

Appendix 4E – Preliminary Final Report under ASX Listing Rule 4.3A

Current reporting period
Prior corresponding period

01 July 2019 to 30 June 2020
01 July 2018 to 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR TO 30 JUNE 2020	PERCENTAGE CHANGE	YEAR TO 30 JUNE 2019
	\$	%	\$
Revenue	59,452,615	Down 10.52%	66,444,062
Loss from ordinary activities after tax for the year	(26,590,036)	Up 29.75%	(20,492,541)
Net loss attributable to members	(26,590,036)	Up 29.75%	(20,492,541)
Net loss attributable to members of the Parent entity	(17,596,981)	Up 79.62%	(9,796,989)

EARNINGS PER SHARE

	As at 30 June 2020	As at 30 June 2019
	Cents	Cents
Basic Loss per Share	(2.02)	(1.35)
Diluted Loss per Share	(2.02)	(1.35)

FINANCIAL RESULTS

The consolidated loss of the Group for the year after providing for income tax amounted to \$26,590,036 (2019: \$20,492,541).

- Trading Revenue of \$59,452,615 (2019: \$66,444,062)
- Cost of Sales of \$44,883,862 (2019: \$60,413,679)
- Consultancy & Professional fee expenses of \$636,705 (2019: \$625,025)
- Directors fee expenses of \$510,000 (2019: \$756,230)
- Impairment of intangible of assets of \$26,134,266 (2019: \$24,072,574)
- Depreciation and amortisation expenses of \$2,490,306 (2019: \$518,352)

NET TANGIBLE ASSETS PER SHARE

	2020 CENTS PER SHARE	2019 CENTS PER SHARE
Net tangible assets backing per share	(0.009)	0.004

Net tangible asset backing per ordinary shares as at 30 June 2020 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 2020.

Dividends by subsidiaries

Sunnys Pty Limited paid a dividend of \$ 1,466,653, Jatcorp received 51% of that dividend, the remaining 49% was paid to the minority shareholders in Sunnys. Green Forest International Pty Limited paid a dividend of \$980,000, Jatcorp received 50% of that dividend, the remaining 50% was paid to the minority shareholders in Green Forest International Pty Limited.

DETAILS OF SUBSIDIARIES

During the financial year, Jatcorp Limited gained control over one new entity Australian Natural Milk Association Pty Ltd. Refer to Note 25.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

- A joint venture company, JAT Oppenheimer Pty Ltd, has been established and is 50% owned by Jatcorp.
- In August 2019, Jatcorp established a joint venture, JWR International Limited ("JWR") in Hong Kong to develop manufacture and sell a new range of cosmetic products into China, Hong Kong, South Korea and Australia. Jatcorp owns 50% of the shares in JWR.

DETAILS OF FOREIGN ENTITIES

In August 2019, Jatcorp established a joint venture, JWR International Limited ("JWR") in Hong Kong to develop manufacture and sell a new range of cosmetic products into China, Hong Kong, South Korea and Australia. Jatcorp owns 50% of the shares in JWR.

OTHER

This report is based upon consolidated financial statements contained within the 2020 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 2020 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.

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JATCORP LIMITED
(formerly JATENERGY LIMITED)

ABN 31 122 826 242

Annual Report
for the year ended
30 June 2020

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.jatenergy.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

Dear Fellow Shareholder,

I am pleased to present the 2020 Annual Report for Jatcorp Limited (ASX: JAT, formerly Jatenergy Limited). This year has been a significant one for JAT as we have cemented our position as a leading China-Australia trade specialist and achieved stronger profitability by focusing on higher-margin products and operations. Highlights included our acquisition of ANMA, the launch of several new products and the signing of several new manufacturing, supply and distribution agreements.

The emergence of the coronavirus pandemic caused some disruption to our markets. Challenges included a restriction on movements which impacted the Daigou network, mainly affecting Green Forest International Pty Ltd, which also bore the brunt of ongoing uncertainties in Hong Kong. However, the upside was that the pandemic drove an increase in demand for our lactoferrin products, we achieved record monthly revenue in February and March 2020, and although we expect to see an impact on group sales for the local market continuing for the next few months, our business continued to expand throughout FY20 and we delivered gross profit of \$14.6 million, representing year-on-year growth of 142%.

In our key target market of China, we are seeing a slowly-recovering economy, but note that retail trade declined in July 2020 for the seventh straight month. Chinese people continue to avoid crowded places, including shops, restaurants and cinemas amid the COVID-19 crisis. In general, September 2020 and onward are a busy season for China retail trade, and management is optimistic of a sales recovery.

We expect to see Chinese demand for immunity-enhancing and other health-related products continue to grow sustainably, first online and then through other channels as markets emerge from COVID-19 lockdown. We are well-placed to capture this future source of consumer demand with our developing product suite.

This year we made considerable progress towards the vertical integration of our business. The acquisition of the ANMA manufacturing facility in Victoria has been an important step forward as it allows us to increase profits by retaining the manufacturer's margin. Expansion at the facility has allowed us to increase the production of milk powders for our Neuro range, and the profitability of these operations has increased significantly as our business has focused more on in-house brand development. The expansion will also allow us to increase manufacturing for third parties.

JAT launched a range of promising new products during the year including the first product under the Abbeyard brand, an A2 protein milk, and Nature's-Drops under the Hopefern brand. Trials of our VMeat products resulted in positive feedback, and we are pleased to be rolling this out to restaurants in China.

Securing of \$5 million in new funding for capital expenditure and working capital will allow us to fund the expansion at the ANMA facility and to meet an expected continuation of increased consumer demand. We thank our investors for continuing to support our visions for expansion.

We look forward to JAT's Shanghai Maternity and Infant Boutique opening later this year. The opening of the boutique will see us complete our end-to-end supply and delivery chain. Unfortunately, JAT had to delay the opening of the boutique due to pandemic restrictions limiting access to the site.

We are hopeful that there will be some lifting of restrictions in the coming year to allow the re-opening of Daigou channels. JAT will also continue to investigate other distribution avenues.

We thank management and staff for their efforts in advancing the business through a year which brought unexpected challenges but resulted in growth in operational cashflow.

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



Wilton Yao
Managing Director

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Jatcorp Limited formerly Jatenergy Limited ("Jatcorp", "JAT" or "Company") and its controlled entities during the year ended 30 June 2020.

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

The Group is an Asia Pacific trade specialist. This activity encompasses:

- the origination, development and manufacture of a range of consumer products;
- 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

Although the coronavirus pandemic created some challenging situations in FY20, as announced in July, Jatcorp ('JAT' or 'the Company') ended FY20 with positive cashflows from operating activities of \$1,457,075 compared to operating cash outflows for 2019 of \$2,804,689.

The Total Comprehensive Loss for the year was \$26,590,036 (2019; \$20,492,541 loss). This was affected by impairment losses of \$26,134,266 in 2020 and \$24,072,574 in 2019. Earnings before Interest, tax, depreciation, amortisation and impairments increased in the year to \$7,081,117 from \$5,279,658 in 2019.

Beginning in December, the emergence of the Coronavirus pandemic created an unprecedented demand for JAT's lactoferrin dairy products. As reported in April, JAT achieved record monthly revenue of \$8.5 million in February closely followed by \$8.1 million in March. Sales were driven by increased demand due to the coronavirus pandemic coupled with increased awareness generated from the China International Import Expo ("CIIE") in Shanghai in November 2019. To meet the increased demand, JAT increased production at its ANMA dairy manufacturing plant in Victoria.

The pandemic created some difficulties due to government lockdowns and restrictions on travel which constrained the movement of overseas visitors and students. Government restrictions also caused delays to work on JAT's Maternity and Infant Boutique in Shanghai.

JAT expected a very strong and profitable FY20 prior to the impacts of COVID-19 and Hong Kong uncertainties. Due to the uncertain economic factors, the Board decided to fully impair Green Forest's goodwill. ANMA's goodwill has also been fully impaired due to delays in new equipment arrival and the completion of factory upgrading. These factors drove a net loss for the Company, mainly driven by non-cash expenses.

Directors' Report

Operations Review (continued)

Acquisition of Australian Natural Milk Association Pty Ltd

In August 2019, JAT acquired 70% of the issued shares in ANMA. The acquisition was completed in October 2019 with minority shareholders in JAT's subsidiary, Sunnya Pty Limited, subsequently acquiring 5% of ANMA leaving JAT owning the remaining 65%.

ANMA operates a 5,000m² manufacturing facility on 8,000m² of land in Derrimut, Victoria. The facility is equipped with state-of-the-art processing lines specialising in handling infant formula, milk powder and other dairy products. ANMA is one of only 15 milk powder manufacturers in Australia approved by China's Certification and Accreditation Administration (CNCA) for exporting infant formula into China under regulatory requirements administered by China's State Administration for Marketing Regulation.



ANMA'S manufacturing facility in Derrimut, Victoria

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Directors' Report

Operations Review (continued)

ANMA's manufacturing facility in Derrimut, Victoria

As announced in August 2019, consideration for the acquisition was \$14 million, with \$12 million payable by cash and issue of \$2 million worth of JAT shares. The acquisition allowed JAT to take control of the supply chain of Neurio, one of its major products, removing the reliance on contract manufacturers, thereby increasing profitability and reducing business risk. ANMA also produces products for third parties.

As announced in April 2020, ANMA was experiencing significant demand and operating at near full capacity. In April, the first stage of installation and commissioning of new manufacturing equipment at ANMA was completed. Further expansion at ANMA is underway with construction works due to start in late September 2020 and due for completion in November 2020. The expansion includes the acquisition of two further pieces of equipment which will enable ANMA to produce a broader range of products, including probiotics.

Manufacturing and supply agreements

Beta A2 Australia Manufacturing Pty Ltd ("Beta")

ANMA entered into a five-year manufacturing and supply agreement with Beta in November 2019 which required ANMA to manufacture and supply Beta with Beta's "Farmers Beta A2" milk products formula.

The agreement was for an expected amount of \$6.7 million in the first year, which commenced with an initial order of \$1.8 million followed by orders of more than \$4.9 million scheduled for the eight months commencing September 2020.

Ultinature Nutritional Australia Pty Ltd ("Ultinature")

In Q3 FY20, ANMA signed a two-year manufacturing and supply agreement with Ultinature. Ultinature provides premium quality nutritional supplement products to international markets. Under the agreement, Ultinature will place orders with ANMA for the manufacture of four specific Ultinature products as well as any new products which Ultinature may develop.

The agreement specifies an indicative non-binding cumulative order quantity over three years which represents approximately \$6 million in revenue to ANMA over the period. Although the agreement is for two years, the parties expect the agreement to be extended and a three-year indicative order quantity was specified in the agreement.

Distribution agreements from China International Import Expo



3rd CIIE signing ceremony

Directors' Report

Operations Review (continued)

JAT signed three distribution agreements at the second China International Import Expo in November 2019. The agreements included a two-year distribution agreement with Kigobaby which provides for Kigobaby to be the exclusive distributor in China of a single Neurio product line – Neurio Formulated Milk Powder with Lactoferrin + Sialic Acid.

Also at the expo, JAT signed a 12-month distribution agreement with China-based health, wellness and maternity product distributor, Cyclone E-Commerce Co. Ltd (Cyclone), under which Cyclone intends to purchase more than A\$7.5 million in product over 12 months.

JAT also signed a three-year non-exclusive distribution agreement with Kiss Kangaroo for the sale of most Neurio products through its online platform and offline channel.



2019 China Australia Agribusiness Association forum in CIIE

Ocker Products Pty Ltd / Beijing Grain Group Co distribution agreement

In January 2020, JAT announced it had entered a three-year distribution agreement with Ocker Products Pty Ltd ("OPP") for the non-exclusive distribution of JAT dairy products in China for the next three years. OPP has a strategic partnership with Beijing Grain Group Co Ltd and Beijing JingLiang Logistics Co Ltd to procure food and farm produce on behalf of both companies.

JAT received its first order from OPP in March 2020 which reflected a contract value of US\$1.517 million. Under the agreement, OPP agreed to purchase a minimum of A\$80 million of JAT dairy products in the first year. The Company is currently optimising its working capital to position JAT to rapidly fulfil further orders anticipated from Ocker.

Lactoferrin milk products

JAT's lactoferrin products saw strong sales growth in the second half of FY20. Lactoferrin has a unique iron-binding capacity that helps to deprive pathogens, such as bacteria, viruses and fungi of iron, an essential nutrient for their growth and replication. As outlined above, the coronavirus pandemic saw revenue for these products reach record levels in February and March. JAT also continued to develop additional products in this range.

JAT developed three new product formulations within its Neurio range of milk powders with lactoferrin. These products have a renewed focus on children's intestinal health, brain development and immune system support, which JAT believes will meet the needs of consumers.

Directors' Report

Operations Review (continued)

JAT also introduced two new camel milk powder products with lactoferrin. The first two batches of this product have shipped to Australia and China and more orders received. JAT believes there will be strong demand for these products based on favourable customer feedback and therefore plans to expand its production of the powders at the ANMA facility.

Establishment of plant-based meat manufacturing and supply business

In October 2019, JAT entered into a joint venture with Sydney-based Oppenheimer Pty Ltd to develop a range of plant-based meats for sale into China and other Asian markets.

JAT and Oppenheimer formed a separate company, JAT Oppenheimer Pty Ltd, for the new business with each owning 50% of the new company. The joint venture will allow JAT to develop its own plant-based meat products and brands to take advantage of the fast-growing plant-based meat industry. The products will be marketed under the tradename "VMeat".

The first batch of products was ordered under the joint venture agreement in March 2020 and was introduced to restaurants and major food chains in China in May 2020. The products in the first batch included substitutes for Wagyu beef, pork and beef balls and minces, fish, chicken strips and hot pot meatballs.

Testing on the first batch of products has occurred in restaurants with positive feedback.

JAT Oppenheimer commenced discussions for the products to be produced in Chinese facilities to enable savings in production and transport costs and the products to get to market more quickly.

Sales of the products into Australian supermarket chains also progressed.

Shanghai Maternity and Infant Boutique

JAT's plans to open a Maternity and Infant boutique in Shanghai in March 2020 were delayed due to the coronavirus pandemic and movement restrictions impeding access to the site. JAT now expects that the shop will open by November 2020.

The boutique will stock JAT's dairy products, and JAT believes it will be the first Australian company to sell dairy products in China through its own retail outlet. JAT has significant stock in storage in Shanghai to meet expected retail demand when the boutique opens.

The boutique is in a prime retail location which adjoins Sinopharm Pharmacy and is located directly opposite Shanghai Children's Hospital, Shanghai Pregnancy School, Shanghai Putuo Maternity and Infant Health Institute and Shanghai Oasis Kindergarten.

Abbeyard brand

JAT established the Abbeyard brand as part of its strategy of developing its own products to sell into its China distribution network.

JAT successfully rolled out the first of the Abbeyard branded products in Q4 FY20. The first product launched under the brand was an A2 protein children's milk powder. The brand is used exclusively for distribution by Hipac, which is China's largest B2B e-commerce platform for mother and baby care products. Hipac plans to order \$4.8 million of products in the first year with the first shipment of the A2 milk powder delivered to China in June 2020, all pre-sold, and a second shipment shortly after. Total revenue from the sale of the first two batches was \$231,108. The ANMA facility produced both batches.

JAT is working to develop further products under the Abbeyard brand.

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Directors' Report

Operations Review (continued)

Hopefern brand

In June 2020, JAT achieved the first sales of its Nature's Drops, a Manuka honey, eucalyptus and lemon flavoured candy, under its Hopefern brand. JAT believes Nature's Drops can soothe sore throats and refresh the breath. There was a strong response to promotional samples of the product, and first sales were achieved through selected pharmacies and Daigou stores. The product has been accepted by Woolworths and will start to sell through Woolworths' Tmall Flagship Store by early September 2020. JAT is currently negotiating broader distribution through supermarkets, pharmacies and retail stores.

University of Sydney research agreement

As announced in March 2020, JAT entered into a commissioned research agreement with the University of Sydney in March 2020 to develop a novel food supplement with potential antiviral properties against a broad range of pathogens. The food supplement will be based on lactoferrin, and JAT aims to develop a new formula from natural products with

potential potent antiviral activity against several common infectious diseases such as influenza, herpes simplex virus and norovirus.

JAT will provide lactoferrin and lactoferrin-based products for testing to be undertaken by the University of Sydney. JAT will also provide management support and general assistance.

JAT will work with the university to ensure the compounds developed are registered with the Australian Therapeutic Goods Administration and JAT will seek corresponding approvals with regulatory authorities outside Australia. The first stage of analysing JAT's lactoferrin has been completed and has now moved into the next stage for analysing other natural food ingredients. JAT expects that the research will be complete in April 2021, with marketing commencing in late 2021 or early 2022.

Certification agreement with CCIC Australia Pty Ltd ("CCIC Aust")

In October 2019, JAT entered into an agreement with CCIC Aust under which CCIC will manage the Chinese registration, approval, certification and traceability of products produced in Australia by JAT. This agreement will ensure that JAT's products meet the national standards of China. The traceability service is to guarantee that only genuine Group products are sold in China. The assistance from the CCIC will provide greater opportunity for ANMA's infant formula registration to be accepted and approved by Chinese authorities. It will be an invaluable resource to ensure the new products being developed and produced at the ANMA factory will meet Chinese standards and requirements.

Outlook

JAT will continue to drive growth in its dairy products business, expects that increased demand for its Neurio lactoferrin dairy products will continue, and looks forward to generating cash in 2021.

The expansion at ANMA will allow JAT to increase profit margins by increasing the production of its own products as well as generating revenue through increased manufacturing of products for third parties. The ANMA factory upgrade completion in early FY21 will empower ANMA to produce a broader range of products as well as increase the capacities of its operations.

The opening of the Shanghai Maternity and Infant Boutique by late 2020 will allow JAT to complete its end to end supply and delivery chain and provide great opportunity for the Company's in-house branded products to be sold directly to the Chinese consumers.

Directors' Report

Operations Review (continued)

The introduction of new products, including JAT's clinical skincare product range, its newly-developed clinical formulas and health-based consumer products, will broaden the range of products sold into Australia, China and the Asian region.

JAT will continue to develop and produce high quality and high margin innovated in-house products for both the Australian and Chinese markets, particularly those with a health focus. A marketing research agreement with Monash University will provide insight into consumer demand for health products in the Chinese market, and we expect our first clinical skincare products developed through our Hong Kong JV to be ready by late September or early October 2020.

The purchase of a new office in Western Sydney for \$1.28 million through subsidiary Sunnya will also support the company's growth plans.

To overcome the constraints of the Daigou channel, JAT will continue to explore new sales channels including the introduction of "Group Buy" via WeChat, which will enable it to make sales direct to Chinese consumers.

Dividends paid or recommended

No dividends were paid or declared by the parent company Jatcorp Limited since the start of the period. No recommendation for payment of dividends has been made (2019: \$nil).

During the year Green Forest International Pty Ltd has paid \$980,000 fully franked dividend of which \$490,000 was paid to non-controlling interest. Sunnya Pty Ltd has paid \$1,466,653 fully franked dividend of which \$718,660 was paid to non-controlling interest.

Significant changes in state of affairs

Change of name

As announced in June 2020, Jatenergy Limited changed its company name to Jatcorp Limited after shareholders passed a resolution. There was no change to its ASX code of JAT.

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

Matters subsequent to the end of the financial year

Appointment and resignation of Directors

As announced in August 2020, Mr Sun Xin was appointed a director of JAT. Mr Sun is Managing Director of Guangdong RYS Investment Ltd, a midmarket private equity buyout firm with a focus on mainland China. He has also worked for a number of securities firms including CDB Securities Ltd. Mr Sun is a Representative Sponsor of the China Securities Regulatory Commission. His appointment coincided with the resignation of Mr Xipeng Li as a Director, who helped develop JAT's business and contacts in China.

Share buy-back

As announced in July 2020, JAT completed a share buy-back after gaining shareholder approval at a general meeting on 18 June 2020. The buy-back was of 7,361,900 ordinary shares issued to shareholders as a result of a systems error as part of a December 2017 Share Purchase Plan. There are a number of shareholders who have not yet entered into buy-back agreements, and JAT will continue to take appropriate action against those shareholders, including court proceedings to seek orders for cancellation of those shares.

Directors' Report

Matters subsequent to the end of the financial year (continued)

Convertible Notes

As announced on 22 April 2020, 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 AUD4,000,000 dated 22 April 2020. On 8 July 2020 the Company issued 2,771,600 convertible securities with a face value of US\$1.20 each raising AU\$4,000,000 before costs pursuant to the convertible note facility with Obsidian Global GP, LLC. On 8 July 2020 JAT also issued 49,000,000 ordinary, fully paid shares (Collateral Shares) on the issue of the Convertible Securities, as security for the Company's obligations under the convertible securities agreement, with such Collateral Shares to be credited upon retirement of the convertible securities. The remaining number of Convertible Notes following Conversion is 2,677,900.

Green Forest

In October 2019, legal proceedings commenced against Green Forest International Pty Ltd (GFI), a subsidiary of Jatcorp Limited, in relation to copyright and trademark infringement in respect of products sold by GFI. GFI is defending these proceedings and has filed a cross-claim against the applicant. The directors believe that GFI will have be successful in these proceedings.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this annual report under the Operating 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 been involved in business broking industry for more than 10 years and specialises in franchise recruitment and development. He has worked with a number of franchise firms to develop franchise businesses for both local and international markets. Mr Yao has also been involved in managing several retail and franchise businesses for many years and has great experience and knowledge in management and marketing. Mr Yao has strong connections with overseas investors, especially from mainland China and he has worked closely with Australian Government organisations and local companies to promote successful investment projects for Chinese investors. He also provides consulting services to several ASX listed companies, focusing on project exploring and seeking investment funds from overseas investors.

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 Bisan Limited (BSN).

Directors' Report

Information on directors and company secretaries (continued)

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.

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 2020 and the numbers of meetings attended by each Director were:

	A	B
Wilton Yao	6	6
Brett Crowley	6	6
Xipeng Li	6	4

A Number of meetings attended

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

Directors' Report

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.jatenergy.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 Company'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.

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 carry out investigations into control mechanisms and report their findings and recommendations in relation to control improvements, processes and procedures to the Board.

Directors' Report

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for Financial Year 2020. 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:

- 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.

Directors' Report

Remuneration Report (continued)

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 2019, 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 (2019: \$Nil) and Brett Crowley received \$110,000 in 2020 financial year (2019: \$60,750).

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.

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.

Directors' Report

Remuneration Report (continued)

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 2019 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.

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue	59,452,615	66,444,062	2,316,868	9,826,738	967,052
EBITDA	7,081,117	5,279,658	(1,268,258)	(402,366)	(750,754)
Loss After Income Tax	(26,590,035)	(20,492,541)	(1,268,891)	(406,025)	(1,978,817)
Share Price	0.040	0.047	0.06	0.014	0.01

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

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

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 2020 include Wilton Yao, Brett Crowley and Parag Khandekar. Mr Yao has contracts currently in place with the Group.

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)

Name	Cash salary and fees	Total	Performance related
2019	\$	\$	%
Non-executive directors			
Xipeng Li	-	-	-
Brett Crowley	60,750	60,750	-
Total non-executive directors	60,750	60,750	-
Executive directors			
Anthony Crimmins	225,000	225,000	69%
Wilton Yao	440,480	440,480	40%
Total executive directors	665,480	665,480	47%
Other key management personnel			
Parag Khandekar	164,249	164,249	-
Total other key management personnel	164,249	164,249	-
Total	920,479	920,479	47%

* Payments to Brett Crowley included director fees of \$30,000, secretary fees and other reimbursement of \$30,750

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 2019 for \$25,000/month (ex GST) from 1 July 2019 for 12 months ending 30th June 2020, plus \$100,000 (ex GST) for bringing a business by acquisition into Jatcorp. The total amount payable under the contract was \$400,000 (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.

Directors' Report

Remuneration Report (continued)

	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors and key management personnel of Jatcorp ordinary shares	No.	No.	No.
2020			
Xipeng Li	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 on 11 August 2020)	-	166,667	166,667
2019			
Xipeng Li	81,188,999	(1,111,111)	80,077,888
Anthony Crimmins	39,478,582	(6,354,224)	33,124,358
Wilton Yao	18,811,111	1,000,000	19,811,111
Brett Crowley	1,112,111	-	1,112,111

Director and executive options

No options were granted as remuneration in the financial year ended 30 June 2020, or the year ended 30 June 2019.

There were no options held by key management personnel in 2020 (2019: 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

7,905,000 Options with an exercise price of 6 cents were exercised during the financial year.

There were 4,000,000 options with exercise price of \$0.10 per option issued on 9 July 2020.

There remain 71,145,001 unexercised options as at 30 June 2020. No further shares have been issued since year end. 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.

Future Developments

Any future developments required to be disclosed as per ASX Listings Rules have either been disclosed previously or are included in commentary or notes to this report. Any future items requiring to be disclosed will be disclosed according to recent listing rules.

Environmental Issues

The Group is not subject to any environmental laws in the Commonwealth or States or Territories of Australia.

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 21, 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*.

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

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



Managing Director

Wilton Yao

Dated this 31 day of August 2020

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

As lead auditor of Jatcorp Limited (formerly Jatenergy Limited) for the year ended 30 June 2020, 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

Melbourne, 31 August 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	4	59,452,615	66,444,062
Cost of Sales	5	(44,883,862)	(60,413,679)
Gross Profit		14,568,753	6,030,383
Other Income	4	880,768	3,955,906
Advertising & Marketing		(1,026,351)	(604,063)
Consultancy & Professional Fees		(636,705)	(625,025)
Employee Benefits		(2,400,400)	(1,295,372)
Directors' Fees		(510,000)	(756,230)
Administration Expenses		(1,716,945)	(843,790)
Other Expenses		(1,646,336)	(582,151)
Finance Costs		(2,115,414)	(523,048)
Share Based Payments	26	(431,667)	-
Depreciation & Amortisation		(2,490,306)	(518,352)
Impairment Loss		(26,134,266)	(24,072,574)
Loss Before Income tax		(23,658,869)	(19,834,316)
Income Tax Expense	6	(2,931,167)	(658,225)
Total Comprehensive Loss for the year		(26,590,036)	(20,492,541)
Loss attributable to:			
- Member of parent entity		(17,596,981)	(9,796,969)
- Noncontrolling interest		(8,993,055)	(10,695,572)
		(26,590,036)	(20,492,541)
Loss per share for loss attributable to the ordinary equity holders of the company:		Cents	Cents
Basic loss per share	29	(2.02)	(1.35)
Diluted loss per share	29	(2.02)	(1.35)

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 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash & Cash Equivalents	7	11,419,725	7,844,671
Trade and Other Receivables	8	6,482,872	4,744,319
Inventory	10	4,596,492	3,267,750
Financial Assets		129,167	-
TOTAL CURRENT ASSETS		22,628,256	15,856,740
NON-CURRENT ASSETS			
Property, Plant and Equipment	11	3,550,139	63,379
Right of Use Asset	9	5,049,165	-
Investment in Joint Ventures		523,247	-
Intangible Assets	12	26,542,383	28,799,052
TOTAL NON-CURRENT ASSETS		35,664,934	28,862,431
TOTAL ASSETS		58,293,190	44,719,171
CURRENT LIABILITIES			
Trade and Other Payable	13	7,413,007	1,121,600
Borrowings	15	12,592,508	1,675,806
Lease Liabilities	16	441,817	-
Tax Liabilities		2,182,761	919,384
Provisions	14	168,526	5,305,470
TOTAL CURRENT LIABILITIES		22,798,619	9,022,260
NON-CURRENT LIABILITIES			
Borrowings	15	7,467,033	2,527,374
Lease Liabilities	16	4,883,789	-
Deferred Tax Liabilities	17	5,117,460	1,028,100
TOTAL NON-CURRENT LIABILITIES		17,468,282	3,555,474
TOTAL LIABILITIES		40,266,901	12,577,734
NET ASSETS		18,026,289	32,141,437
EQUITY			
Contributed Equity	18	63,977,915	57,556,005
Unissued Shares	18	320,175	-
Accumulated Losses		(57,864,574)	(40,267,593)
Total Parent Equity		6,433,516	17,288,412
Non-controlling Interests		11,592,773	14,853,025
TOTAL EQUITY		18,026,289	32,141,437

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Contributed Equity \$	Non-Controlling Interest \$	Accumulated losses \$	Unissued Shares \$	Total \$
Balance at 1 July 2018	45,216,805	12,428,580	(30,470,624)	-	27,174,761
Loss for the year	-	(10,695,572)	(9,796,969)	-	(20,492,541)
Total comprehensive loss	-	(10,695,572)	(9,796,969)	-	(20,492,541)
Shares issued during the year net of cost	12,339,200	-	-	-	12,339,200
Recognition of Non- controlling Interests	-	13,120,017	-	-	13,120,017
Balance at 30 June 2019	57,556,005	14,853,025	(40,267,593)	-	32,141,437
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)
Total comprehensive loss	-	(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

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

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Consolidated Statement of Cashflows

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		56,135,155	72,242,117
Payments to suppliers and employees		(51,178,724)	(74,635,172)
Interest received		283,848	258,255
Finance costs paid		(2,115,414)	(523,048)
Income taxes paid		(1,667,790)	(146,841)
Net cash inflow in operating activities	28	1,457,075	(2,804,689)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,962,890)	-
Payments for the acquisition of controlled entities		(7,000,000)	(4,600,000)
Payments for investment in joint ventures		(523,247)	-
Earnout payment		(2,600,000)	-
Net cash outflow in investing activities		(13,086,137)	(4,600,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		754,137	8,189,200
Net Proceeds from borrowings		16,319,197	2,841,682
Right of Use asset payment		(660,558)	-
Dividends Declared by Subsidiaries		(1,208,660)	-
Net cash inflow in finance activities		15,204,116	11,030,882
Net increase in cash and cash equivalents		3,575,054	3,626,193
Cash and cash equivalents at the beginning of the year		7,844,671	4,218,478
Cash and cash equivalents at the end of the year	7	11,419,725	7,844,671

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

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Notes to Financial Statements

For the year ended 30 June 2020

Corporate Information

Jatcorp Limited (formerly known as Jatenergy 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. The 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 2020. 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.jatenergy.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 25.

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 2020

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 2020. 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 2020

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) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profits or loss, unless the change in value can be identified as existing at acquisition date. All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. Management uses independent external valuations to assist in determining the fair values of the various elements of each business combination. Particularly, the fair value of separable intangibles, provisions for contingent consideration relating to earn out liabilities, and the resulting goodwill arising from acquisitions. The estimated value of the separable intangibles and goodwill related to the acquisition of Australian Natural Milk Association Pty Limited ('ANMA') during the year have been assessed by management based on valuation performed by an independent third party commissioned by management. Refer to note 12 and note 25 for details.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(g) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries (note 25) 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.

(h) 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.

Impairment testing is performed annually for goodwill.

(i) 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.

(j) 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.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(k) Leases

Prior period

In the prior period, leases were accounted for as operating leases under AASB 117 Leases, and the policy was to recognise payments as an expense on a straight-line basis over the lease term.

Current period, from 1 July 2019

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.

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.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(k) Leases (continued)

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.

- ii. 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).

(l) 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.

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.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(l) Financial Instruments (continued)

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.

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.

(m) 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.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(n) 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:

<u>Class of Fixed Assets</u>	<u>Depreciation Rate (Years)</u>
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 appropriate, at each balance sheet date.

(o) 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.

(p) 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.

(q) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probably that an outflow of economic resources will be required from the Group and the amounts can be estimated reliably.

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

(t) 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 29 for details).

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019: AASB 16: Leases. The Group adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated. Changes to accounting policies are described below.

Effect of adopting AASB 16 at 1 July 2019

Impact on the statement of financial position at 1 July 2019:

Non – Current assets	1-Jul-19
	\$
Leased Assets	1,254,876
Total Non-current Assets	1,254,876
TOTAL ASSETS	1,254,876
Current Liabilities	
Lease Liabilities	141,958
Total Current Liabilities	141,958
Non- Current Liabilities	
Lease Liabilities	1,112,918
Total Non- Current Liabilities	1,112,918
TOTAL LIABILITIES	1,254,876
NET ASSETS	-
TOTAL EQUITY	-

Notes to Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(u) New and Amended Accounting Standards adopted by the Group (continued)

There is no impact on the statement of profit or loss and other comprehensive income, statement of cash flows, and basic and diluted earnings per share for the comparative period as the Group elected to adopt the modified retrospective approach when transitioning to AASB 16.

Lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

The Company has recognised right-of-use assets of \$1,254,876 and lease liabilities of \$1,254,876 at 1 July 2019, for leases previously classified as operating leases. The weighted average lessee's incremental borrowing rate applied to lease liabilities as 1 July 2019 was 5.5%.

	\$
Operating lease commitments at 30 June 2019 financial statements	781,876
Discounted using the incremental borrowing rate at 1 July 2019	661,447
Add:	
Extension options reasonably certain to be exercised not included in the commitments note at 30 June 2019	593,429
Lease liabilities recognised at 1 July 2019	<u>1,254,876</u>
Add:	
Lease liability acquired with the acquisition of ANMA on 1 October 2019	4,268,502
Less:	
Payment made towards lease liability as at 30 June 2020	(197,772)
Lease Liability as at 30 June 2020	<u>5,325,606</u>

Effect of AASB 16 on the twelve months period ended 30 June 2020.

Set out below are the carrying amounts of the Group's right -of-use assets and lease liabilities and the movements during the year ended 30 June 2020.

	Right of Use Asset	Lease liabilities
As at 1 July 2019	1,254,876	1,254,876
Asset and Liability acquired during the year	4,268,502	4,268,502
Depreciation expense	(474,213)	-
Interest expense	-	277,637
Payments	-	(475,409)
As at 30 June 2020	<u>5,049,165</u>	<u>5,325,606</u>

Notes to Financial Statements

For the year ended 30 June 2020

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. Impairment of security deposit of Nutritional Choice Australia Pty Ltd (NCA) – Golden Koala (refer note 8)

In 2018 financial year, Jatcorp's 51% subsidiary, Golden Koala (GK), paid a total of \$2.5 million to Nutritional Choice Australia Pty Ltd (NCA) for the production of infant milk formula for Chinese consumers. NCA held a Chinese Food and Drug Administration licence (now referred to as "SAMR" approvals) for the production of the GK products. Subsequent to the payment made by GK, legal proceedings were commenced in the Federal Court of Australia against NCA. The effect of the court proceedings was to prevent NCA supplying GK with the contracted products. As a result, GK exercised its security over the assets of NCA and appointed a receiver to NCA to protect its position. The Federal Court proceedings have now been completed.

As the business of NCA is in the process of being sold, the directors of Jatcorp expects that Golden Koala will recover its receivable of \$2.5 million on the sale of the NCA business. In this case, the vendors of the business will need to have Golden Koala consent to its security over the assets of NCA being discharged in full to complete the sale. Given there remains some uncertainty about the recoverability of the receivable and taking a prudent approach, the directors of Jatcorp Limited have made decision to fully impair the deposit of \$2.5 million in the current reporting year.

B. 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

In August 2018, Jatcorp acquired 50% of Green Forest International Pty Ltd ('Green Forest'), goodwill of \$13,984,245 was recognised in prior year. During the year, Hong Kong's political instability and COVID-19 pandemic have caused disruption across the markets, especially the local outbound Daigou market as government lockdowns have constrained the movement of overseas visitors and students. As a result, sales have decreased significantly compared to prior year. Decreased sales and COVID-19 pandemic disruption has resulted in the estimated recoverable amount being less than the carrying amount. After taking a prudent approach based on the most recent information, the Directors of Jatcorp have made decision to fully impair the Goodwill balance as at 30 June 2020.

Customer relationships of \$1,900,000 was recognised as a result of the acquisition in prior year. Management has re-assessed the useful life of customer relationships based on existing customers, sales to date and present value estimates of future sales and considers 5 years as reasonable estimated useful life. As at 30 June 2020 the carrying value was \$1,182,685.

Notes to Financial Statements

For the year ended 30 June 2020

2. Critical Accounting Estimates and Judgements (continued)

B. Carrying amount of Intangible Assets (refer note 12) (continued)

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.

Management has stress tested its discounted cash flow model by assuming that the future revenue for 2021FY will reduce by 71%, in 2022FY by 48% and in 2023FY by 32% compared to the current 2020FY sales. Management's assumption also included that there will be no future tariff from China and that COVID-19 will dwindle down and International borders will open in early 2022. Even with these worst case scenario analysis, there is no indication of impairment as at 30 June 2020.

Customer relationships of \$930,000 and tradenames of \$597,000 were recognised as a result of the acquisition in 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 2020 the carrying value of customer relationships amounted to \$609,978 and tradenames amounted to \$494,283.

Australian Natural Milk Association Pty Ltd (ANMA)

In October 2019, Jatcorp Limited acquired 65% of Australian Natural Milk Association Pty Ltd ('ANMA'). Goodwill of \$9,650,067 was recognised on the acquisition date based on valuations performed by an independent third party commissioned by management. Victorian stage 4 lockdown restrictions and uncertainty of progression of the pandemic negatively impacted on production capacity of ANMA in the next 12 months. After consideration of the current year's financial outcome and future expected performance, goodwill balance has been impaired in full as at 30 June 2020.

In addition, import Licence of \$13,631,200 was recognised as a result of the acquisition. Management has considered the estimated useful life of the licence based on present value estimates of future sales and considers 8 years to be a reasonable estimated useful life. As at 30 June 2020, carrying value of the licence was \$12,353,275.

C. 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 2020, the Group has incurred a loss after tax of \$26,590,036, which is mainly driven by non-cash expenses, including goodwill impairment loss of \$23,634,266, NCA deposit impairment of \$2,500,000, and depreciation and amortisation totalling \$2,490,306.

At 30 June 2020, the Group has net current liabilities of \$170,363 (2019: \$6,834,480 net current assets) and has excess of liabilities over net tangible assets of \$8,516,094 (2019: \$3,342,385 surplus of net tangible assets over liabilities). The excess liabilities are caused by increased debts and convertible notes issued for funding acquisition of ANMA.

The directors believe that the going concern basis of preparation is appropriate due to: the Group having cash balances of \$11,419,725 (2019: \$7,844,671); the Group having positive cash flows from operating activities for the current reporting year of \$1,457,075 (2019: \$2,804,689 cash outflow). The Group has raised capital of \$1,728,437 from external investors during the reporting year; the Group expecting to deliver growth via developing new products, expanding JAT business and distribution networks, and seeking new sales channels to offset constraint of Daigou channel; the Group expecting to convert partial debts to equity; 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 the Group 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.

Notes to Financial Statements

For the year ended 30 June 2020

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 and New Zealand.

	Australia	China	New Zealand	Total
	\$	\$	\$	\$
Revenue	20,335,158	37,545,502	2,452,723	60,333,383
Expense	(41,346,666)	(11,930,092)	(2,465,814)	(55,742,572)
Finance Cost	(2,115,414)	-	-	(2,115,414)
Impairment	(26,134,266)	-	-	(26,134,266)
Income tax expense	(2,931,167)	-	-	(2,931,167)
Profit/(loss) after income tax	(52,192,355)	25,615,410	(13,091)	(26,590,036)
Total Assets	55,690,844	2,491,051	111,295	58,293,190
Total Liabilities	(40,090,386)	(153,297)	(23,218)	(40,266,901)
Net Assets	15,600,458	2,337,754	88,077	18,026,289

4 Revenue

	Consolidated entity	
	2020	2019
	\$	\$
Revenue		
Trading Income	59,452,615	66,444,062
Total Revenue	59,452,615	66,444,062
Other Income		
Interest Income	283,879	258,255
Rental Income	95,881	-
Earnout Liability Written Back	-	2,552,637
Miscellaneous Income	501,008	1,145,014
Total Other Income	880,768	3,955,906

Notes to Financial Statements

For the year ended 30 June 2020

5 Cost of sales

	Consolidated entity	
	2020	2019
	\$	\$
Cost of Sales *	(44,883,862)	(60,413,679)

* Tax and import expenses in China were allocated under administrative expenses in FY2019. The tax and import expenses are duties, VAT and agent charges paid during customs clearance process. The expenses are allocated under costs of sales in FY2020. Cost of sales in FY2019 is revised from \$59,696,079 to \$60,413,679.

6 Income tax expense

	2020	2019
	\$	\$
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(23,658,869)	(19,834,316)
Tax (benefits) at the Australian tax rate of 30% (2019:30%)	(7,097,661)	(5,827,895)
Tax effect of amounts which are not deductible in calculating taxable income		
Tax effect of		
non-deductible expenses	7,840,281	6,951,519
changes in temporary differences	78,327	27,973
Adjusted income tax	820,947	1,151,597
Tax losses not brought to account	2,110,220	(85,372)
Income tax expenses	2,931,167	658,225

The Group has a turnover of more than \$59 million for the year ended 30 June 2020. It is over the base rate entity threshold and therefore, tax rate of the Group is 30% in 2020 (2019: 30%)

The Parent company has unrecognised available tax losses of \$2,110,220 as at 30 June 2020. 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 2020

7 Cash and cash equivalents

	Consolidated Entity	
	2020	2019
	\$	\$
Cash at bank and in hand	11,419,725	7,844,671
Total	11,419,725	7,844,671

8 Trade and other receivables

	Consolidated Entity	
	2020	2019
	\$	\$
Current		
Trade receivables	4,100,118	1,362,859
Provision for doubtful debts	(36,044)	-
Total	4,064,074	1,362,859
Deposit paid to Nutritional Choice Australia (refer to note 2 (A))	-	2,500,000
Prepayments	628,658	495,493
Other receivables	1,790,140	385,967
Total	6,482,872	4,744,319

Past due but not impaired

	Total	Neither past due nor impaired	31 - 60 days	61-90 days	>90 days
	\$		\$	\$	\$
2020	4,100,118	3,596,312	46,652	157,566	299,588
2019	1,362,859	891,006	448,324	22,557	972

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 2020 was \$503,806 (2019: \$471,853).

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.

30 June 2020	Trade receivables days past due					Total
	Neither past due nor impaired	31 - 60 days	61-90 days	>90 days		
Expected credit loss rate	0.5%	1%	2%	5%		
Gross carrying amount	3,596,312	46,652	157,566	299,588		4,100,118
Lifetime expected credit loss	17,982	467	3,151	14,444		36,044

Other receivables have been assessed and no impairment is considered necessary.

Notes to Financial Statements

For the year ended 30 June 2020

9 Right of use assets

	Consolidated Entity	
	2020	2019
	\$	\$
Cost as at 1 July 2019	1,254,876	-
Asset and Liability acquired during the period	4,268,502	-
Less: Accumulated Depreciation	(474,213)	-
Interest expense	-	-
Payments	-	-
As at 30 June 2020	5,049,165	-

10 Inventory

	Consolidated Entity	
	2020	2019
	\$	\$
Finished goods	2,971,924	3,100,652
Raw materials	997,541	138,000
Packaging materials	627,027	29,098
Total	4,596,492	3,267,750

For personal use only

Notes to Financial Statements

For the year ended 30 June 2020

11 Property, plant and equipment

	Consolidated Entity	
	2020	2019
	\$	\$
Property at cost	1,279,264	-
Less: accumulated depreciation	(1,648)	-
Total property	1,277,616	-
Plant and equipment at cost	1,570,747	-
Less: accumulated depreciation	(984,659)	-
Total plant and equipment	586,088	-
Motor vehicles at cost	288,152	67,377
Less: accumulated depreciation	(43,600)	(3,998)
Total motor vehicles	244,552	63,379
Projects under construction	1,441,883	-
Total property, plant and equipment	3,550,139	63,379

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	Working in progress	Total
	\$	\$	\$	\$	\$
Consolidated					
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
Year ended 30 June 2019					
Balance at the beginning of year	-	-	67,377	-	67,377
Additions	-	-	-	-	-
Disposals - written down value	-	-	-	-	-
Depreciation	-	-	(3,998)	-	(3,998)
Balance at the end of the year	-	-	63,379	-	63,379

Notes to Financial Statements

For the year ended 30 June 2020

12 Intangible Assets

	Consolidated Entity	
	2020	2019
	\$	\$
Goodwill (a)	11,902,162	25,886,406
Tradenames (b)	553,983	1,957,000
Accumulated amortisation	(59,700)	(43,017)
Impairment loss	-	(1,360,000)
Carrying value	494,283	553,983
Customer relationships (c)	2,358,663	2,830,000
Accumulated amortisation	(566,000)	(471,337)
Carrying value	1,792,663	2,358,663
Import Licence (d)	13,631,200	-
Accumulated amortisation	(1,277,925)	-
Carrying value	12,353,275	-
Total intangible assets	26,542,383	28,799,052

Movements in carrying amount of intangible assets

	Consolidated Entity	
	2020	2019
	\$	\$
(a) Goodwill		
Balance as at 1 July	25,886,406	22,712,574
Acquired (refer to note 25 (a))	9,650,022	25,886,406
Impairment Loss	(23,634,266)	(22,712,574)
Carrying Value	11,902,162	25,886,406

	Consolidated Entity	
	2020	2019
	\$	\$
(b) Trade Names		
Balance as at 1 July	553,983	1,360,000
Acquired	-	597,000
Impairment Loss	-	(1,360,000)
Amortisation	(59,700)	(43,017)
Carrying Value	494,283	553,983

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Notes to Financial Statements

For the year ended 30 June 2020

12 Intangible assets (continued)

	Consolidated Entity	
	2020	2019
	\$	\$
(c) Customer Relationship		
Balance as at 1 July	2,358,663	-
Acquired	-	2,830,000
Accumulated amortisation	(566,000)	(471,337)
Carrying Value	1,792,663	2,358,663

	Consolidated Entity	
	2020	2019
	\$	\$
(d) Import Licence		
Balance as at 1 July	-	-
Acquired (refer to note 25 (a))	13,631,200	-
Accumulated amortisation	(1,277,925)	-
Carrying Value	12,353,275	-

The total impairment charge to profit in the year comprises:

	Consolidated Entity	
	2020	2019
	\$	\$
Golden Koala goodwill	-	22,712,574
Golden Koala Tradenames	-	1,360,000
Green Forest goodwill	13,984,244	-
Australian Natural Milk Association goodwill	9,650,022	-
Total impairment	23,634,266	24,072,574

13 Trade and other payables

	Consolidated Equity	
	2020	2019
	\$	\$
Trade payables	1,872,169	209,476
Sundry accruals and other payables	1,611,413	912,124
ANMA acquisition payable	3,929,425	-
Total	7,413,007	1,121,600

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

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Notes to Financial Statements

For the year ended 30 June 2020

14 Provisions

	Consolidated Entity	
	2020	2019
	\$	\$
Current		
Earnout liabilities *	-	5,250,000
Provision for annual leave	168,526	55,470
Total	168,526	5,305,470

*During the year, earnout liabilities was settled in cash of \$2,600,000 and balance of \$2,650,000) via issue of shares in December 2019 (note 18).

15 Borrowings

	Consolidated Entity	
	2020	2019
	\$	\$
Current		
Loans from shareholders *	1,274,000	1,328,482
Loans from directors *	27,529	338,269
Loan from Topwei Two Pty Ltd (interest rate 13%)	5,000,000	-
Loan from Topwei Two Pty Ltd *	2,250,000	-
Convertible Notes from Obsidian	4,000,000	-
HP Liability	40,979	9,055
Total	12,592,508	1,675,806
Non-current		
Loans from shareholders (interest rate 15% p.a)	2,300,000	2,460,509
Loan from Topwei Two Pty Ltd(interest rate 20% p.a)	5,000,000	-
HP Liability	167,033	66,865
Total	7,467,033	2,527,374

* These loans are at call and interest free.

16 Lease Liabilities

	Consolidated Entity	
	2020	2019
	\$	\$
Current		
Lease liabilities	441,817	-
Total	441,817	-
Non-current		
Lease liabilities	4,883,789	-
Total	4,883,789	-

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Notes to Financial Statements

For the year ended 30 June 2020

17 Deferred Tax Liabilities

	Consolidated Entity	
	2020	2019
	\$	\$
Balance as at 1 July	1,028,100	408,000
Acquired through business combination (note 25 (a))	4,089,360	1,028,100
Write back	-	(408,000)
Total	5,117,460	1,028,100

18 Contributed equity

			Consolidated Entity	
	2020	2019	2020	2019
	\$	\$	\$	\$
Share capital				
934,548,092 (2019:798,486,181) Fully paid shares			63,977,915	57,556,005
Movements in Ordinary Share Capital	2020	2019	2020	2019
	\$	\$	No.	No.
Balance at the beginning of year *	57,556,005	45,216,805	798,486,181	588,816,182
August 2018 (Acquisition of Green Forest)		2,680,000		40,000,000
August 2018 (Share Placement)		960,000		10,633,333
August 2018 (Share Placement)		300,000		3,000,000
October 2018 (Share Placement)		5,000		333,333
October 2018 (Acquisition of Sunnya)		1,470,000		35,000,000
October 2018 (Share Placement)		1,027,200		22,420,000
December 2018 (Share placement)		5,200,000		86,666,667
February 2019 (conversion of options)		697,000		11,616,666
October 2019 (Shares issued for the \$474,300 received in FY19) @ 6 cents	474,300		7,905,000	
October 2019 Shares Issued for Investment in ANMA of \$2million @ 5.48 cents	2,043,473		36,490,596	
December 2019 Shares Issued to Sunnya (\$650,000) and Green forest (\$2,000,000) as part of Earnout	2,650,000		66,583,580	
December 2019 Money Received for Right Issue @ 5 cents	504,097		10,081,935	
January 2020 (Shares issued to Chris Pang @ 5 cents)	500,000		10,000,000	
January 2020 (Shares issued for \$250,040)	250,040		5,000,800	
Balance at the end of year	63,977,915	57,556,005	934,548,092	798,486,181

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Notes to Financial Statements

For the year ended 30 June 2020

18 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 18 June 2020, a resolution was passed approving the cancellation of 3,500,000 ordinary shares in the Company. There are a further 4,600,000 shares which were issued in error which continue to be held by shareholders who have not yet entered into buy-back agreements, despite not having paid for the shares and despite having been requested to enter into a buy-back agreement.

On 20 April 2020 Jatcorp has entered into a convertible note agreement with a face value of \$1,000,000 with a conversion price of 5 cents subject to shareholder approval. As at the date of this report, Jatcorp has received \$320,175 pursuant to this note. Jatcorp has recognised as an equity component at balance date.

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.

19 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, trade and other payables and borrowings (current and non-current).

	Notes	Consolidated entity	
		2020	2019
		\$	\$
Financial Assets			
Cash and cash equivalents	7	11,419,725	7,844,671
Trade and other receivables	8	6,482,872	4,744,319
Financial assets		129,168	-
Investment in Joint Ventures		523,237	-
Total		18,555,012	12,588,990
Financial Liabilities			
Trade and other payables	13	7,413,007	1,121,600
Borrowings (current and non-current)	15	20,059,541	4,203,180
Total		27,472,548	5,324,780

Notes to Financial Statements

For the year ended 30 June 2020

19 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 2020 was \$4,140 (2019: \$486,972) 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 subsidiary but only 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

19 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 2020 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 \$17,902,597 have a maturity with 12 months of 30 June 2020 and financial liabilities of \$27,472,548 of which \$4,000,000 is a convertible note and management expects that the non-current borrowings 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)	7,413,007	-	7,413,007
Borrowings (note 15)	12,592,508	7,467,033	20,059,541
	<u>20,005,515</u>	<u>7,467,033</u>	<u>27,472,548</u>

(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.

Interest rate sensitivity analysis

The Group as 30 June 2020 held cash in low interest-bearing accounts. The Directors do not consider that any reasonably

Notes to Financial Statements

For the year ended 30 June 2020

19 Financial risk management (continued)

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.

20 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.

	Consolidated Entity	
	2020	2019
	\$	\$
Short term benefits	770,788	920,479
Total	770,788	920,479

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 2020 or 30 June 2019 other than noted here, in the remuneration report, and Note 24.

21 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.

	Consolidated Entity	
	2020	2019
	\$	\$
LNP Audit and Assurance Pty Ltd	75,000	70,000
Hall Chadwick	-	42,682
Total	75,000	112,682

Notes to Financial Statements

For the year ended 30 June 2020

22 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 goodwill, customer relationships, import licence and trademarks are classified as level 3. The value of these assets is disclosed in note 12.

23 Contingencies and Commitments

There are no contingent liabilities as at 30 Jun 2020 (2019: none)

	Consolidated Entity	
	2020	2019
	\$	\$
Commitments for minimum lease payments in relation to operating leases contracted for the reporting date but not recognised as liabilities, payable:		
Within one year	-	262,414
Over one year	-	519,462
	-	781,876

There are no operating lease commitments at 30 June 2020 due to the adoption of AASB 16, which caused operating lease to be capitalised in the balance sheet.

The Group is committed to pay \$866,430 for the purchase of new machinery in ANMA factory and \$325,730 to University of Sydney for research cost on product testing.

Notes to Financial Statements

For the year ended 30 June 2020

24 Related party transactions

	Consolidated Entity	
	2020	2019
	\$	\$
(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	27,500	28,380
(b) Transaction occurring during the year:		
Directors/consulting fees (inc GST) paid to Top Cat Consulting Services Pty Ltd for the provision of the services of Anthony Crimmins	-	280,500
Directors/consulting fees (inc GST) paid to Aust JLY Group Pty Ltd for the provision of the services of Wilton Yao	412,500	484,528
Directors/secretary & consulting fees (inc GST) paid to BTC Lawyers for the provision of the services of Brett Crowley	121,000	66,825
Ecomag Limited, a company in which Anthony Crimmins is a director, paid rent to Jatcorp during the period	-	33,387
Abundant Produce Limited, a company of which Anthony Crimmins is a director, paid Jatcorp for staff expenses during the period	-	16,346
Abundant Natural Health Pty Ltd, a company of which Anthony Crimmins is a director, received payments from Jatcorp for expenses during the period	-	5,000
J&Y Group Pty Ltd, a company controlled by Wilton Yao, received payment for administration and accounting services provided during the period	3,432	8,230

25 Controlled entities

Subsidiaries of Jatcorp which are consolidated	Country of incorporation / Place of business	Percentage owned (%)*		Percentage owned by non-controlling interest (%)*	
		2020	2019	2020	2019
		%	%	%	%
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	-	35	-

* Percentage of voting power is in proportion to ownership.

Jatpharm Pty Ltd did not carry out any business activity during year ended 30 June 2020.

(a) Acquisition of entities

65% of Australian Natural Milk Association Pty Ltd was acquired during the year. Details of the transactions are:

Notes to Financial Statements

For the year ended 30 June 2020

25 Controlled entities (continued)

	2020
	\$
Purchase consideration consisting of :	
Cash paid	7,000,000
36,490,596 shares in Jatcorp Limited	2,043,473
Present value of future cash instalments	3,847,816
Total Consideration	12,891,289

Assets and Liabilities held at acquisition date	\$
Other net tangible assets acquired (ii)	640,890
Deferred tax liability	(4,089,360)
Import Licence (i)	13,631,200
Goodwill (i)	9,650,022
Minority interest	(6,941,463)
Net Assets Acquired	12,891,289

- (i) The fair value of goodwill and import licence acquired relating to Australian Natural Milk Association Pty Ltd ('ANMA') have been determined based on a valuation report received from independent valuation specialist.
- (ii) During the period the Group obtained control of Australian Natural Milk Association Pty Ltd ('ANMA').

	ANMA
	\$
Cash	156,110
Deposit to suppliers	4,498
Trade debtors	15,576
Inventory	210,603
Property, plant and equipment	636,338
Formulation	4,552
GST liabilities	53,629
Payroll liabilities	(38,733)
Trade creditors	(279,526)
Customer deposit	(103,327)
Accrued expense	(18,830)
Total purchase price paid in cash	640,890

Cash paid to obtain control net of cash acquired	7,000,000
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Notes to Financial Statements

For the year ended 30 June 2020

26 Share based payments

The following share-based payment arrangements in the form of share rights awards were in existence during the current reporting period:

	Consolidated Entity	
	2020	2019
	\$	\$
Shares issued to Chris Pang for the provision of promoting Jatcorp's products as JAT's brand ambassador	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	-
Total share-based payments	431,667	-

27 Events occurring after the reporting date

Appointment and resignation of Directors

As announced in August 2020, Mr Sun Xin was appointed a director of JAT. Mr Sun is Managing Director of Guangdong RYS Investment Ltd, a midmarket private equity buyout firm with a focus on mainland China. He has also worked for a number of securities firms including CDB Securities Ltd. Mr Sun is a Representative Sponsor of the China Securities Regulatory Commission. His appointment coincided with the resignation of Mr Xipeng Li as a Director, who helped develop JAT's business and contacts in China.

Share buy-back

As announced in July 2020, JAT completed a share buy-back after gaining shareholder approval at a general meeting on 18 June 2020. The buy-back was of 7,361,900 ordinary shares issued to shareholders as a result of a systems error as part of a December 2017 Share Purchase Plan. There are a number of shareholders who have not yet entered into buy-back agreements, and JAT will continue to take appropriate action against those shareholders, including court proceedings to seek orders for cancellation of those shares.

Convertible note facility

As announced on 22 April 2020, 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. On 8 July 2020 the Company issued 2,771,600 convertible securities with a face value of US \$1.20 each raising AU\$4,000,000 before costs pursuant to the convertible note facility with Obsidian Global GP, LLC. On 8 July 2020 JAT also issued 49,000,000 ordinary, fully paid shares (Collateral Shares) on the issue of the Convertible Securities, as security for the Company's obligations under the convertible securities agreement, with such Collateral Shares to be credited upon retirement of the convertible securities. The remaining number of Convertible Notes following Conversion is 2,677,900.

Green Forest

In October 2019, legal proceedings commenced against Green Forest International Pty Ltd (GFI), a subsidiary of Jatcorp Limited, in relation to copyright and trademark infringement in respect of products sold by GFI. GFI is defending these proceedings and has filed a cross-claim against the applicant. The directors believe that GFI will be successful in these proceedings.

Other than the above, no other matters have arisen since 30 June 2019 that have significantly affected the Group's operations.

Notes to Financial Statements

For the year ended 30 June 2020

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

	Consolidated Entity	
	2020	2019
	\$	\$
Loss for the year including income tax	(26,590,036)	(20,492,541)
<i>Non-cash flows in operating activities:</i>		
Depreciation & amortisation	2,490,306	518,352
Impairment loss	26,134,266	24,072,574
Share based payments	431,667	-
Other income	-	(3,722,101)
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in inventories	(1,328,742)	(3,267,750)
(Increase)/decrease in trade and other receivables	(3,710,045)	(1,777,965)
(Increase)/decrease in financial assets	(129,167)	-
Increase/(decrease) in trade and other payables	2,782,393	889,888
Increase/(decrease) in income tax liability	1,263,377	919,384
Increase/(decrease) in provision for employees	113,056	55,470
Net cash inflow/(outflow) from operating activities	1,457,075	(2,804,689)

29 Loss per share

	Consolidated Entity	
	2020	2019
	cents	cents
(a) Basic and diluted loss per share		
Basic loss attributable to the ordinary equity holders of the Company	(2.02)	(1.35)
Diluted loss attributable to the ordinary equity holders of the Company	(2.02)	(1.35)
(b) Loss used in calculating basic and diluted loss per share	(17,596,980)	(9,796,969)
(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	872,970,813	725,777,040
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	872,970,813	725,777,040

Notes to Financial Statements

For the year ended 30 June 2020

30 Jatcorp Limited - Parent Company Information

	2020	2019
	\$	\$
Parent Entity		
Assets		
Current Assets	12,044,538	5,526,180
Non-current Assets	7,589,204	28,913,148
Total Assets	19,633,742	34,439,328
Liabilities		
Current Liabilities	15,680,374	5,831,797
Non-current Liabilities	5,263,190	-
Total Liabilities	20,943,564	5,831,797
Equity		
Issued Capital	63,977,915	57,556,005
Unissued shares - convertible notes	320,175	-
Retained Earnings	(65,607,912)	(28,948,474)
Total Equity	(1,309,822)	28,607,531
Financial Performance		
Profit/(Loss) for the year	(36,659,438)	1,103,804
Other Comprehensive Income	-	-
Total Comprehensive Income	(36,659,438)	1,103,804

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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 23 to 57 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 2020 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 2020

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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 (formerly Jatenergy Limited), and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 Jatcorp Limited and its controlled entities 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 2020 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(C) 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 \$26,590,036 (2019 loss: \$20,492,541), has net current liabilities of \$170,363 (2019: net current assets \$6,834,480) and positive cash flows from operating activities for the year of \$1,457,075 (2019: negative cash flows \$2,804,689).

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INDEPENDENT AUDIT REPORT (CONTINUED)

These conditions along with other matters set out in Note 2(C) 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
<p>Acquisitions Refer Note 25(a)</p> <p>In October 2019 the Group acquired 65% of Australian Natural Milk Association Pty Ltd ('ANMA') for a consideration of \$13,000,000 (\$11,000,000 cash and \$2,000,000 shares).</p> <p>Significant judgement is required to identify and determine the value of separable intangible assets acquired, the contingent consideration that may be payable and the resultant goodwill arising on the acquisitions.</p> <p>The separable intangible assets are material to the Group and the Group has engaged an independent valuer to assist them in determining the appropriate assets and their values. The independent valuation report was received in February 2020.</p> <p>This is a key audit matter due to the size of the acquisition and the significant judgement involved.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining the purchase contracts to and identifying factors impacting upon the determination of total purchase consideration, considering the terms and conditions relating to any future payments to the former shareholders of the acquired entities under the relevant purchase contracts. • Enquiring of and assessing the independent valuer's reports obtained by Management. • Reviewing the tangible and intangible assets acquired and liabilities assumed. • Reviewing the Group's calculation of the total consideration paid and earnout liability calculation. • Consideration of whether the recognition and measurement of assets liabilities and contingencies, and the disclosures in the financial statements, are in accordance with Australian Accounting standards.

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INDEPENDENT AUDIT REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the matter
<p>Assessment of carrying value of intangible assets including goodwill</p> <p>Refer Note 12 – Intangible assets</p> <p>Included in the consolidated statement of financial position at 30 June 2020 are goodwill and separable intangibles (import licence, tradename and customer relationships) relating to the historical acquisitions of Green Forest International Pty Ltd ('Green Forest') and Sunnya Pty Ltd ('Sunnya') and Australian Natural Milk Association Pty Ltd ('ANMA') amounting to \$26,542,383 which is made up of Sunnya \$13,006,423, Green Forest \$1,182,685 and ANMA \$12,353,275.</p> <p>Management assessed the recoverable amount of goodwill and separable intangibles relating to these three cash generating units (CGU) as at 30 June 2020 separately. The recoverable amount of each CGU is determined on a value in use basis. This calculation incorporates a range of assumptions, including future cash flows, discount rates and terminal growth rate.</p> <p>Based on management assessment, goodwill in Green Forest and ANMA has been fully impaired and an impairment expense of \$23,634,311 has been recorded in the consolidated statement of profit or loss and other comprehensive income.</p> <p>This a key audit matter due to the value of intangibles relative to total assets and the degree of judgement and estimation uncertainty associated with the impairment assessment which is highly subjective.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> 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, and independent valuer’s reports as provided by Management. • 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 appropriateness of the relevant disclosures made in the financial statements.

INDEPENDENT AUDIT REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the matter
<p>Assessment of useful lives of intangibles (import licence)</p> <p>Note 2(B) - Critical Accounting Estimates and Judgements</p> <p>CNCA import license (Certificate and Accreditation Administration of the People's Republic of China) amounting to \$13,631,200 has been recognised by the Group upon acquisition of ANMA during the year.</p> <p>Management has considered the effective useful life of the Licence based on current sales data and projected estimated cash flows it is expecting to generate from the use of the asset. Accordingly, it has assessed 8 years to be a reasonable estimate of the period of the expected benefit of this asset.</p> <p>This a key matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Obtaining and reviewing the license • Evaluating the “value in use” discounted cash flow models developed by management for each cash generating unit to assess the recoverable amounts of separable intangibles, including critically assessing the following assumptions: <ul style="list-style-type: none"> 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, and independent valuer’s reports as provided by Management. • Assessing company’s estimates on the useful life of the import licence. • Assessing the appropriateness of the relevant disclosures made in the financial statements.
<p>Measurement of expected credit losses on trade receivables</p> <p>Refer Note 8 – Trade and other receivables</p> <p>At 30 June 2020 gross trade receivables amounted to \$4,100,118. The valuation of trade receivables requires management judgement due to the credit risk associated with each individual trade receivable.</p> <p>Management assesses the recoverability of trade receivables by reviewing customer’s ageing profile, credit history, status of subsequent receipts, forward-looking information and assumptions, this year with higher estimation uncertainty due to impact of COVID-19.</p> <p>This is a key audit matter as determination of expected credit loss requires management to make significant judgements and assumptions and is highly subjective, amplified by the impact of COVID-19 which are inherently challenging to audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • 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 disclosures in the financial statements.

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INDEPENDENT AUDIT REPORT (CONTINUED)

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 2020, 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.

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INDEPENDENT AUDIT REPORT (CONTINUED)

- 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.

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Jatcorp Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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INDEPENDENT AUDIT REPORT (CONTINUED)

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.

LNP Audit and Assurance Pty Ltd



Anthony Rose

Director

Melbourne, 31 August 2020

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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 31 August 2020.

(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	105	21,026	0.00%
above 1,000 up to and including 5,000	404	1,333,953	0.14%
above 5,000 up to and including 10,000	418	3,422,179	0.37%
above 10,000 up to and including 100,000	1,429	58,716,192	6.28%
above 100,000	789	871,054,742	93.21%
Totals	3,145	934,548,092	100.00%

Total number of holders of less than a marketable parcel of ordinary shares: 5,701,303.

(b) Substantial holders

The substantial shareholders of the Company are as follows:

Holder Name	Ordinary Shares	Percentage
GOLDEN LUCKY STAR PTY LTD <RONGJUN ZHAO FAMILY A/C>	83,000,000	8.88%
SHENG RUN HOLDINGS GROUP (AUSTRALIA) PTY LTD <THE LAND S FAMILY A/C>	75,791,666	8.11%
MR YAOAN CHEN & MRS YAN LI	54,002,085	5.78%

(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

List of Top 20 Shareholders

	Holder Name	Spread & Top 20 Listings	
		Share Holding	% of Holdings
1	GOLDEN LUCKY STAR PTY LTD<RONGJUN ZHAO FAMILY A/C>	83,000,000	8.88%
2	SHENG RUN HOLDINGS GROUP (AUSTRALIA) PTY LTD<THE L AND S FAMILY A/C>	80,077,888	8.57%
3	MR YAOAN CHEN &MRS YAN LI	54,002,085	5.78%
4	MR YULONG GU	43,511,297	4.66%
5	MR ZHONGLIANG WANG	42,062,493	4.50%
6	MISS YAQING HE	31,025,641	3.32%
7	MS DONGMEI HUA	25,543,417	2.73%
8	JIN & YAO INVESTMENTS PTY LTD	21,811,111	2.33%
9	MR ZHOU XUAN FENG	21,111,111	2.26%
10	TOP CAT CONSULTING SERVICES PTY LTD	19,200,000	2.05%
11	C&L CHEN PTY LTD<C&L CHEN LI SF A/C>	16,949,152	1.81%
12	MR BO QIANG	14,097,857	1.51%
13	AUSTRATRONICS PTY LTD<THE HAJEK FAMILY A/C>	14,004,389	1.50%
14	MR LIN LI	12,479,000	1.34%
15	NANJING PIXIANGGU DAIRY CO LTD	10,947,179	1.17%
16	MR YINGHAN HE	10,788,951	1.15%
17	EJ'S SUPERMARKETS PTY LTD	10,465,000	1.12%
18	MS YANXIA LU	10,000,000	1.07%
19	TOPWEI TWO PTY LTD<TOPWEI TWO FAMILY A/C>	8,984,606	0.96%
20	HAJEK SUPERANNUATION PTY LTD<THE AUSTRATRONICS S/F A/C>	7,076,570	0.76%
	Total Top 20 Shareholders	537,137,747	57.48%
	Total Shares	934,548,092	

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