JAT's brand ambassador	**268,333**	291,667
4,000,000 shares and 4,000,000 share options to Anglo Menda Pty Ltd for $4,000,000 convertible notes raised	**-**	140,000
Everblu 4,000,000 Options@$0.1 for convertible notes raised	**400,000**	-
Everblu 10,000,000 Options@$0.06 for fund raised	**600,000**	-
Total share-based payments	**1,268,333**	431,667

8 Trade and other receivables

Current		
Trade receivables	**456,257**	4,100,118
Provision for doubtful debts	**(29,650)**	(36,044)
Total	**426,607**	4,064,074
Deposits paid to suppliers	**977,712**	1,790,140
Provision for doubtful debt	**(192,311)**	-
	785,401	1,790,140
Prepayments	**650,632**	628,658
Other receivables	**27,906**	-
Total	**1,890,546**	6,482,872
Non-Current		
Other receivables	**84,629**	-
Total	**84,629**	**-**

Past due but not impaired

	Total	Neither past due nor impaired	31 - 60 days	61-90 days	>90 days
	$	$	$	$	$
2021	456,257	195,600	72,029	992	187,636
2020	4,100,118	3,596,312	46,652	157,566	299,588

Standard customer credit terms are 30 to 120 days depending on the customers. The amount of trade receivables past due but not impaired at 30 June 2021 was $260,657 (2020: $503,806).

The Group applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rate has been estimated and determined based on historic experience of sales and bad debts.

Notes to Financial Statements

For the year ended 30 June 2021

8 Trade and other receivables (continued)

	Trade receivables days past due				
30 June 2021	**Neither past due nor impaired**	**31 - 60 days**	**61-90 days**	**>90 days**	**Total**
Expected credit loss rate	0.5%	1%	2%	5%	
Gross carrying amount	195,600	72,029	992	187,636	456,257
Additional provision				18,550	
Lifetime expected credit loss	978	720	20	27,932	29,650

Additional provision of $18,549 is for potential credit loss on Suning's receivables and ANMA's outstanding sublease payment. Other receivables have been assessed and a provision of $192,311 has been provided against Sinoby Agriculture Co. Limited balance.

9 Right of use assets

	2021	**2020**
	$	**$**
Carrying amount at the beginning of the period	**5,049,165**	1,254,876
Add: new lease entered into	**416,311**	4,268,502
Less:		
- Early terminated lease	**(806,640)**	-
- adjustments	**(3,540)**	-
- depreciation	**(576,912)**	(474,213)
As at 30 June 2021	**4,078,384**	5,049,165

Green Forest terminated its existing warehouse lease on 8 November 2020 and move into a new premises on 15 November 2020.

10 Inventory

Finished goods	**1,458,824**	2,971,924
Raw materials	**1,358,450**	997,541
Packaging materials	**837,548**	627,027
Total	**3,654,822**	4,596,492

Notes to Financial Statements

For the year ended 30 June 2021

11 Property, plant and equipment

	2021	2020
	$	$
Property at cost	**1,279,264**	1,279,264
Less: accumulated depreciation	**(11,340)**	(1,648)
Total property	**1,267,924**	1,277,616
Plant and equipment at cost	**4,833,919**	1,570,747
Less: accumulated depreciation	**(1,083,860)**	(984,659)
Total plant and equipment	**3,750,059**	586,088
Motor vehicles at cost	**288,152**	288,152
Less: accumulated depreciation	**(85,095)**	(43,600)
Total motor vehicles	**203,057**	244,552
Projects under construction	**-**	1,441,883
Total property, plant and equipment	**5,221,040**	3,550,139

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Property	Plant and equipment	Motor vehicles	Projects under construction	Total
	$	$	$	$	$
Year ended 30 June 2021					
Balance at the beginning of year	1,277,616	586,088	244,552	1,441,883	3,550,139
Additions	-	1,821,289	-	-	1,821,289
Re-allocate to Plant and Equipment	-	1,441,883	-	(1,441,883)	-
Depreciation	(9,692)	(99,201)	(41,495)	-	(150,388)
Balance at the end of the year	1,267,924	3,750,059	203,057	-	5,221,040
Year ended 30 June 2020					
Balance at the beginning of year	-	-	63,379	-	63,379
Assets acquired through acquisition of ANMA	-	636,338	-	-	636,338
Additions	1,279,264	20,969	220,774	1,441,883	2,962,890
Depreciation	(1,648)	(71,219)	(39,601)	-	(112,468)
Balance at the end of the year	1,277,616	586,088	244,552	1,441,883	3,550,139

Notes to Financial Statements

For the year ended 30 June 2021

12 Intangible Assets

	2021	2020
	$	$
Goodwill (a)	**5,951,081**	11,902,162
Tradename (b)	**494,283**	553,983
Amortisation	**(59,700)**	(59,700)
Carrying value	**434,583**	494,283
Customer relationships (c)	**1,792,663**	2,358,663
Amortisation	**(566,000)**	(566,000)
Impairment loss	**(802,685)**	-
Carrying value	**423,978**	1,792,663
Import License (d)	**12,353,275**	13,631,200
Amortisation	**(1,703,900)**	(1,277,925)
Impairment loss	**(10,649,375)**	-
Carrying value	**-**	12,353,275
Total intangible assets	**6,809,642**	26,542,383

Movements in carrying amount of intangible assets

(a) Goodwill		
Balance as at 1 July	**11,902,162**	25,886,406
Acquired	**-**	9,650,022
Impairment Loss	**(5,951,081)**	(23,634,266)
Carrying Value	**5,951,081**	11,902,162
(b) Trade Names		
Balance as at 1 July	**494,283**	553,983
Amortisation	**(59,700)**	(59,700)
Carrying Value	**434,583**	494,283
(c) Customer Relationship		
Balance as at 1 July	**1,792,663**	2,358,663
Impairment Loss	**(802,685)**	-
Amortisation	**(566,000)**	(566,000)
Carrying Value	**423,978**	1,792,663

Notes to Financial Statements

For the year ended 30 June 2021

12 Intangible Assets (continued)

	2021	2020
	$	$
(d) Import Licence		
Balance as at 1 July	**12,353,275**	-
Acquired	**-**	13,631,200
Impairment Loss	**(10,649,375)**	-
Amortisation	**(1,703,900)**	(1,277,925)
Carrying Value	**-**	12,353,275

The total impairment charge to profit in the year comprises:

Green Forest goodwill	**-**	13,984,244
Australian Natural Milk Association goodwill	**-**	9,650,022
Sunnya goodwill	**5,951,081**	-
Green Forest customer relationship	**802,685**	-
Australian Natural Milk Association import licence	**10,649,375**	-
Total impairment	**17,403,141**	23,634,266

The deferred tax liabilities acquired through business combination have been derecognised at year-end. Refer to note 16.

13 Trade and other payables

Trade payables	**492,245**	1,872,169
Sundry accruals and other payables	**545,922**	1,611,413
ANMA acquisition payable	**3,228,851**	3,929,425
Total	**4,267,018**	7,413,007

Trade payables are non-interest bearing. Their fair value approximates their carrying amount.

Notes to Financial Statements

For the year ended 30 June 2021

14 Borrowings

	2021	2020
	$	$
Current		
Loans from shareholders (interest rate 0%)	**1,468,917**	1,274,000
Loans from directors (interest rate 0%)	**57,308**	27,529
Loan from Topwei Two Pty Ltd (interest rate 13%) (b)	**-**	5,000,000
Loan from Topwei Two Pty Ltd (interest rate 20%) (c)	**5,000,000**	-
Loan from Topwei Two Pty Ltd (interest rate 0%)	**-**	2,250,000
Convertible Notes from Obsidian (a)	**-**	4,000,000
Loan from others (interest rate 0%)	**287,685**	-
Premium Funding (interest rate 6.72%)	**44,849**	-
HP Liability (interest rate between 5% to 6%)	**43,321**	40,979
Total	**6,902,080**	12,592,508
Non-current		
Loans from shareholders (interest rate 0%) (d)	**973,555**	2,300,000
Loan from Topwei Two Pty Ltd (interest rate 20%) (c)	**-**	5,000,000
HP Liability (interest rate between 5% to 6%)	**123,712**	167,033
Total	**1,097,267**	7,467,033

(a) During the year, the Group has fully converted 2,771,600 units of convertible notes in the amount of $4 million to shares.

(b) Loan from Topwei Two Pty Ltd with interest rate of 13% has been repaid in full.

(c) Loan from Topewei Two Pty Ltd with interest rate of 20% has been reclassified from non-current liabilities into current liabilities in current period. The loan is repayable in September 2021.

(d) Loans from shareholders - an agreement in place between the Company and its non-controlling interest shareholder which states that the loan is not required to be repaid in full until the Company makes profits and has sufficient cash reserve.

Notes to Financial Statements

For the year ended 30 June 2021

15 Collateral share reserve

The company has entered into an agreement in relation to a convertible note facility with Obsidian Global GP LLC with a subscription price of up to AU$4,000,000 dated 22 April 2020. Under the Convertible Securities Agreement, the company issued 2,771,600 convertible securities with a face value of US$1.2 securities raising AU$4,000,000 before costs. As a result, $800,000 has been recognised as a funding cost to the Group at issue date.

On 8 July 2020, the company has issued 49,000,000 ordinary fully paid shares ('collateral shares') out of required 60,000,000 shares, as security for the Company's obligation under the Convertible Securities Agreement.

During the year, the Group has received 3 convertible notice whereby the Investor has elected to reduce the collateral shareholding number by the corresponding number of shares attached to the Convertible notice. The total number of units reduced as a result was 19,508,551. On 9 June 2021, the remaining 29,491,449 collateral shares was cancellated.

16 Deferred Tax Liabilities

	2021	**2020**
	$	**$**
Balance as at 1 July	**5,117,460**	1,028,100
Acquired through business combination	**-**	4,089,360
Write back	**(4,659,360)**	-
Total	**458,100**	5,117,460

Notes to Financial Statements

For the year ended 30 June 2021

17 Contributed equity

	2021	2020
	$	$
Share capital		
1,651,957,672 (2020:934,548,092) Fully paid shares	77,859,269	63,977,915

Movements in Ordinary Share Capital	2021	2020	2021	2020
	$	$	No.	No.
Balance at the beginning of year	**63,977,915**	**57,556,005**	**934,548,092**	**798,486,181**
October 2019 (Shares issued for the $474,300 received in FY19) @6cents		474,300		7,905,000
October 2019 Shares Issued for Investment in ANMA of $2million @ 5.48cents		2,043,473		36,490,596
December 2019 Shares Issued to Sunnya ($650,000) and Green forest ($2,000,000) as part of Earnout liabilities		2,650,000		66,583,580
December 2019 Money Received for Right Issue @0.05		504,097		10,081,935
January 2020 (Shares issued to Chris Pang @0.05)		500,000		10,000,000
January 2020 (Shares issued for $250,040.00)		250,040		5,000,800
July 2020 Share Allotment to Obsidian Global @0.037	1,813,000		49,000,000	
July 2020 Share Allotment to Anglo Menda @0.05	200,000		4,000,000	
Cancellation of Shares 3,500,000	-		(3,500,000)	
August 2020 conversion of 125,000 notes to 8,070,452 shares @0.0258	208,217		8,070,451	
October 2020 conversion of 125,000 notes to 10,074,783 shares @0.02087	210,260		10,074,783	
Nov 2020 Share Allotment 10,248,227 @$0.01999	204,862		10,248,227	
11th Dec 2020 Share Allotment 16,563,634 @0.01947	322,494		16,563,634	
17th Dec 2020 Share Allotment 20,585,620 @0.01940	399,361		20,585,620	
22nd Jan 2021 Share Allotment 10,159,229 @0.019	193,025		10,159,229	
31st Jan 2021 Share Allotment 158,976,967 @0.019	2,827,537		148,817,738	
1st Feb 2021 Share Allotment 16,507,552 @0.019	313,643		16,507,552	
9th Feb 2021 Share Allotment 51,623,135 @0.01805	931,798		51,623,135	
15th Feb 2021 Share Allotment 32,036,428 @0.01805	578,258		32,036,428	
15th Feb 2021 Share Allotment 30,267,570 @0.019	575,084		30,267,570	
Cancellation of Shares 1,720,000	-		(1,720,000)	
9th Jun 2021 cancellation Collateral Shares	(1,091,185)		(29,491,449)	
23rd Jun 2021 Share Allotment 344,166,662 @0.018	6,195,000		344,166,662	
Balance at the end of year	**77,859,269**	**63,977,915**	**1,651,957,672**	**934,548,092**

Notes to Financial Statements

For the year ended 30 June 2021

17 Contributed equity (continued)

*7,361,900 ordinary fully paid shares ("Error Shares") were issued to shareholders on 11 December 2017 due to an error. No payment was received from shareholders of Error Shares. Jatcorp Limited is in the process of undertaking a buyback of the Error Shares pursuant to section 257A of the Corporations Act. The buyback agreements, which are subject to shareholder approval, are in the process of being completed with the holders of the Error Shares. Once these agreements have been completed, the buyback will be completed for no consideration payable to holders of the Error Shares At the general meeting of shareholders on 29 January 2021, a resolution was passed approving the cancellation of up to 3,861,900 ordinary shares in the Company. A total of 1,720,000 of these ordinary shares have been bought back and cancelled since the AGM. There are a further 2,240,000 shares which were issued in error which continue to be held by shareholders who have not yet entered into buy-back agreement. JAT will continue to take appropriate action against those shareholders, including court proceedings to seek orders for cancellation of those shares.

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 for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes in the Group's approach to capital risk management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

18 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's financial instruments consist mainly of deposits with banks, financial assets, trade and other receivables (current and non-current), trade and other payables and borrowings (current and non-current).

	Notes	2021 $	2020 $
Financial Assets			
Cash and cash equivalents		**6,414,713**	11,419,725
Trade and other receivables	8	**1,975,175**	6,482,872
Financial Assets		**-**	129,168
Investment in Joint Ventures		**365,266**	523,237
Total		**8,755,154**	18,555,002
Financial Liabilities			
Trade and other payables	13	**4,267,018**	7,413,007
Borrowings (current and non-current)	14	**7,999,347**	20,059,541
Total		**12,266,365**	27,472,548

Notes to Financial Statements

For the year ended 30 June 2021

18 Financial risk management (continued)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Group is not exposed to significant interest rate risk as majority of its borrowing arrangements are at fixed rate, which minimises any short-term downside impact of interest rate increase but limits any benefit from interest rate reductions.

(b) Foreign exchange risk

Foreign exchange risk arises from commercial transactions and assets and liabilities held in a currency that is not the entity's functional currency, which is Australian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group enters into transactions in US dollar and Chinese RMB and is exposed to currency risk arising from movements in these foreign currencies against AUD dollar. To mitigate foreign currency risk for US dollar and RMB transactions and to avoid the need for currency hedging the Group holds and trades in the relevant currency. Profits are then recovered by transfers of cash at a time the exchange rate is deemed favourable. The Group has 3 USD foreign currency bank accounts and the balance of these accounts at 30 June 2021 was $323,512 (2020: $4,140) The Directors do not consider that any reasonably possible movement in foreign currency rates would cause a material effect on Group's performance or equity given transactions are predominantly carried out in AUD.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The objective of the Group is to minimise the risk of loss from credit risk exposure.

Credit risk arises from cash and cash equivalents, deposits and banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(i) Risk Management

Credit risk is managed on a group basis. The credit risk for cash and cash equivalents and deposits with banks and financial institutions is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are settled in cash or using major credit cards. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Impairment of finance assets

The group mainly has one type of financial assets that are subject to the expected credit loss model, being trade and other receivables (refer to note 8).

While cash and cash equivalent are also subject to the impairment requirement of AASB 9, the identified impairment loss was immaterial.

In respect of the group, credit risk relates to loans with subsidiary. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiaries but only to the level which the Board considers necessary to achieve these objectives and meets agreed conditions. The management believes the loans to subsidiaries are fully recoverable.

Notes to Financial Statements

For the year ended 30 June 2020

18 Financial risk management (continued)

Trade Receivable

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance. Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cashflow are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated its obligation as they fall due. To manage this risk, the Group maintains sufficient liquidity by holding cash in readily accessible accounts. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's terms of sales require amounts to be paid within 30 to 60 days of sale. Trade payable are normally settled within 30 days of the date of purchase. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The Group's financial assets of $8,305,259 have a maturity with 12 months of 30 June 2021 and financial liabilities of $12,266,365 of which $5,000,000 loan from Topwei Two Pty Ltd and management expects that the loan can continue to be extended beyond the current loan term.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Due in 1 year	Due in 1 to 5 year	Total
	$	$	$
Trade and other payable (note 13)	4,267,018	-	4,267,018
Borrowings (note 14)	6,902,080	1,097,267	7,999,347
	11,169,098	**1,097,267**	**12,266,365**

(e) Fair value measurement

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the summary of significant accounting policies.

(f) Sensitivity analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk. This demonstrates the effect on the current year results and equity which could result from a change in these risks.

Notes to Financial Statements

For the year ended 30 June 2021

18 Financial risk management (continued)

Interest rate sensitivity analysis

The Group as 30 June 2021 held cash in low interest-bearing accounts. The Directors do not consider that any reasonably possible movement in interest rates would cause a material effect on Group's performance or equity.

Foreign currency risk sensitivity analysis

The Group sells goods overseas and is affected by movement in US dollar and Chinese RMB. To mitigate foreign currency risk for US dollar and RMB transactions and to avoid the need for currency hedging the Group holds and trades in the relevant currency. Profits are then recovered by transfers of cash at a time the exchange rate is deemed favourable. The Directors do not consider that any reasonably possible movement in foreign currency rates would cause material effect on Group's performance or equity given translations are predominantly carried out in AUD.

19 Key management personnel

Directors and Key Management Personnel of Jatcorp Limited (refer to Remuneration report for details) during the financial year were paid the following amounts.

	2021	2020
	$	$
Short term benefits	**562,212**	770,788
Total	**562,212**	770,788

These amounts include fees and benefits paid to the Chairman, executive director and non-executive directors as well as all salary, paid leave benefits, short term incentive payments awarded to each KMP. There were no transactions with key management personnel during the financial year ended 30 June 2021 or 31 June 2020 other than noted here, in the remuneration report, and note 23.

20 Auditors' remuneration

During the reporting period the following fees were paid or payable for services provided by the auditors and a non-related audit firm. No non-audit services were provided by the auditors.

LNP Audit and Assurance Pty Ltd	**75,000**	75,000
Total	**75,000**	75,000

21 Fair value measurement

The Group measures goodwill, customer relationships, import licence and tradenames at fair value on a recurring basis:

Assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

All the assets held at fair value by the group, being customer relationships and trade names are classified as level 3. The value of these assets is disclosed in note 12.

Notes to Financial Statements

For the year ended 30 June 2021

22 Contingencies and Commitments

There are no contingent liabilities and commitments as at 30 Jun 2021 (2020: none).

23 Related party transactions

	2021	2020
	$	$
(a) Payable to or receivable from related parties at year-end		
Directors/secretary & consulting fees (inc GST) payable to Aust JLY Group Pty Ltd, a company controlled by Wilton Yao	27,000	27,500
(b) Transaction occurring during the year:		
Directors/consulting fees (inc GST) paid to Aust JLY Group Pty Ltd for the provision of the services of Wilton Yao	324,000	412,500
Directors/secretary & consulting fees (inc GST) paid to BTC Lawyers for the provision of the services of Brett Crowley	84,000	121,000
J&Y Group Pty Ltd, a company controlled by Wilton Yao, received payment for administration and accounting services provided during the period	2,200	3,432

24 Controlled entities

Subsidiaries of Jatcorp which are consolidated	Country of incorporation / Place of business	Percentage owned (%)*		Percentage owned by non-controlling interest (%)*	
		2021	2020	2021	2020
		%	%	%	%
Golden Koala Group Pty Ltd	Australia	51	51	49	49
Green Forest International Pty Ltd	Australia	50	50	50	50
Sunnya Pty Ltd	Australia	51	51	49	49
Jatpharm Pty Ltd	Australia	55	55	45	45
Australian Natural Milk Association Pty Ltd	Australia	65	65	35	35
Hangzhou JAT Food Group Co., Ltd	China	100	-	-	-
KTPD Holding Pty Ltd	Australia	50	-	50	-
Jat Estates Pty Ltd	Australia	85	-	15	-

*Percentage of voting power is in proportion to ownership.

Jatpharm Pty Ltd and Hangzhou JAT Food Group Co., Ltd did not carry out any business activity during year ended 30 June 2021.

Notes to Financial Statements

For the year ended 30 June 2021

25 Events occurring after the reporting date

Capital raising

On 6 July 2021, the following securities were issued in accordance with the approval of shareholders at the meeting held on 7 June 2021:

- 10 million ordinary shares at $0.02 per share and 5 million options with an exercise price of $0.02 and an expiry date of 29 January 2023.
- 10 million options at an exercise price of $0.06 and an expiry date of 29 January 2023 to Everblu Capital Pty Limited ('Everblu') as a fee for managing the share placement on 22 January 2021.

As announced on 30 July 2021, the Company completed a private placement to raise $2.961 million through the issue of 155,833,324 fully paid ordinary JAT shares to sophisticated and professional investors at an issue price of A$0.019 per share. The investors will receive one free attaching option for every two placement shares subscribed, with a strike price of $0.05 and an expiry date of 29 July 2023. Everblu acted as lead manager to the Placement. Everblu will be paid a lead manager fee of 6% of funds raised and, subject to shareholder approval, 35 million options to subscribe for JAT shares at an exercise price of $0.05 per share and an expiry date of 29 July 2023.

Other than the above, no other matters have arisen since 30 June 2021 that have significantly affected the Group's operations.

26 Reconciliation of loss after income tax to net cash outflow from operating activities

	2021	**2020**
	$	**$**
Loss for the year including income tax	**(21,065,549)**	(26,590,036)
Non-cash flows in operating activities:		
Depreciation & amortisation	**3,054,109**	2,490,306
Impairment loss	**12,743,781**	26,134,266
Share based payments	**1,268,333**	431,667
Share options	**400,000**	-
Brokerage costs	**157,097**	-
Change in operating assets and liabilities:		
(Increase)/decrease in inventories	**941,670**	(1,328,742)
(Increase)/decrease in trade and other receivables	**4,529,153**	(3,710,045)
(Increase)/decrease in prepayments	**(21,974)**	-
(Increase)/decrease in financial assets	**129,167**	(129,167)
Increase/(decrease) in trade and other payables	**(2,445,415)**	2,782,393
Increase/(decrease) in income tax liability	**(1,590,846)**	1,263,377
Increase/(decrease) in provision for employees	**59,665**	113,056
Net cash outflow from operating activities	**(1,840,809)**	1,457,075

Notes to Financial Statements

For the year ended 30 June 2021

27 Earnings per share

	2021 cents	2020 cents
(a) Basic and diluted loss per share		
Basic loss attributable to the ordinary equity holders of the Company	**(1.34)**	(2.02)
Diluted loss attributable to the ordinary equity holders of the Company	**(1.33)**	(2.02)
(b) Loss used in calculating basic and diluted loss per share	**(15,311,281)**	(17,596,981)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,138,734,603**	872,970,813
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,152,734,603**	872,970,813

28 Jatcorp Limited - Parent Company Information

	2021 $	2020 $
Parent Equity		
Assets		
Current Assets	**9,280,533**	12,044,538
Non-current Assets	**4,002,577**	7,589,204
Total Assets	**13,283,110**	19,633,742
Liabilities		
Current Liabilities	**9,456,116**	15,680,374
Non-current Liabilities	**200,398**	5,263,190
Total Liabilities	**9,656,514**	20,943,564
Equity		
Issued Capital	**78,259,269**	63,977,915
Unissued shares - convertible notes	**-**	320,175
Retained Earnings	**(74,632,673)**	(65,607,912)
Total Equity	**3,626,596**	(1,309,822)
Financial Performance		
Profit/(Loss) for the year	**(9,024,761)**	(36,659,438)
Other Comprehensive Income	**-**	-
Total Comprehensive Income	**(9,024,761)**	(36,659,438)

Directors' Declaration

In accordance with a resolution of the directors of Jatcorp Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 51 are in accordance with the *Corporations Act 2001* and
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001*.

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

Managing Director

Wilton Yao

Dated this 31 day of August 2021

LNP Audit + Assurance

ABN 65 155 188 837

L14 309 Kent Street Sydney NSW 2000
+61 2 9290 8515

L24 570 Bourke Street Melbourne VIC 3000
+61 3 8658 5928

L14 167 Eagle Street Brisbane QLD 4000
+61 7 3607 6379

www.lnpaudit.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JATCORP LIMITED AND ITS CONTROLLED ENTITIES

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Jatcorp Limited (the Company), including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 Company.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the Group's consolidated financial position as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

Without modification to our opinion expressed above attention is drawn to Note 2(B) of the financial report, which sets out the basis on which the directors believe that the Group will be able to continue as a going concern. The Group incurred a loss after tax in the year from continuing operations of $21,065,549 (2020 loss: $26,590,036), has net current liabilities of $1,052,487 (2020: net current liabilities $170,363) and negative cash flows from operating activities for the year of $1,840,809 (2020: positive cash flows $1,457,075).

These conditions along with other matters set out in Note 2(B) indicate that a material uncertainty exists that may cast significant doubt in relation to the Group's ability to continue as a going concern.

No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
Assessment of impairment and recoverable amounts of separable intangible assets and goodwill, Refer Note 12 – Intangible assets Management assessed the recoverable amount of goodwill and separable intangibles relating to each of the groups three cash generating units (CGU) as at 30 June 2021 separately. The recoverable amount of each CGU is determined on a value in use basis, the assessment incorporates a range of assumptions, including discount rates, growth rates, and the timing and amounts of cashflows. An impairment expense of $12,743,781 has been recorded in the consolidated statement of profit or loss and other comprehensive income, comprising; $802,685 relating to Green Forest customer relationships, $10,649,375 relating to the ANMA import licence, both of which have been fully impaired, together with an impairment of $5,951,081 relating to Sunnya goodwill, and a deferred tax credit of $4,659,360. After the impairment, the consolidated statement of financial position at 30 June 2021 includes goodwill and separable intangibles totalling $6,809,642 comprising Sunnya Goodwill $5,951,081, Sunnya customer relationships of $423,978 and Sunnya tradename of $434,583. This a key audit matter due to the material value of goodwill and separable intangibles and the degree of subjectivity, judgement and estimation uncertainty and the effects of COVID-19 associated with the assessment.	Our procedures included, among others: Evaluating the "value in use" discounted cash flow models developed by management for each cash generating unit to assess the recoverable amount of goodwill and separable intangibles, including critically assessing the following assumptions: a) the discount rate; b) the revenue growth rate; c) other growth rate assumptions; and d) the timing and amounts of forecasted cash flows. Testing on a sample basis the mathematical accuracy of forecasting of the cash flows of the cash generating units. Consideration of the assumptions used in comparison with publicly available data. Assessing company's impairment testing model by subjecting the key assumptions to sensitivity analysis and stress test. Assessing company's estimates on the useful life of the tradename, customer relation and import licence. Assessing the adequacy of the disclosures made in the financial statements.

Key Audit Matter	How our audit addressed the matter
Recoverability of deposits paid to suppliers, Refer Note 8 – Trade and other receivables At 30 June 2021 the net carrying value of deposits paid to suppliers amounted to $785,401 for the purpose of purchasing raw materials and production deposits. Management has assessed the recoverability of deposits paid to suppliers by amongst other things assessing each supplier's credit profile, and the status of subsequent deliveries of goods and has provided $192,311 against these deposits. This is a key audit matter due to the materiality of the balance and that the determination of the recoverable amount requires significant subjective judgements and assumptions including the impact of COVID-19.	Our procedures included: Obtaining an understanding of the Group's credit control procedures and assessing the design, implementation and operating effectiveness of key controls over granting of credit to customers; Evaluating the Group's assumptions and judgements used in its expected credit loss model; Validating data used in the model; and Assessing the adequacy of the disclosures made in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

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 preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Jatcorp Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

The engagement partner on the audit resulting in this independent auditor's report is Anthony Rose.

LNP Audit and Assurance Pty Ltd

Anthony Rose, Director

Sydney, 31 August 2021

Shareholder Information

Additional Information required by the ASX Limited listing rule and not disclosed elsewhere in this report are set out below.

The shareholder information set out below was applicable as at 30 June 2021.

(a) Distribution of equity securities

Analysis of a number of ordinary fully paid shareholders by size of holding:

Holding Ranges	Holders	Total Units	Percentage
above 0 up to and including 1,000	114	22,155	-
above 1,000 up to and including 5,000	364	1,172,922	0.07%
above 5,000 up to and including 10,000	346	2,817,533	0.17%
above 10,000 up to and including 100,000	2,002	85,090,945	5.15%
above 100,000	1,203	1,566,854,117	94.61%
Totals	**4,029**	**1,651,957,672**	**100.00%**

Total number of holders of less than a marketable parcel of ordinary shares: 1,465.

(b) Substantial holders

The substantial shareholders of the Company are as follows:

Holder Name	Ordinary Shares	Percentage
GOLD BRICK CAPITAL PTY LTD <GOLD BRICK CAPITAL UNIT A/C>	92,000,000	5.57%
JIAJIA ZHANG	86,111,111	5.21%
STEP ONE TECH P/L <STEP ONE TECH FAMILY A/C>	86,111,111	5.21%
GOLDEN LUCKY STAR PTY LTD <RONGJUN ZHAO FAMILY A/C>	83,000,000	5.02%
QHX INVESTMENTS P/L	55,555,555	3.36%
C&L CHEN PTY LTD <C&L CHEN LI SF A/C>	44,366,156	2.69%
MR ZHONGLIANG WANG	41,202,493	2.49%
MR HUNG QUOC NGUYEN	38,000,000	2.30%

(c) Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(d) Equity security holdings

Twenty largest quoted equity security holders.

The names of the 20 largest quoted equity security holders of quoted equity securities are listed below:

Shareholder Information

		Spread & Top 20 Listings	
	Holder Name	**Share Holding**	**% of Holdings**
1	GOLD BRICK CAPITAL PTY LTD <GOLD BRICK CAPITAL UNIT A/C>	92,000,000	5.57%
2	JIAJIA ZHANG	86,111,111	5.21%
2	STEP ONE TECH P/L <STEP ONE TECH FAMILY A/C>	86,111,111	5.21%
3	GOLDEN LUCKY STAR PTY LTD <RONGJUN ZHAO FAMILY A/C>	83,000,000	5.02%
4	QHX INVESTMENTS P/L	55,555,555	3.36%
5	C&L CHEN PTY LTD <C&L CHEN LI SF A/C>	44,366,156	2.69%
6	MR ZHONGLIANG WANG	41,202,493	2.49%
7	MR HUNG QUOC NGUYEN	38,000,000	2.30%
8	MR YAOAN CHEN & MRS YAN LI	32,104,637	1.94%
9	MISS YAQING HE	31,025,641	1.88%
10	KINGSTONE CAPITAL PTY LTD	27,777,778	1.68%
11	MS DONGMEI HUA	25,543,417	1.55%
12	MR YULONG GU	23,067,297	1.40%
13	JIN & YAO INVESTMENTS PTY LTD	21,811,111	1.32%
14	MR BO QIANG	21,247,857	1.29%
15	MR ZHOU XUAN FENG	21,111,111	1.28%
16	MR YINGHAN HE	20,960,379	1.27%
17	MR WALDEMAR WAWRZYNIUK & MS LIA WAWRZYNIUK <L & W SUPER FUND A/C>	20,000,000	1.21%
18	CITICORP NOMINEES PTY LIMITED	16,483,534	1.00%
19	KINGSTONE CAPITAL PTY LTD	15,477,046	0.94%
20	TOPWEI TWO PTY LTD <TOPWEI TWO FAMILY A/C>	14,387,622	0.87%
	Total Top 20 Shareholders	**817,343,856**	**49.48%**
	Total issued capital	**1,651,957,672**	**100.00%**

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