

ASX Release

FY20 results – Setting the Foundation for Global Growth

TALi Digital Ltd (ASX: TD1, “TALi” or “the Company”), a leading digital health and technology business seeking to improve attention in early childhood, is pleased to announce its results for the year ended 30 June 2020.

**40,000**

Children start school in Australia each year

**~13%**

Have attention difficulties

**Novel Technology Platform**

Game based digital learning program backed by clinical evidence

**IP Protected**

US Patent and Chinese Trademark added to IP portfolio

FY20 FINANCIAL HIGHLIGHTS

- Total revenues and income of \$621,944
- Net loss for the period \$3,397,938
- Net cash at bank of \$3.945m (vs \$0.341m 30 June 2019)

OPERATIONAL HIGHLIGHTS

- Achieved Google for Education Partner Status on a global basis allowing TALi products to operate on all Google-based touch screen devices
- Positive study results for TALi DETECT validate the product as an effective psychometric tool for children
- Completion of TALi Early Release Program to the Australian education market in partnership with 30 schools located in remote and metropolitan areas of the country. The programme surpassed the initial goal of 1000 students, delivering the foundation for FY21 commercial release
- TALi IP portfolio strengthened with the addition of a China Trademark and U.S. Patent

TALi Digital Managing Director, Glenn Smith, said: “The past 12 months has seen TALi Digital deliver significant progress towards the commercialisation of our technology platform. Partnerships with the likes of Google and Duke University are a significant step forward in our expansion into the U.S. market. Our IP has been protected by a patent in the U.S. and a Trademark in China. Locally the successful Early Release Programme into Australian primary schools drove better than expected uptake of our product and demonstrated both the benefits and commercial validity of the TALi product. As we move into FY21 I am excited by the opportunities to embed TALi DETECT as a powerful and commercially viable tool for educators and specialists in their efforts to support every child with their wellbeing and in their learning journey”.

FINANCIAL REVIEW

The Company reported a loss for the year ended 30 June 2020, after accounting for income tax benefit, of \$3,397,518 (30 June 2019: \$2,944,443). Operating results for the year ended 30 June 2020 are attributed to the following:

- Research and Development tax incentive revenues of \$477,432 (2019: \$354,156)
- Personnel expenses excluding share-based payment expense of \$1,841,093 (2019: \$1,848,454)
- Depreciation of plant property and equipment of \$218,618 (2019: \$144,421); and
- Amortisation of intangible assets \$330,295 (2019: \$330,295)

The Company has healthy cash reserves as at 30 June 2020 of \$3,945,408 (2019: \$341,434). The increase in cash reserves was driven largely by net funds received from capital raises during the financial year \$7,588,699 (2019: \$2,580,590).

OPERATIONAL REVIEW

The company significantly advanced the development and rollout of the TALi products during FY20. Key developments during the period are detailed below. The Company notes that COVID-19 has seen an impact on timing of revenue due to the change in socio-economic conditions within Australia in particular the continued lockdowns in Victoria. The Directors further note that the COVID-19 situation continues to evolve both in Australia and on an international basis. Changes to government policy and regulations governing individuals and business continue to be enacted due to the pandemic with future material impacts on all organisations as yet unknown.

As at 31st August 2020 the Company does not form the view that COVID-19 will have a material impact on the overall business. However, the Directors will continue to monitor the situation and update shareholders as appropriate should the view of the Company change.

Google for Education Partner certification

In January 2020, the Company announced that it has successfully achieved Google For Education Partner status on a global basis. The Partner Status will allow TALi DETECT and TALi TRAIN to be accessed via Google products including G Suite for Education and Google Chromebooks. These products dominate the U.S. education system with over 55% of all U.S. school children using a Google product every day to facilitate their learning experience.



The partnership represents a key affiliation for the Company with over 90 million students, teachers and administrators using G-Suite for Education, while more than 30 million students use Google Chromebooks.

Google for Education Partner status also enables TALi to access technical support from Google developers as TALi products meet the requirements to be a priority for new Google features. This combined with marketing support including partnership branding support and participation in co-marketing activities will ensure TALi's position as a first to market leader in the attention assessment and training segment.

Receiving this status significantly increases the potential availability for TALi's product suite and is a significant step forward in the Company's expansion into the U.S. market where the Google for Education platform is widely used.

IP Portfolio Protection

The TALi IP portfolio was strengthened with the addition of a China Trademark, announced to the [market on 1st April 2020](#). The IP portfolio protection for TALi TRAIN and TALi DETECT products allows for partnership discussion with Chinese institutions and organisations, opening up a large potential revenue pool for the company.

The protection of the Company's IP portfolio was further enhanced via a U.S. Patent ([see announcement dated 21st April 2020](#)). The growing level of patent protection over TALi's product portfolio strengthens the Company's competitive advantage and will allow an acceleration of our strategic opportunities.

TALi DETECT Positive test results

During the year, TALi DETECT ("DETECT") conducted tests through a range of Victorian primary schools, kindergartens and childcare centres. Researchers at Swinburne University of Technology conducted a comprehensive analysis on DETECT performance data to establish its accuracy as an attention assessment tool.

The results confirmed that six game-based (cognitive) subtests of DETECT provide a foundational assessment of the key attentional domains. Using the data collected through the study as a normative sample, DETECT can provide an index for a child's attention-related cognitive capabilities relative to the reference group, allowing identification of children with performance outside the typical range. The study results position DETECT as a leading tool to facilitate an objective baseline measurement of attention skills in early childhood.

TALi DETECT Schools Early Release Programme

The company announced the successful completion of its Schools Early Release Programme (“the Schools Early Release”) in partnership with 30 schools located in remote and metropolitan areas of Australia. The Schools Early Release was aiming to recruit 1000 students (aged four to eight years) from a balanced cohort of education providers to utilise the Company’s DETECT attention assessment program by 30th June 2020 – a goal which was surpassed by over 61%, due to widespread interest in TALi DETECT.

Internal market analysis indicated that benchmarked technology companies who successfully cemented themselves in the Australian education sector often took years to achieve a consistent commercial tipping point of 100 schools, however TALi is well advanced to exceed this tipping point during FY21.

The results of this Early Release are a major step forward for the Company. While a number of the Early Release schools received discounts as part of the program, our successful deployments have enabled us to stress test our customer experience, create more case studies and proof points, as well as gain a network of influential teachers and principals who are open to recommending TALi to the schools in their networks.

OUTLOOK

The securing of key partnerships, growing IP protection, positive TALi DETECT test results and the completion of the Schools Early Release Programme has laid the foundation for the commercial roll out of TALi’s products in FY21. Key areas of focus for the Company include:

- Continued data collection activities in the Australian market to assist with medium to long-term large-scale use and reimbursement of TALi products
- Continued development of international partnerships to secure long term growth
- Continued investment in R&D to broaden the neurological conditions and cohorts the Company may serve

End

Release authorised on behalf of the board by:

Glenn Smith
TALi Digital Managing Director

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About TALi Digital

TALi Digital Limited (ASX:TD1) a leading digital health and technology business is seeking to improve attention in early childhood through its breakthrough TALi platform. TALi combines evidence-based proprietary algorithms inside a game-based program to assess and strengthen core attention skills. Learn more at talihealth.com.

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	Tali Digital Limited (Formerly Novita Healthcare Limited)
ABN	53 108 150 750
Financial Year Ended	30 June 2020
Previous Corresponding Reporting Period	12 months ended 30 June 2019

Part 2 – Results for Announcement to the Market

	2020	2019	Increase/ (Decrease)	Change
	\$	\$	\$	%
Revenue from ordinary activities	47,229	87,742	(40,513)	-46%
Loss from ordinary activities after tax attributable to members	(3,397,938)	(2,944,443)	(453,495)	-15%
Net loss attributable to members	(3,397,938)	(2,944,443)	(453,495)	-15%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Please refer to Part 10.

Part 3 – Contents of ASX Appendix 4E

SECTION	CONTENTS
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Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
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Part 5	Consolidated accumulated losses
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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2020	2019
	\$	\$
Revenue from continuing operations	47,229	87,742
Other revenue	574,715	826,125
Cost of sales	(867)	-
Contract research and development expenses	36,427	(174,852)
Personnel expenses excluding share-based payment expense	(1,841,093)	(1,848,454)
Share based payment expense	(8,705)	(170,021)
Depreciation and amortisation expenses	(548,912)	(474,716)
Occupancy expenses	(52,780)	(83,157)
Professional and consulting expenses	(631,064)	(407,791)
Travel and accommodation expenses	(129,472)	(201,198)
Insurance expenses	(85,103)	(67,902)
Corporate administration expenses	(85,466)	(54,999)
Intellectual property expenses	(128,042)	(74,212)
Advertising and Promotion	(342,132)	(357,479)
Other expenses	(186,268)	(244,922)
Results from operating activities	(3,381,533)	(3,245,836)
Foreign exchange gains/losses	(1,908)	(4,614)
Net finance income / (expense)	(14,362)	1,613
Loss before income tax expense from continuing operations	(3,397,803)	(3,248,837)
Income tax expense	-	-
Loss after income tax expense from continuing operations	(3,397,803)	(3,248,837)
Profit / (loss) after income tax from discontinued operations	(135)	304,394
Loss attributable to owners of the Company	(3,397,938)	(2,944,443)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net Change in fair value of Investments	(800,000)	(200,000)
Total comprehensive loss for the period to owners of the Company	(4,197,938)	(3,144,443)

Part 5 – Consolidated Accumulated losses

	2020 \$	2019 \$
Accumulated losses at the beginning of the financial year	(193,147,539)	(190,203,096)
Net loss attributable to owners of the Company	(3,397,938)	(2,944,443)
Accumulated losses at the end of the financial year	(196,545,477)	(193,147,539)

Part 6 – Consolidated Statement of Financial Position

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	11	3,945,408	341,434
Trade and other receivables		956,067	970,800
Investments		1,418	1,350
Prepayments		29,144	5,554
Total current assets		4,932,037	1,319,138
Non-current assets			
Investments		-	800,000
Intangible assets		3,322,432	2,575,900
Property, plant and equipment		316,972	479,078
Total non-current assets		3,639,404	3,854,978
Total assets		8,571,441	5,174,116
Current liabilities			
Trade and other payables		888,417	587,600
Borrowings		-	429,968
Lease Liabilities		136,915	74,806
Deferred income		261,642	187,659
Employee benefits		125,820	156,605
Total current liabilities		1,412,794	1,436,638
Non-current liabilities			
Employee benefits		12,505	9,527
Lease Liabilities		55,312	250,196
Deferred Income		1,424,274	1,210,663
Total non-current liabilities		1,492,091	1,470,386
Total liabilities		2,904,885	2,907,024
Net assets		5,666,556	2,267,094
Equity			
Share capital	17	202,113,795	194,976,507
Share based payment reserve		1,098,238	638,126
Revaluation reserve		(1,000,000)	(200,000)
Accumulated losses		(196,545,477)	(193,147,539)
Total equity		5,666,556	2,267,094

Part 7 – Consolidated Statement of Cash Flows

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers from continuing operations		53,854	372,134
Cash payments to suppliers and employees		(3,785,688)	(4,273,387)
R&D incentive		750,103	734,216
Grants Received		232,960	672,800
Interest received		30,833	32,324
Net cash used in operating activities	11	(2,717,938)	(2,461,913)
Cash flows from investing activities			
Payments for intangible assets		(648,826)	(772,533)
Payments for investments		-	(400,000)
Payments for property, plant and equipment		(65,479)	(153,379)
Proceeds from disposal of listed equity instruments		-	22,756
Net cash used in investing activities		(714,305)	(1,303,156)
Cash flows from financing activities			
Proceeds from issue of shares		8,200,001	2,785,692
Share issue costs		(611,302)	(205,102)
Repayment of lease liabilities		(122,514)	(94,010)
Proceeds from borrowings		178,430	418,025
Repayment of borrowings		(608,398)	-
Net cash used in financing activities		7,036,217	2,904,605
Net (decrease) / increase in cash and cash equivalents		3,603,974	(860,464)
Cash and cash equivalents at the beginning of the financial year		341,434	1,201,898
Cash and cash equivalents at the end of the financial year		3,945,408	341,434

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

	2020 \$	2019 \$
a) Profit before related income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	218,618	144,421
Amortisation of intangible assets	330,295	330,295
Amounts recognised in provisions for employee entitlements	125,290	138,050
Superannuation payments to defined contribution plans	173,705	137,356
b) Other expenses		
Workplace administration	181,622	127,240
Asset management	1,646	8,820
Other expenses	3,000	108,862
Total other expenses	186,268	244,922

Part 10 – Commentary on Results

The Company reported a loss for the year ended 30 June 2020, after accounting for income tax benefit, of \$3,397,938 (30 June 2019: \$2,944,443). The year ended 30 June 2020 operating results are attributed to the following:

- Research and Development tax incentive revenues of \$477,432 (2019: \$354,156)
- Personnel expenses excluding share-based payment expense of \$1,841,093 (2019: \$1,848,454)
- Depreciation of plant property and equipment of \$218,618 (2019: 144,421); and
- Amortisation of intangible assets \$330,294 (2019: \$330,295)

The Company has healthy cash reserves as at 30 June 2020 of \$3,945,408 (2019: \$341,434). The increase in cash reserves was driven largely by net funds received from capital raises during the financial year \$7,588,699 (2019: \$2,580,590).

The Company fully repaid its borrowings held at 30 June 2019 during the 2020 financial year leaving it with borrowings at 30 June 2020 of \$ nil (2019: \$429,965).

Included in the Company's trade and other payables at 30 June 2020 is an amount of \$428,000 due to Monash University for the purchase of intangible assets. This was fully settled in July 2020.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. Other than as addressed in ASX announcements, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Part 11 – Notes to the Consolidated Statement of Cash Flows

Cash as at the end of the financial year in the statement of cash flows is reconciled to the related items in the balance sheet as follows:	2020	2019
	\$	\$
Cash at bank and on hand	148,058	39,895
Cash at bank held by disposal groups as held for sale	-	-
Bank short term deposits	3,797,350	301,539
Cash assets	3,945,408	341,434
Loss after income tax	(3,397,938)	(2,944,443)
Add non-cash & non-operating items:		
- Depreciation, amortisation and loss on disposal of plant and equipment	548,912	479,562
- Shared based payment expense	8,705	170,021
- Investment (gain)/loss on revaluation	(68)	2,137
- Accrued interest	-	11,492
- Gain on disposal of investment	-	(575,253)
Change in operating assets and other receivables:		
- (Increase) / decrease in Receivables	14,733	(155,915)
- (Increase) / decrease in Other assets	(24,887)	(15,864)
- Increase / (decrease) in Employee benefits	(27,807)	54,544
- Increase / (decrease) in Deferred income	287,595	906,999
- Increase / (decrease) in Payables	(127,183)	(423,080)
- Increase / (decrease) in Other liabilities	-	(66,122)
Net cash used in operating activities	(2,717,938)	(2,555,923)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Loss per Share

	Year Ended 30 June 2020	Year Ended 30 June 2019
Basic (loss) per share	(0.51 cents)	(0.67 cents)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	670,288,091	434,779,683
As the Company is in a loss position there is no diluted earnings per share calculated.		

Part 14 – Net Tangible Assets per Security

	30 June 2020	30 June 2019
Net tangible asset backing per ordinary security in cents	0.29	(0.07)

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	TALI DIGITAL (UK) LIMITED
Date registered	12 June 2020
Country registered in	United Kingdom
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 15 – Details of Entities Over Which Control has been Gained or Lost (continued)

Name of entity	TALI DIGITAL INC
Date registered	10 October 2019
Country registered in	United States of America
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Name of entity	AVI Capital Pty Ltd
Date Deregistered	13 February 2020
Country deregistered from	Australia
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	30/06/20 %	30/06/19 %	Year ended 30/06/20 \$A'000	Year ended 30/06/19 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

Ordinary shares	2020		2019	
	\$	Number	\$	Number
749,305,218 (2019: 449,305,165) ordinary shares, fully paid	202,113,795	749,305,218	194,976,507	449,305,165
Movements in issued capital during the year were as follows:				
Balance at the beginning of the financial year	194,976,507	449,305,165	192,495,917	359,444,132
Issue of shares pursuant to private placement	7,254,204	205,420,376	2,785,692	89,861,033
Issue of shares Issued pursuant to Shortfall	460,000	46,000,000	-	-
Issue of shares pursuant to rights issue	485,797	48,579,677	-	-
Transaction costs relating to Rights Issue and placements	(1,062,712)	-	(305,102)	-
Issued capital at the end of the financial year	202,113,795	749,305,218	194,976,507	449,305,165

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

Number of options	Exercise price when granted	Expiry date	Class of share
Director options:			
13,600,000	\$0.03	21/11/2022	Ordinary
14,377,766	\$0.03	3/10/2022	Ordinary
Vendor options:			
3,785,507	\$0.03	30/06/2021	Ordinary
7,188,883	\$0.03	30/06/2022	Ordinary
6,800,000	\$0.03	21/11/2022	Ordinary
Employee options:			
2,400,000	\$0.015	31/10/2024	Ordinary
1,700,000	\$0.062	1/05/2025	Ordinary
49,852,156			

Part 18 – Segment Information

Segment reporting 2020	Research & Development	Investments	Total
	2020	2020	2020
	\$	\$	\$
External revenues	621,876	-	621,876
Interest revenue	29,566	-	29,566
Finance expense	(43,928)	-	(43,928)
Depreciation and amortisation and loss on disposal	(548,912)	-	(548,912)
Reportable segment profit / (loss) before tax	(3,397,870)	68	(3,397,803)
Reportable segment total assets	8,570,023	1,418	8,571,441
Reportable segment total liabilities	2,904,885	-	2,904,885

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Board considers that the Company now has only two segments. In 2019 it discontinued the Healthcare segment with a loss attributable to the discontinued operation of \$135 recorded in the profit and loss of 2020. No further losses are expected in relation to this discontinued segment.

Part 19 – Subsequent Events

There has not been any matter or circumstance that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not applicable