

Annual Report

2020



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A letter from the Chair

Dear Shareholder,

On behalf of the Board of Directors, I am delighted to present TALi Digital's Annual Report for the year 2020. It has been a year of significant progress for our business as we work towards global commercialisation of our technology platform.

Attention is one of the first cognitive skills to develop in early childhood and plays an important role in the formative years of learning, supporting our children to be more focused, calmer and adaptive to key skill development during their growing years.

Our scientifically and clinically validated technology targets these critical early years, where we can make the largest impact. Throughout FY20 our team remained focused on ensuring we achieved the necessary milestones for our products to have a global reach in large markets, where we can deliver a lasting social impact and ultimately create happier kids.

Foundations laid for global growth

Inattention is a problem which affects millions of children globally and our team worked hard to deliver groundwork for international growth.

The achievement of Google for Education Partner status was an important achievement, allowing TALi DETECT and TALi TRAIN to be accessed on the Google Education platform which is utilised by tens of millions of students and teachers daily. This is a significant milestone which provides the capability for our products to scale rapidly.

Additionally, we successfully signed a collaboration agreement with the largest academic clinical research organisation in the world, the Duke Clinical Research Institute (part of the Duke University School of Medicine (USA)) to generate international clinical evidence for DETECT, which will help to further establish our international credentials. For a digital health company, developing a proven set of data will be crucial for penetrating large global markets.

During the year our team worked tirelessly to generate the performance data needed to establish DETECT's accuracy as an attention assessment tool and we were pleased to surpass our participation goal, which highlights the importance teachers and parents place on attention assessment in early years. The DETECT Schools Early Release Programme has helped to provide critical insights into the use and benefits of our technology platform, as we prepare to substantially scale up our sales efforts.

New appointments to drive growth

In June we welcomed Dr David Brookes to the Board as a Non-Executive Director, who has extensive experience in the health and biotechnology industries. David replaced Mark Simari who guided our business through an important period of development and I would like to thank Mark for the important role he played in the structure and capitalisation of TALi.

TALi was also strengthened financially via capital raising activities which in total raised \$8.2 million, providing the balance sheet strength for us to execute on our global marketing and sales strategy.

As we move into FY21, we are at an exciting point in our journey where we are ready for global expansion and a scaling of our business in major markets. I would like to thank our team for their dedicated efforts during FY21 particularly given the challenges we faced with the COVID-19 pandemic. I would also like to thank my fellow Directors whose guidance and insights have been invaluable.

On behalf of the Board, I would like to thank all of our shareholders for your continued support and I look forward to updating you on our continued progress over the course of the year.

Yours sincerely,



Sue MacLeman
Chair

Chief Executive Officer's report

Dear Shareholder,

2020 has been a significant year for TALi Digital as we considerably progressed the rollout of TALi DETECT and TRAIN with successful school trials and the development of significant global partnerships. Our platform combines evidence-based proprietary algorithms inside a game-based program to assess and strengthen core attention skills and we are well positioned to increase the pace of our commercial rollout in FY21 as we transition to a period of significant growth.

We are pleased to present the following report outlining our key achievements throughout the year.

Operational review

The company significantly advanced the development and rollout of the TALi products during FY20. The Company notes that COVID-19 pandemic 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.

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. This combined with marketing support including partnership branding support and participation in co-marketing activities will solidify TALi's position as a first to market leader in the attention assessment and training segment. Through large scale testing in education environments this channel can potentially unlock the true value of TALi in determining early intervention and treatment of millions of children that would otherwise not be flagged without a program like TALi.

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.

And in June 2020 the Company announced the full assignment of all TALi TRAIN and TALi DETECT IP from Monash University to the Company providing it a unique basis in comparison to global peers in the digital health sector.

TALi DETECT positive test results

During the year, TALi DETECT conducted tests through a range of Victorian primary schools, kindergartens and childcare centres.

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.

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.

Financial position

Despite the current economic and social conditions resulting from the COVID-19 pandemic, TALi remains in a robust financial position to execute against its plan for commercial growth. Total revenues and income of \$621,944 was generated and the Net loss for the period was \$3,397,938.

The Company ended the FY20 with net cash at bank of \$3.9 million (up from \$0.3 million at 30 June 2019). Our balance sheet will provide significant scope for the company to ramp up our product rollout through FY21 and drive the company towards significant topline revenue growth.

Entering FY21 with significant momentum

The securing of key partnerships, our 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, Marketing and Sales to broaden the neurological conditions and cohorts the Company may serve so as to deliver sustainable value back to our shareholders

The Company's continued success in creating a world leading attention detection solution is reliant on the strong and talented team we have in place. I would like to thank the TALi team for all their hard work over FY20. The commitment and determination in these unprecedented times gives us great confidence that we can continue to grow our business in FY21 and beyond.

I would also like to thank our shareholders for your continued commitment, and we look forward to updating you further at our upcoming Annual General Meeting.

Yours sincerely,



Glenn Smith
Managing Director



“ As a psychologist, it’s important that all interventions that we endorse are evidence-based. TALi is scientifically proven to be effective, and this gives me great confidence and trust in recommending TALi. Parents are reporting overall improvements in their child’s attention behaviours.

Maria Karefilakis
Clinic Director, Kare Psychology



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) comprising of TALi Digital Limited (the Company), and its subsidiaries for the financial year ended 30 June 2020 and the auditor's report thereon.

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Principal activities

The principal activity of the Group during the course of the financial year was the controlled launch of TALi TRAIN and the on-going development of TALi DETECT as part of TALi Digital's CRC-P grant project. TALi TRAIN, is a mobile software application used by clinicians, educators and parents to target the strengthening of core attention in children between the development ages of 3-8.

TALi Digital is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Level 5, 19 William Street, Cremorne Vic 3121. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

Operating and financial review

During the year, TALi's operations have focused on the phased launch of the TALi platform in order to test and optimise market fit for the technology. The Group has also directed significant effort into building the evidence base around the TALi TRAIN program and on the continued development of TALi DETECT.

The statement of profit or loss and other comprehensive income shows a loss of \$3,397,938 (2019: \$2,944,443) for the year. The Group has no bank debt. As at 30 June 2020 the Group had a cash position of \$3,945,408 (2019: \$341,434). Operating, financing and investing activities incurred a net cash inflow for the year of \$3,603,974 (2019: outflow \$860,464).

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group 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 Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The Group has received \$50,000 of the recorded \$100,000 COVID-19 related government PAYGW cash booster grant. The Group has also received \$87,000 of the recorded \$129,000 JobKeeper payments.

Likely developments, outlook and risks

The Group's focus for the coming year will be to integrate TALi TRAIN and TALi DETECT into a commercially suitable integrated program in order to become a global leader in the assessment and treatment of children in the area of inattention. The Group has also completed the divestment of Newly in order to support the mission of the Group to deliver market leading, patient outcome focused digital interventions.

TALi's lead product, TALi TRAIN is a program is scientifically and clinically proven to improve attention as a cognitive skill by targeting the core underlying issue which sets it apart from all other brain training or memory-based software applications and provides a much-needed adjunct to pharmacological treatments.

The claims of the program are underpinned by strong clinical trial data. These clinical trials demonstrated that the product was successful in promoting improvements in both attention (in particular the ability to focus on relevant information while ignoring distractions) and academic skills (specifically numeracy abilities) in young children with developmental delay, including those with autism spectrum disorder (ASD).

The ability of the Group to meet operating cash requirements for the next 12 months has been secured by an Entitlement Offer to shareholders raising a total of \$2.0 million (as announced to the ASX on 19 September 2019) and a subsequent offer raising a total of \$6.2 million (as announced to the ASX on 25 November 2019) which was added to the existing cash on hand of \$0.3 million at the beginning of the period. Beyond the next 12 months, the Group expects cash flows being generated from the successful execution of the TALi commercialisation strategy and development opportunities will support the cash position of the Group. The TALi commercialisation strategy is dependent on a number of factors including, among others, assumptions relating to development and marketing expenditure, market demand, sales volume and pricing, working capital requirements and regulatory compliance.

Directors' Report continued

FOR THE YEAR ENDED 30 JUNE 2020

TALi Health Pty Ltd

TALi Health, (100% owned subsidiary of TALi Digital Limited) is a digital health company pioneering development of software solutions to address neurological conditions in early childhood. Backed by over 25 years of research, the TALi platform is a scientific and clinically validated program that addresses the world's leading early childhood issue—inattention, a key feature in conditions including Attention Deficit Hyperactivity Disorder (ADHD) and Autism Spectrum Disorder (ASD). Our team of neuroscientists, developers and designers are on a mission to strengthen the attention of children globally to deliver a lasting social impact.

At TALi, happier kids start here. Approximately 126 million children globally have severe attention difficulties. The key to better outcomes for children with attention difficulties is early identification and intervention. Currently, there is a significant lack of tools available to parents, teachers and healthcare professional to provide effective assessment and treatment. Consequently, many children who have attention difficulties remain undetected and miss out on life-changing interventions. TALi DETECT and TALi TRAIN as early assessment and training programs are early intervention programs designed to change that.

TALi focuses on assessing potential attention issues and then if required strengthening underlying attentional processes at the cognitive level. Thus, TALi has the potential to promote deeper and more stable improvements in attention, as well as behavioural symptoms of attention (e.g. inattentive and hyperactive behaviour), without the negative side effects associated with psychostimulant medication.

In addition, TALi provides logistical advantages over traditional face to face intervention methods as it uses the latest technology to deliver health care into the home providing significant cost savings and better outcomes for children.

Capital and corporate structure

On 7 August 2019 the Company announced an Entitlement Offer to shareholders to raise a total of \$2 million. On 28 August 2019, the Company announced the take-up of the Rights issue entitlements pursuant to the Entitlement Offer and issued 48,579,677 new shares at an issue price of \$0.01 per ordinary share.

On 5 September 2019, the Company announced the placement of the shortfall to the Entitlement Offer received \$0.5 million and issued 46,000,000 shares at \$0.01 per share.

On 13 September 2019 the Company announced the placement of a further \$0.9 million and issued 91,000,000 shares at \$0.01 per share in respect to the shortfall of the Entitlement Offer.

On 19 September 2019 the Company announced the placement of a further \$0.1 million and issued 14,420,377 shares at \$0.01 per share in respect to the shortfall of the Entitlement Offer.

On 25 November 2019 the Company announced the placement of \$6.2 million. On 29 November 2019 the Company issued 99,999,999 shares at \$0.062 per share.

Full details of movements in share capital for the year are detailed in Note 18 to the financial statements.

Unissued shares

Details of unissued Ordinary Shares, interests under options as at the date of this report are as follows:

Number of options on issue at the date of this report	Exercise price when granted	Expiry date
Director options:		
13,600,000	\$0.030	21 November 2022
Vendor & broker options:		
3,785,507	\$0.030	30 June 2021
7,188,883	\$0.090	30 June 2022
6,800,000	\$0.030	21 November 2022
Employee options:		
2,400,000	\$0.015	31 October 2024
1,700,000	\$0.062	1 May 2025
35,474,390		

Directors' qualifications, experience and responsibilities

The directors of the Company at any time during the year or since the end of the financial year are as follows. Directors were in office for the entire period unless stated otherwise:

Name, qualification and independence status	Experience, special responsibilities and other directorships
Ms Sue MacLeman Independent Non-Executive Director & Chair Qualifications: BPharm, MMktg, MLaw, FTSE	<p>Ms S MacLeman joined the Board on 6 September 2018. She is Director and Chair since 6 September 2018 and is a member of the Audit Committee.</p> <p>Ms S MacLeman has over 30 years' experience in the medtech, pharma and biotech sector and is currently Chair, Anatara Lifesciences Ltd, Chair MTPConnect Ltd, Non – Executive Director Oventus Medical Ltd and Non-Executive Director Palla Pharma Ltd and Veski Innovation.</p>
Mr Jefferson Harcourt Non-Executive Director Qualifications: B.Eng (Hons) GAICD	<p>Mr J Harcourt joined the Board on 25 February 2016. He is a Non-Executive Director of the Company and is a member of the TALi Digital Audit Committee. Mr Harcourt oversaw the initial development of TALi and his extensive product development and commercial expertise will assist the Company in commercialising the technology.</p> <p>Mr J Harcourt sits on a number of private technology company boards in the medical device and security markets.</p>
Mr Glenn Smith Managing Director Qualifications: MBA, BA (Econ)	<p>Mr G Smith was appointed Chief Executive Officer on 3 October, 2017 and appointed Managing Director on 10 May, 2018. He has over twenty years' experience in leading customer-centric businesses in periods of rapid growth.</p>
Dr David Brookes Independent Non-Executive Director Qualifications: MBBS, FACRRM, FAICD	<p>Dr D Brookes was appointed on 29 June 2020. Simultaneously Dr Brookes was appointed the chair of the audit committee. Dr Brookes has extensive experience in the health and biotechnology industries, first becoming involved in the biotechnology sector in the late 1990's as an analyst.</p> <p>Dr Brookes has since held Board positions in a number of ASX listed biotechnology companies, including Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI \$9B biotech company) in June 2018. He has also Chaired and been a member of a number of risk and audit committees in ASX listed companies. He is currently a Non-Executive Director of Anatara Therapeutics (ASX: ANR) as well as Non-Executive Chairman of the Better Medical group(unlisted).</p> <p>Dr. Brookes maintains roles as a clinician and as a biotechnology industry consultant. Dr Brookes, MBBS (Adelaide), is a Fellow of the Australian College of Rural and Remote Medicine and a Fellow of the Australian Institute of Company Directors.</p>
Mr Mark Simari Independent Former Non-Executive Director Qualifications: B. Acc, Dip F	<p>Mr M Simari joined the Board on 1 September 2016. He is the former Managing Director of Paragon Care Limited. He has significant experience on boards in privately held and ASX-Listed companies.</p> <p>Mr Simari resigned on 29 June 2020. Simultaneously Mr Simari also resigned as chair of audit committee.</p>

Directors' Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Company secretary

Dr Stephen Denaro BCom, CA, MAICD, Grad Dip Corp Gov, AGIA

Mr Denaro was appointed as Company Secretary of TALi Digital Limited on 21 February 2019. He has over 30 years of senior financial, administrative, commercial and company secretarial experience with ASX listed companies.

Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Ms S MacLeman	505,920	6,800,000
Dr D Brookes	3,000,000	-
Mr J Harcourt	38,688,423	3,400,000
Mr G Smith	1,454,546	-

Directors' meetings and committee membership

Due to the small number of non-executive directors on the Board, all the incumbent non-executive directors are members of the Audit Committee. The Audit Committee considers quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Company's Remuneration and Nomination Committee was disbanded on 1 July 2016 and the responsibility for the composition of the Board and nomination of new directors and reviewing and monitoring the performance of for directors, executive and staff remuneration is now assumed by the full Board.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board meetings		Audit committee meetings	
	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾
Ms S MacLeman	12	12	2	2
Mr M Simari ⁽²⁾	11	12	2	2
Mr J Harcourt	9	12	2	2
Mr G Smith	12	12	-	-
Mr D Brookes ⁽³⁾	-	-	-	-

(1) Represents the number of meetings held during the time that the director held office.

(2) Mr M Simari resigned on 29 June 2020.

(3) Mr D Brookes was appointed as a Director on 29 June 2020.

Dividends

The directors do not recommend a dividend be paid or declared by the Company for the year. No dividend has been paid by the Company since its incorporation on 7 April 2004.

Significant changes in the state of affairs

As at 30 June 2020, the Board have determined the fair value of the investment in Healthcarelink Group Pty Ltd as nil, as a result the asset has been written off.

At the AGM held on 26 November 2019 shareholders approved the change of Company name from Novita Healthcare Limited to TALi Digital Limited.

Other than as detailed elsewhere in this financial report, there has been no significant change in the state of affairs of the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Group.

Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen other than outlined in this section that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

On 23 September 2020, 14,377,766 options previously issued to CEO and Managing Director were cancelled.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the directors of the Company against liability arising as a result of a director acting as a director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors' and Officers' Liability insurance that extends to former directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a director ceases to hold any position in the Company.

Insurance Premiums

Since the end of the financial year, the Company has paid a premium for Directors' and Officers' Liability insurance for current and former directors and officers, including executive officers of the Company. The directors have not contributed to the payment of the policy premium.

The Directors' and Officers' Liability insurance policy covers the directors and officers of the Company against loss arising from any claims made against them during the period of insurance (including company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as directors or officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and each respective sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved strategic and operating plans and budgets and Board monitoring of progress against these plans, budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

The Audit Committee assists in discharging the Board's responsibility to manage the organisation's risks, and monitors Management's actions to ensure they are in line with Group policy.

Directors' Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2020 and is set out on page 27.


Non-audit services

During the year the Grant Thornton (GT) replaced RSM Australia Partners (RSM), as the Group's auditor.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

In the event non-audit services are provided by the auditor, the Board has established procedures to ensure that the provision of non-audit services is compatible with the general standard of independence for auditors. These include:

- All non-audit services are reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- Non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.



“ I've seen a really big change in my student. He couldn't focus at all before. My student that has been undertaking the TALi training is not the same boy that started the program. It's been really fabulous to see the results that we've been able to get.

Michelle McLaren
Teacher, Prep

Remuneration Report — AUDITED

FOR THE YEAR ENDED 30 JUNE 2020

This report outlines the compensation arrangements in place for Non-Executive Directors (NEDs) and senior executives of the Group being the Key Management Personnel (KMP) of the Group – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director and includes all the executives in the Group.

For the purposes of this report, the term “executive” includes the senior executives but does not include the NEDs or the secretary of the Company. All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Details of KMP including remunerated executives of the Group are set out in the tables on pages 20 and 21. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

Principles of compensation and strategy

The full Board assesses the appropriateness of the nature and amount of remuneration of NEDs and senior executives 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 performing director and executive team and aligning the interests of the executives with those of the shareholders.

TALi Digital Limited’s remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Group’s reward framework are to ensure that remuneration practices are aligned to the Group’s business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders.

Where relevant, the remuneration framework incorporates at risk components through Short-term Incentives (STI) and Long-term Incentives (LTI) arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels. In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to directors and senior executives of the Group. The broad compensation policy is to ensure the compensation package appropriately reflects the person’s duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash and/or securities (performance rights or options) based on the achievement of specific goals related to the performance of the individual and the Group as a whole as determined by the directors. Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Fixed compensation

Fixed compensation consists of a base salary package, which includes Fringe Benefits Tax calculated on any salary packaging arrangements and employer superannuation contributions. Fixed compensation levels for KMPs and senior members of staff are reviewed by the Board and comprising the Group’s KMP, through a process that considers the employee’s personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. The Board’s policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Group’s size it is not considered necessary to engage remuneration consultants for this purpose and accordingly the Group undertakes its own informal review, which it does on an ongoing basis.

Key Performance Indicators (KPIs) are individually tailored by the Board in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Group performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Group.



Performance linked compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual key performance indicators and/or (ii) the performance of the Group as a whole as determined by the Board based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for staff other than the KMPs do not generally provide for at-risk or short-term incentive compensation arrangements having regard to the above factors although the Board always retains the right to agree or otherwise provide payments on a discretionary basis in special circumstances or where individual performance merits a payment being made.

The Board is responsible for the determination of incentive compensation for employees and executives and for any decisions to award performance incentives. The Board at its sole discretion determines the total amount of performance-linked compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

The Directors have the discretion to recommend the offer of performance rights to acquire ordinary shares, options or the direct issue of shares to any member of staff in recognition of exemplary performance.

Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as an LTI. Any issue of such securities proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. As at the date of this report, no such securities have been issued.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements. All Performance Rights are also subject to an overriding condition that the financial performance of the Group, in the absolute discretion of the Board, has been satisfactory.

Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Service contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

	Notice period	Payment in lieu of notice	Treatment of Short-Term incentives	Treatment of Long-Term Incentives
Termination by Company (death, disablement, redundancy etc)	3 months (6 months for CEO)	3 months (6 months for CEO)	Any STI payments are at Board discretion	At the discretion of the Board.
Termination for cause	None	None	Any STI payments are at Board discretion	Unvested awards forfeited. Vested and unexercised awards forfeited.
Resignation by employee	6 weeks (3 months for CEO)	None	Any STI payments are at Board discretion	Unvested awards forfeited.

Performance linked compensation

The Company Secretary is engaged by the Company under a consultancy agreement. The agreement provides a fixed monthly fee for “in scope” services with additional work charged at hourly rates. The consultancy agreement is a rolling contract and can be terminated by either party by giving two months’ notice in writing to the other party.

Long Term Incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the TALi Digital Performance Rights Plan.

An amount of \$8,705 (2019: \$170,021) has been recognised in the 2020 financial year by way of shared based payment expense. In order to give the incentive medium to long term impact, the performance rights have an approximate three-year life and a vesting profile as shown following.

Director compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of \$350,000 was approved at the Company's inaugural Annual General Meeting held on 4 October 2005. The Board does not intend to seek any increase for the NED maximum aggregate fee pool at the 2020 AGM.

The board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies in similar industries.

Non-executive directors do not receive performance related compensation and the structure of non-executive director and senior management compensation is separate and distinct. Non-executive directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of TALi Digital Limited. These Board policies do not prescribe how compensation levels for non-executive directors are modified from year to year. Compensation levels are to be reviewed by the Board each year taking into account cost of living, changes to the scope of the roles of the directors, and any changes required to meet the principles of the overall Board policies.

Arrangements with key management personnel:

Position	Annual salary (inclusive of superannuation)
Non-Executive Chair	\$60,000
Non-Executive Directors	\$35,000

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Directors' and Executive Officers' compensation tables

Details of the nature and amount of each major element of the compensation of each director of the Group and each of the 2 named officers of the Group receiving the highest compensation for the period that the director or officer held that position during the current and prior financial years are disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures and with the Corporations Act 2001 in the following tables.

Details of the Group's policy in relation to the proportion of compensation that is performance related are provided earlier in this report. For the individuals named in the Directors' and Executive Officers' compensation tables, details of their service contracts are provided under the heading of "Service contracts" earlier in this report. Figures in brackets represent the value of bonuses/incentives and options respectively as a percentage of total compensation.

2020:

Short term:					Post Employment: Superannuation contributions \$	Share-based payments: Shares and performance right's issued \$	Total compensation \$
Base compensation (salary and fees) \$	Consulting fees \$	Non-cash benefit \$	Bonuses/ incentives \$				
Directors							
Non-executive							
Ms S MacLeman	54,775	-	-	-	5,204	-	59,979
Mr M Simari ⁽²⁾	34,708	-	-	-	-	-	34,708
Mr J Harcourt	35,000	-	-	-	-	-	35,000
Dr D Brookes ⁽¹⁾	-	-	-	-	-	-	-
Total compensation	124,483	-	-	-	5,204	-	129,687
Executive Directors							
Mr G Smith ⁽³⁾	250,000	-	-	62,500	25,729	-	338,229
Total compensation	250,000	-	-	62,500	25,729	-	338,229

(1) Appointed on 29 June 2020

(2) Resigned 29 June 2020

(3) Due to changes in the structure of the company from 1 July 2019, Glenn Smith was deemed to be the only employee categorised as key management personnel.

2019:

Short term:					Post Employment: Superannuation contributions \$	Share-based payments: Shares and performance right's issued \$	Total compensation \$
Base compensation (salary and fees) \$	Consulting fees \$	Non-cash benefit \$	Bonuses / incentives \$				
Directors							
Non-executive							
Ms S MacLeman ⁽¹⁾	44,663	-	-	-	4,243	100,640	149,546
Mr M Simari ⁽²⁾	36,597	-	-	-	-	-	36,597
Mr J Harcourt ⁽³⁾	35,000	-	-	-	-	-	35,000
Total compensation	116,260	-	-	-	4,243	100,640	221,143
Executive Directors							
Mr G Smith ⁽⁴⁾	250,000	-	-	154,968	23,750	69,381	498,099
Total compensation	250,000	-	-	154,968	23,750	69,381	498,099
Key Management Personnel							
Dr Hannah Kirk ⁽⁵⁾	10,233	-	-	21,000	2,711	-	33,943
Ms M Klapakis ⁽⁶⁾	165,011	-	-	-	15,676	-	180,687
Mr M Rose ⁽⁷⁾	100,603	-	-	-	6,268	-	106,872
Total compensation	275,847	-	-	21,000	24,655	-	321,502

- (1) Appointed on 6 September 2018. (5) Resigned 31 October 2018.
 (2) Appointed on 1 September 2016. (6) Appointed on 1 December 2010.
 (3) Appointed on 25 February 2016. (7) Appointed on 15 November 2018
 (4) Appointed 2 October 2017.

Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Grants, modifications and exercise of options and rights over equity instruments granted as compensation

Number of options	Grant date	Expiry date	Exercise price	Grantee
6,800,000	8/10/2018	21/11/2022	\$0.030	Ms S MacLeman
3,400,000	8/10/2018	21/11/2022	\$0.030	Mr J Harcourt
3,400,000	8/10/2018	21/11/2022	\$0.030	Mr M Simari
14,377,766	26/11/2019	3/10/2022	\$0.030	Mr G Smith

During the year 14,377,766 (2019: nil) options to acquire ordinary shares were issued to the CEO & Managing Director approved by Shareholders at the Annual General Meeting (AGM) held on 26 November 2019.

On 23 September 2020, 14,377,766 options previously issued to CEO and Managing Director were cancelled.

Shares issued on exercise of options and performance rights

During the financial year the Company issued nil (2019: nil) ordinary shares upon the exercise of options or performance rights for total proceeds of nil (2019: nil). Since the end of the financial year up to the date of this report the Company has issued nil (2019: nil) shares upon exercise of performance rights for total proceeds of \$nil (2019: nil).

Alteration to option terms

There have been no alterations to option terms and conditions during or since the end of the financial year up to the date of this report.

Equity holdings and transactions

The movements during the reporting period and prior reporting period in the number of ordinary shares in TALi Digital Limited (formerly Novita Healthcare Limited) held, directly or indirectly or beneficially, by each specified director and specified executive, including their personally-related entities are shown in the following tables. For persons who commenced or ceased as a Director during a period, figures reported are for the period of appointment only.

Number of shares held in TALi Digital Limited:

2020:

	Holding of Ordinary Shares at 1 July 2019 (or date of appointment)	Granted as compensation	Received on exercise of options/ performance shares	Net other change	Balance on Resignation	Holding of Ordinary Shares at 30 June 2020
	Number	Number	Number	Number	Number	Number
Directors			-			
Ms S MacLeman	292,814	-	-	213,106	-	505,920
Mr J Harcourt	28,688,423	-	-	10,000,000	-	38,688,423
Mr M Simari	3,000,000	-	-	1,363,637	4,363,637	-
Mr G Smith	1,000,000	-	-	454,546	-	1,454,546
Dr D Brookes	-	-	-	3,000,000	-	3,000,000
Total	32,981,237	-	-	15,031,289	4,363,637	43,648,889

2019:

	Holding of Ordinary Shares at 1 July 2018 (or date of appointment)	Granted as compensation	Received on exercise of options/ performance shares	Net other change	Balance on Resignation	Holding of Ordinary Shares at 30 June 2019
	Number	Number	Number	Number	Number	Number
Directors						
Ms S MacLeman	-	-	-	292,814	-	292,814
Mr J Harcourt	25,322,110	-	-	3,366,313	-	28,688,423
Mr M Simari	2,000,000	-	-	1,000,000	-	3,000,000
Mr G Smith	-	-	-	1,000,000	-	1,000,000
Total directors	27,322,110	-	-	5,659,127	-	32,981,237
Executives						
Ms M Klapakis	20,000	-	-	10,000	-	30,000
Total executives	20,000	-	-	10,000	-	30,000
Total	27,342,110	-	-	5,669,127	-	33,011,237

Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Number of options held in TALi Digital Limited:

2020:

	Balance at 1 July 2019 (or date of appointment)	Granted as compensation	Exercised / elapsed	Balance at 30 June 2020
	Number	Number	Number	Number
Directors				
Ms S MacLeman	6,800,000	-	-	6,800,000
Mr J Harcourt	3,400,000	-	-	3,400,000
Mr M Simari	3,400,000	-	-	3,400,000
Mr G Smith	14,377,766	14,377,766	(14,377,766)	14,377,766
Dr D Brookes	-	-	-	-
Total	27,977,766	14,377,766	(14,377,766)	27,977,766

Due to changes in the structure of the company from 1 July 2019, Glenn Smith was deemed to be the only employee classified as key management personnel.

2019:

	Balance at 1 July 2018 (or date of appointment)	Granted as compensation	Exercised / elapsed	Balance at 30 June 2020
	Number	Number	Number	Number
Directors				
Ms S MacLeman	-	6,800,000	-	6,800,000
Mr J Harcourt	3,400,000	-	-	3,400,000
Mr M Simari	3,400,000	-	-	3,400,000
Mr G Smith	14,377,766	-	-	14,377,766
Total	21,177,766	6,800,000	-	27,977,766

Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2020

Consequences of performance on shareholder wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical and commercial progress on the Group's projects and, where applicable, relationship building with health clinics and institutions and internal innovation etc. The Board has some but not absolute regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets and where possible building the business and partnerships to establish self-sustaining revenue streams and total shareholder value. The Group is of the view that any short term, adverse movements in the Company's share price should not necessarily be taken into account in assessing the performance of KMP's.


Dated at Melbourne this 30th day of September, 2020.

This report is made with a resolution of the directors.



Sue MacLeman

Chair



“ I thought my son would be suited to this style of therapy as he loves to play games on his tablet. As he has limited language I simplified the explanation of the program, telling him it was a special game to help him behave better at school. I found that doing TALi TRAIN early in the morning, when he first woke up, or just after breakfast helped him to respond better.

Marika

Parent of Adam, a 4 year old with ASD

Auditor's Independence Declaration

To the Directors of TALi Digital Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of TALi Digital Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 September 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
Statement of profit or loss and other comprehensive income For the year ended 30 June 2020	Note	2020 \$	2019 \$
Revenue from continuing operations	4	47,229	87,742
Other income	4	574,715	826,125
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	25	(8,705)	(170,021)
Depreciation and amortisation expenses	5(a)	(548,913)	(474,716)
Occupancy expenses		(52,780)	(83,157)
Professional and consulting expenses		(631,063)	(407,791)
Travel and accommodation expenses		(129,472)	(201,198)
Insurance expenses		(85,103)	(67,902)
Corporate administration expenses		(86,468)	(54,999)
Intellectual property expenses		(128,042)	(74,212)
Advertising and promotion		(342,132)	(357,479)
Other expenses	5(b)	(186,268)	(244,922)
Results from operating activities		(3,381,668)	(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	33	(3,397,938)	(3,248,837)
Income tax expense	7	-	-
Loss after income tax expense from continuing operations		(3,397,938)	(3,248,837)
Profit/(loss) after income tax from discontinued operations	33	-	304,394
Loss attributable to owners of the Group		(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)/income for the period attributed to owners of the Group		(4,197,938)	(3,144,443)
Basic earnings per share from continuing operations		(0.51)	(0.75)
Diluted earnings per share from continuing operations		(0.51)	(0.75)
Basic earnings per share from discontinued operations		-	0.07
Diluted earnings per share from discontinued operations		-	0.07
Basic earnings per share (cents per share)		(0.51)	(0.67)
Diluted earnings per share (cents per share)		(0.51)	(0.67)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 35 to 63.

Statement of Financial Position

AS AT 30 JUNE 2020

		Consolidated	
Statement of financial position as at 30 June 2020	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	9	3,945,408	341,434
Trade and other receivables	10	956,067	970,800
Investments	11	1,418	1,350
Other assets	12	29,144	5,554
Total current assets		4,932,037	1,319,138
Non-current assets			
Investments	11	-	800,000
Intangible assets	13	3,322,432	2,575,900
Property, plant and equipment	14	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	15	888,417	587,600
Borrowings	16	-	429,968
Lease liabilities	17	136,915	74,806
Deferred income	34	261,642	187,659
Employee benefits	27	125,820	156,605
Total current liabilities		1,412,794	1,436,638
Non-current liabilities			
Employee benefits	27	12,505	9,527
Lease liabilities	17	55,312	250,196
Deferred income	34	1,424,274	1,210,663
Total non-current liabilities		1,492,091	1,470,386
Total liabilities		2,904,885	2,907,022
Net assets		5,666,556	2,267,094
Equity			
Share capital	18	202,113,795	194,976,507
Share based payment reserve		1,098,238	638,126
Revaluation reserve		(1,000,000)	(200,000)
Accumulated losses	19	(196,545,477)	(193,147,539)
Total equity		5,666,556	2,267,094

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 35 to 63.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

Statement of changes in equity

For the year ended 30 June 2020	Note	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Change in fair value reserve \$	Total equity \$
Opening balance as at 1 July 2019		194,976,507	(193,147,539)	638,126	(200,000)	2,267,094
Comprehensive (loss)/income for the period	19	-	(3,397,938)	-	-	(3,397,938)
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(3,397,938)	-	-	(3,397,938)
Transactions with owners, recorded directly in equity						
Contributions by owners:						
Impairment of investment	11	-	-	-	(800,000)	(800,000)
Issue of ordinary shares		8,200,000	-	-	-	8,200,000
Transaction costs relating to issue of ordinary shares		(1,062,712)	-	-	-	(1,062,712)
Share-based payment transactions to employees		-	-	8,705	-	8,705
Share-based payments (to brokers)		-	-	451,407	-	451,407
Total transactions with owners		7,137,288	-	460,112	(800,000)	6,797,400
Closing balance as at 30 June 2020	18,19	202,113,795	(196,545,477)	1,098,238	(1,000,000)	5,666,556

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 35 to 63.

Statement of changes in equity

For the year ended 30 June 2019	Note	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Change in fair value reserve \$	Total equity \$
Opening balance as at 1 July 2018		192,495,917	(190,203,096)	368,105	-	2,660,926
Comprehensive (loss)/income for the period	19	-	(2,944,443)	-	-	(2,944,443)
Total other comprehensive income			-	-	(200,000)	(200,000)
Total comprehensive income/(loss) for the period			(2,944,443)	-	(200,000)	(3,144,443)
Transactions with owners, recorded directly in equity						
Contributions by owners:						
Issue of ordinary shares pursuant to private placement		2,785,692	-	-	-	2,785,692
Transaction costs relating to issue of ordinary shares		(305,102)	-	-	-	(305,102)
Share-based payment transactions to employees		-	-	170,021	-	170,021
Share-based payments (to vendors)		-	-	100,000	-	100,000
Total transactions with owners		2,480,590	-	270,021	-	2,750,611
Closing balance as at 30 June 2019	18,19	194,976,507	(193,147,539)	638,126	(200,000)	2,267,094


The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 35 to 63.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
For the year ended 30 June 2020	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 tax incentive		750,103	734,216
Grants received		232,960	672,800
Interest received		30,833	32,324
Net cash used in operating activities	21	(2,717,938)	(2,461,913)
Cash flows from investing purchases			
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 from 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
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year	9	3,945,408	341,434

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 35 to 63.



“ Amelia really enjoyed the program and still now, 1 month after she completed it, asks to do more. It also helped us with an improved daily routine for her during the COVID-19 lockdown period.

Misty,
Parent of Amelia,
a 4 year old in kindergarten



“ When we first started playing TALi TRAIN, Jake really loved it and was always keen to play. Weeks 3 & 4 were a bit harder to get him motivated but once he started he was fine. What I loved most about TALi TRAIN was how much it would calm him down after school, which helped with his behaviour in the evening. Jake flourished at school during the 5 weeks of TALi TRAIN and was often given ‘star of the day’ in class because of how attentive he was being. Overall, I would highly recommend the program to any school age child struggling to pay attention.

Deana

Parent of Jake, a 7 year-old with ADHD

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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Notes to Financial Statements *continued*

FOR THE YEAR ENDED 30 JUNE 2020

1. Reporting entity

TALi Digital Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 30 June 2020 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in research and development, for commercialisation, of medical technology projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Level 5, 19 William Street, Cremorne Vic 3121. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

(b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements for the year ended 30 June 2020, the consolidated entity incurred a loss of \$3,397,938 (2019: \$2,944,443) and had negative operating cash flows of \$2,717,938 (2019: \$2,461,913). The consolidated entity's main activity is developing and commercialising the TALi products and various service lines which will require further funding and investment.

Despite this financial position, in the Directors opinion there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, able to pay its debts as and when they fall due, after consideration of the following:

- The Group has cash reserves of \$3,945,408
- The Group is forecasting increased revenue growth from the increased sales of licenses for the TALi products, which will deliver greater cash inflows.

The Directors have prepared projected cash flow information for the twelve months from the date of approval of these financial statements taking into consideration the uncertainty of multiple significant business impacting events that could occur in the next twelve months.

In response to the uncertainty arising from this, the Directors have considered a plausible forecast range. The lowest of these forecast ranges indicates that the Group is expected to continue to operate, within available cash levels. Key to the forecasts are relevant assumptions regarding the business, business model, any legal or regulatory restrictions, in particular:

- Receipt of the Research and Development tax incentive for FY20 and FY21 at similar levels to prior years;
- Mitigating actions including the deferral of non-critical and discretionary operating expenditure, which the Directors and management monitor monthly; and
- Critically assessing the performance of business operations to determine the most adequate use of cash.

The Directors remain focused on the Group's liquidity and expect to manage business operations in the forecast period whilst maintaining adequate liquidity. Based on the forecasts, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2. Basis of preparation (continued)

(b) Going concern (continued)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. Other than a delay in anticipated revenue due to a change in socio-economic conditions especially in Victoria, 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 Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The Group has received \$50,000 of the recorded \$100,000, COVID-19 related government PAYGW cash booster grant. The Group has also received \$87,000 of the recorded \$129,000 JobKeeper payments.

(c) Use of estimates and judgements

The preparation of consolidated financial statements conforms with Australian Accounting Standards which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgments made in preparing the financial statements are:

- Assessing the carrying amount and estimated useful life of identifiable intangible assets (refer to note 13);
- Assessing the carrying amount of investments (refer to note 11).

3. Significant accounting policies

The principle accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not mandatory have not yet been adopted, with the exception of AASB 16 leases, note below.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has early adopted AASB 16. The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 superseded the lease guidance including AASB 117 Leases and the related Interpretations when it became effective for accounting periods beginning on or after 1 January 2019. The initial date of application of application of the standard for the consolidated entity was 1 July 2018. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The consolidated entity applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2018 (whether it is a lessor or a lessee in the lease contract).

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is detailed in note 17.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

3. Significant accounting policies (continued)

(a) Revenue recognition

Sale of goods

The Group follows AASB15 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

To determine whether to recognise revenue, the Group follows a 5-step process:

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from sale of goods is for a one-off fixed fee. In accordance with the 5-step approach, revenues are generally recognised at the time of delivery of the goods to the customer. Invoices for goods or services transferred are generally due upon receipt of the goods.

Government grants

Conditional government grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

An unconditional grant is recognised in profit or loss as other income when the grant becomes receivable.

(b) Financial instruments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

For financial assets measured at fair value through other comprehensive income, the loss is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit and loss.

Cash and cash equivalents comprise cash balances and call or term deposits. Accounting for finance income and costs are discussed in Note 3(c).

(c) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

(d) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Property, plant and equipment

(i) Owned assets

The Group holds no property. Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day to day servicing of plant and equipment are recognised in profit or loss as incurred. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

• Plant and equipment	2.5–10 years
• Leasehold improvements	3 years
• Right-of-use asset	3 years

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

3. Significant accounting policies (continued)

(h) Intangible assets

Intangible assets acquired by the Group which satisfy the asset recognition criteria set out in AASB 138 Intangible Assets, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets which are considered to have a finite life are amortised over their estimated useful life. In respect of acquired licences/marketing rights, amortisation commences upon the asset becoming available for use, based on commercialisation of the licensed or marketed product. The estimated useful life of acquired intellectual property is 5-20 years (2019: 5-20 years).

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured realisably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite life of 7 years.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of three months or less.

(j) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Aside from impairment of goodwill, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amounts for non-financial assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the greater of its value in use and its fair value less costs to sell. Value in use is assessed using discounted cash flow analysis. When determining fair value less costs to sell, TALi Digital takes into account information from recent market transactions and other available market-based information.

(k) Employee benefits

(i) Long-term service benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(ii) Share-based payment transactions

The Group provides benefits to its employees in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transaction). There is currently a Performance Rights Plan in place as part of the LTI, for the issue of share-based payments to staff and KMP as a reward for performance and loyalty. LTI awards to executives are made under the executive Performance Rights plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of three years subject to meeting performance measures. The cost of the equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (vesting period), ending on the date the relevant employees benefit become fully entitled to the award (the vesting date). The fair value of the performance rights is based on the Monte Carlo pricing model to test the likelihood of attaining the performance hurdles.

- (iii) Wages, salaries, annual leave and at-risk performance incentives

Liabilities for employee benefits for wages, salaries, annual leave and performance incentives represent present obligations resulting from employees' services provided up to reporting date and are calculated at undiscounted amounts based on compensation wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Government stimulus payments such as PAYGW cash booster and JobKeeper are recorded as a reimbursement of expenditure.

- (iv) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. The Group has no defined benefit pension fund obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates.

The provision recognised for each site is periodically reviews and updated based on the facts and circumstances available at the time.

Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

(m) Right-of-use asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset. If the supplier has a substantiated substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - o The Group has the right to operate the asset; or
 - o The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into or changed on or after 1 July 2018.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

3. Significant accounting policies (continued)

(m) Right-of-use asset (continued)

For contracts entered into before 1 July 2018, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - o The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - o The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - o Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments as associated with these leases as an expense on a straight-line basis over the lease term.

Payments made under short term operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(n) Research and development

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge or understanding is expensed in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and completion of development is intended.

(o) Segment reporting

A segment is a distinguishable component of a Group engaged in providing products or services within a particular business sector or geographical environment. The Group determines and presents operating segments based on information that internally is provided to and used by the Managing Director, who is the Group's chief operating decision maker. The Group operates within two business segments as at 1 July 2019 comprising research and development and investments. In the 2019 financial year the segment of Healthcare/Workforce Management was discontinued. Discrete financial information about each of these operating businesses is reported to the Board on at Board meetings.

(p) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and to third parties.

(q) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any associated tax benefit.

(r) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2020 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(t) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposals groups to fair value less costs of disposal. A gain is recognised for an subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

4. Revenue from continuing activities and other income

	2020 \$	2019 \$
Sales revenue	47,229	87,742
Total revenue from operating activities	47,229	87,742
R&D tax incentive	477,432	354,156
Grant income	97,215	319,193
Other income	68	152,776
Total revenues and other income	574,715	826,125
Total other revenue	621,944	913,867

5. Profit before related income tax expense

	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	139,195	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

6. Auditors' remuneration

	2020 \$	2019 \$
Audit services:		
Auditors of the Group – RSM	23,250	55,680
Auditors of the Group – Grant Thornton	60,000	-
Total audit services	83,250	55,680
Other services:		
Tax compliance and advisory services – RSM	7,400	7,620
Tax compliance and advisory services Group – Grant Thornton	13,000	-
Total other services	20,400	7,620

7. Income tax

	2020 \$	2019 \$
Current tax expense (benefit) – current year	-	-
Deferred tax expense – continuing operations	-	-
Total income tax expense (benefit) in income statement attributable to continuing operations	-	-
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	(3,397,938)	(2,944,443)
Income tax using domestic tax rate of 27.5% (2019: 30%)	(934,433)	(883,333)
Change in unrecognised temporary differences	85,923	373,916
Increase in income tax expense due to:		
Non-deductible expenses	4,192	21,935
Use of tax losses not recognised	853,506	362,580
Research and development allowance	252,942	300,293
Decrease in income tax expense due to:		
Items deductible for tax purposes	(103,336)	(175,391)
Items not assessable for tax purposes	(158,794)	-
Income tax expense on pre-tax net loss	-	-

The deductible temporary differences and any tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available from which the Group can utilise the benefits. There was no deferred tax recognised directly in equity. As at 30 June 2020 the Group has revenue losses of approximately \$154 million (2019: \$151 million).

8. Dividend franking account

The Company has no franking credits at reporting date.

9. Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and on hand	148,058	39,895
Bank short term deposits	3,797,350	301,539
Total cash assets	3,945,408	341,434

Financing arrangements

A security bond of \$100,000 was provided on a Bank Guarantee on the Group's new premises. Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 0.46% (2019: 1.3%).

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

10. Trade and other receivables

	2020 \$	2019 \$
Current		
Trade and other receivables	214,719	225,232
R&D tax incentive and other tax receivables	741,348	745,568
Total current trade and other receivables	956,067	970,800

Allowance for expected credit losses

The consolidated entry has recognised a loss of nil (2019: nil) in profit and loss in respect of the expected credit losses for the year ended 30 June 2020.

11. Investments

	2020 \$	2019 \$
Current		
Financial assets classified at fair value through the profit & loss	1,418	1,350

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

Ordinary shares at fair value through OCI

Non-current

Investments in equity instruments

Balance at 1 July 2019	800,000
Additions	-
Change in fair value recognised in other comprehensive income	(800,000)
Balance at 30 June 2020	-

On 18 October 2018 Newly Pty Ltd, a fully owned subsidiary of Novita Healthcare, sold its entire business as a going concern. In consideration for the sale the consolidated entity received 600 fully paid shares (10%) in Healthcarelink Group Pty Ltd, plus the right to earn out shares. As part of the sale agreement 400 fully paid ordinary shares in the company were purchased at an issue price of \$1,000 per share.

During the current financial year, the Healthcarelink Group were unsuccessful in raising additional capital. Without the required injection of capital, the business was deemed to no longer be operating as a going concern. Therefore, under level 3 of the fair value hierarchy, the investment was indirectly determined by the Board to have a fair value of \$ nil. As a result, as at 30 June 2020, the asset has been written off.

12. Other assets

	2020 \$	2019 \$
Current		
Prepayments	29,144	5,554

13. Intangible assets

2020	Acquired licenses \$	Acquired intellectual property \$	Internally developed assets \$	Total \$
Gross carrying amount				
Carrying amount at 1 July 2019	375,000	721,074	2,238,438	3,334,512
Addition, internally developed	-	-	648,828	648,828
Acquisition of intellectual property	-	428,000	-	428,000
Balance at 30 June 2020	375,000	1,149,074	2,887,266	4,411,340
Amortisation and impairment				
Carrying amount at 1 July 2019	(63,218)	(486,232)	(209,163)	(758,613)
Amortisation	(18,750)	(144,215)	(167,330)	(330,295)
Impairment losses	-	-	-	-
Balance at 30 June 2020	(81,968)	(630,447)	(376,493)	(1,088,908)
Carrying amount at 30 June 2020	293,032	518,627	2,510,773	3,322,432

An assessment was made by management to determine whether any indicators of impairment exist. Indicators assessed included but were not limited to; the Group's market capitalisation, technology obsolescence, changes in laws and regulations and COVID-19.

No indicators of impairment were identified. Management also considered the carrying value intangible assets not yet in use and determined the recoverable amount is greater than the carrying value of these assets.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

13. Intangible assets (continued)

2019	Acquired licenses \$	Acquired intellectual property \$	Internally developed assets \$	Total \$
Gross carrying amount				
Carrying amount at 1 July 2018	375,000	721,074	1,171,310	2,267,384
Addition, internally developed	-	-	1,067,128	1,067,128
Balance at 30 June 2019	375,000	721,074	2,238,438	3,334,512
Amortisation and impairment				
Carrying amount at 1 July 2018	(44,468)	(342,017)	(41,832)	(428,317)
Amortisation	(18,750)	(144,214)	(167,331)	(330,295)
Impairment losses	-	-	-	-
Balance at 30 June 2019	(63,218)	(486,232)	(209,163)	(758,612)
Carrying amount at 30 June 2019	311,782	234,842	2,029,275	2,575,900

(i) Licences and intellectual property

On the acquisition of TALi Health Pty Ltd announced on February 15th 2016, TALi Digital recognised intellectual property (including licenses) at a fair value of \$1,096,074. In June 2020 patents and other intellectual property were acquired in relation to TALi products at a fair value of \$428,000. Intangibles are initially recognised at cost and amortised on a straight-line basis over the period of expected benefit, less any adjustments for impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

(ii) Internally developed assets

Internally developed assets included the applied development activities conducted on the TALi Technology in respect of the development stage of the TALi TRAIN, TALi DETECT and TALi MAINTAIN projects.

14. Property, plant and equipment

	2020 \$	2019 \$
Leasehold improvements – at cost	162,543	164,383
Less: accumulated depreciation	(79,246)	(55,834)
	83,297	108,549
Property, plant and equipment – at cost	191,982	170,495
Less: accumulated depreciation	(125,017)	(111,158)
	66,965	59,337
Right-of-use asset	400,104	400,104
Less: accumulated depreciation	(233,394)	(88,912)
	166,710	311,192
Closing written down value	316,972	479,078

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

2020	Leasehold improvements \$	Plant and equipment \$	Right-of-use asset \$	Total \$
Balance as at 1 July 2019	108,549	59,337	311,192	479,078
Reclassifications	-	-	(11,114)	(11,114)
Additions	28,549	40,884	-	69,433
Profit/loss on disposal	(1,807)	-	-	(1,807)
Depreciation expense	(51,994)	(33,256)	(133,368)	(218,618)
Balance as at 30 June 2020	83,297	66,965	166,710	316,972

2019	Leasehold improvements \$	Plant and equipment \$	Right-of-use asset \$	Total \$
Balance as at 1 July 2018	19,609	46,045	-	65,654
Additions	125,497	32,244	400,104	553,483
Depreciation expense	(36,558)	(18,951)	(88,912)	(144,421)
Balance as at 30 June 2019	108,549	59,337	311,192	479,078

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

15. Trade and other payables

	2020 \$	2019 \$
Trade payables	828,938	435,219
Accruals and other payables	59,479	152,381
	888,417	587,600

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in Note 23.

16. Borrowings

	2020 \$	2019 \$
Loan - R&D advance	-	429,968

The liabilities as at 30 June 2019 represent a loan facility and is an advance on 80% of the group's R&D Tax Incentive for the three quarters ending 31 March 2019. The interest payable for the loan facility is 15% per annum. 1.16% per month, compound interest payable by 31 October 2019 and is secured by the R&D tax Incentive for the 2018/2019 year. Total transaction costs were \$769 at the date of issue and the interest charged to 30 June 2019 was \$11,943. The amount borrowed was \$417,256.

17. Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2020 \$	2019 \$
Less than one year	143,412	137,178
One to five years	55,661	191,217
More than five years	-	-
Total undiscounted lease liability at 30 June	199,073	328,395
Lease liabilities included in the statement of financial position at 30 June	192,227	305,990
Current	136,915	74,806
Non-current	55,312	250,196
Amounts recognised in profit or loss		
Interest on lease liabilities	(15,097)	(13,860)
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	(122,514)	(88,963)

18. Issued capital

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value.

Shares	2020		2019	
	\$	Number	\$	Number
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	8,200,000	300,000,053	2,785,692	89,861,033
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

19. 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)

20. Commitments

	2020 \$	2019 \$
a) Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
- Within one year	-	21,325
- One year or later and no later than five years	-	-
- Greater than five years	-	-
	-	21,325
(b) Cancellable research and development commitments		
- Within one year	-	452,973
- One year or later and no later than five years	-	-
	-	452,973

Amounts reflected in the above table represent contracted commitments to undertake various research and development activities studies as part of the development of the Group's project portfolio. Each commitment is cancellable without penalty subject to notice periods of up to fourteen days.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

21. Notes to the statement of cash flows

	2020 \$	2019 \$
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:		
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 (Note 9)	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	287,594	906,999
- Increase/(decrease) in payables	(127,182)	(423,080)
- Increase/(decrease) in other liabilities	-	27,887
Net cash used in operating activities	(2,717,938)	(2,461,913)

Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2020 financial year (2019: nil) which have had a material effect on assets and liabilities of the Group.

22. Earnings per share

	2020 \$	2019 \$
Basic Earnings per share (cents per share)	(0.51)	(0.67)
Diluted Earnings per share (cents per share)	(0.51)	(0.67)
a) Earnings reconciliation		
Net loss:		
Basic earnings	(3,397,938)	(2,944,443)
Diluted earnings	(3,397,938)	(2,944,443)
b) Weighted average number of shares		
Number for basic earnings per share:	Number	Number
Ordinary shares	670,288,091	434,779,683
Number for diluted earnings per share:	Number	Number
Ordinary shares	670,288,091	434,779,683
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	670,288,091	434,779,683

23. Financial instruments disclosure and financial risk management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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. The Group has adopted a Strategic Risk Management Framework through which it manages risks and aims to develop a disciplined and constructive control environment and action plans for risks that cannot be effectively managed through the use of controls. The Audit Committee oversees how management monitors compliance with the Group's Strategic Risk Management Framework in relation to the changing risks faced by the Group.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return. No more than \$2.7m of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

(i) Foreign currency risk

The Group has contracts denominated in foreign currencies, predominantly in US dollars and Euros, and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments from customers and past experience and in accordance with Board-approved limits. Note 3(e) sets out the accounting treatments for such contracts. There were no hedged amounts payable or receivable in foreign currencies at reporting date (2019: nil).

At reporting date, the Group had the following exposures to foreign currency, converted to AUD:

Shares	2020				2019			
	GBP	USD	SGD	EURO	GBP	USD	SGD	EURO
Bank accounts	-	144	-	-	-	144	-	-
Receivables	-	-	-	-	-	-	-	-
Payables	-	(29,437)	-	-	(542)	(1,117)	-	(9,258)
Gross balance sheet exposure	-	(29,293)	-	-	(542)	(973)	-	(9,258)

Foreign currency sensitivity analysis

A 10% strengthening or weakening of the Australian dollar applied against the Gross balance sheet exposure in the above table in respect of the above currencies at 30 June 2020 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10% has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The analysis is performed on the same basis for 2019. There is no impact on equity.

2020 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	-	-	2,041	(1,856)

2019 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	682	(833)	974	(1,190)

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

23. Financial instruments disclosure and financial risk management (continued)

Foreign currency sensitivity analysis (continued)

The following significant exchange rates applied during the financial year:

Currency	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
GBP	0.56	0.55	0.56	0.55
USD	0.70	0.72	0.69	0.70
EURO	0.62	0.63	0.62	0.62

(ii) Interest rate risk

Interest earned on cash at bank is determined in accordance with published bank interest rates. The Group's exposure to interest rate risk is confined to cash assets, the effective weighted average interest rate for which is set out below.

	Note number	Effective interest rate %	Floating interest rate \$	3 months or less \$	Non-interest bearing \$	Total \$
Financial assets:						
Cash assets – at 30 June 2020	9	0.46	3,797,350	-	148,058	3,945,408
Cash assets – at 30 June 2019	9	1.1	301,539	-	39,895	341,434
Financial liabilities:						
Borrowings – at 30 June 2020	16	-	-	-	-	-
Borrowings – at 30 June 2019	16	15	429,968	-	-	429,968

	2020 Profit and loss		2019 Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Cash at bank – variable interest rate: \$AUD	18,987	(18,987)	1,707	(1,707)

An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by \$18,987 (2019: \$1,707), if all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. For financial assets, the credit risk exposure of the Group is the carrying amount of the asset net of any provision for expected credit losses. For the Group, from interest and capital on deposits with financial institutions.

(i) Investments (including cash)

The Group's Cash Management and Treasury Policy limits the maximum proportion of TALi Digital's aggregate gross cash resources that can be placed with or invested in any one counterparty, having regard to the credit risk assigned to that counterparty unless the Board determines otherwise. No more than \$2.7 million of the Group's cash resources permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

(ii) Receivables

The Group undertakes due diligence prior to entering any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk. The Group's exposure to credit risk from receivables is shown below. No amounts are past due and impaired at balance date.

	Note number	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
Financial assets:					
Receivables – at 30 June 2020	10	953,317	-	2,750	956,067
Receivables – at 30 June 2019	10	962,000	8,800	-	970,800

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will maintain sufficient liquidity to meet its liabilities when due having regard to forecast cash inflows and outflows, which in turn may be impacted by planned corporate transactions.

The Group has no lines of credit other than a Bank Guarantee of \$100,000. The Group manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day to day operating requirements is maintained in interest-bearing operating, at-call and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

At reporting date, the Group had the following financial liability exposures:

	Note number	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
Financial liabilities:					
Creditors – at 30 June 2020	15	819,924	9,014	-	828,938
Creditors – at 30 June 2019	15	566,480	21,120	-	587,600

	Note number	Less than one year \$	One to five years \$	More than 5 years \$	Total \$
Financial liabilities:					
Borrowings – at 30 June 2020	16	-	-	-	-
Lease liabilities – at 30 June 2020	17	143,412	55,661	-	199,073
		143,412	55,661	-	199,073
Borrowings – at 30 June 2019	16	429,968	-	-	429,968
Lease liabilities – at 30 June 2019	17	137,178	191,217	-	328,395
		567,146	191,217	-	758,363

Notes to Financial Statements *continued*

FOR THE YEAR ENDED 30 JUNE 2020

23. Financial instruments disclosure and financial risk management (continued)

(d) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the Group on the following bases:

- (i) For monetary financial assets and financial liabilities not readily traded in an organised financial market, values are determined by valuing them at the value of contractual cash flow amounts due from customers and payable to suppliers discounted as appropriate for settlements beyond 12 months;
- (ii) The carrying amounts of bank balances and deposits, trade debtors and accounts payable expected to be payable within 12 months.

At reporting date there were no material differences between carrying values and fair values.

(e) Capital management

The Board's policy is to maintain a sufficient capital base so as to sustain investor, creditor and market confidence and to facilitate the future development of the business. As noted in Note 2 (b), in order to meet forecast operating cash requirements, the Group may need to raise funds from other sources which may include raising capital or securing debt facilities.

24. Related parties

Disclosures of compensation policies, service contracts and details of individual directors and executive's compensation are included in the Remuneration Report section of the Directors' Report on pages 16 to 25.

Directors and Key Management Personnel compensation

The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2020 \$	2019 \$
Short-term employee benefits	374,483	642,107
Performance benefits	62,500	175,968
Other short-term benefits	-	-
Post-employment benefits	30,933	52,648
Termination benefits	-	-
Share-based payments	-	170,021
Consulting fees	-	-
Total compensation	467,916	1,040,744

Key Management Personnel transactions

Directors of the Company control 5.83% (2019: 7.34%) of the voting shares of the Company.

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. However, during the period the Group did not transact with any of these companies.

Other Key Management Personnel transactions with the Group

No Key Management Personnel member has entered a material contract with the Group during either the 2020 or 2019 financial years and there were no material contracts with, amounts receivable from or payable to, interests involving directors or executives at period end. The value of transactions during the year with entities related to Directors included in the financial statements was nil (2019: nil).

Other Key Management Personnel transactions with the Group

There are no outstanding balances at the reporting date in relation to transactions with related parties other than KMPs: No provision for doubtful debts has been raised against amounts receivable from other related parties.

Loans and other transactions with Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2020 year.

Other related party transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2020 or 2019 financial years.

25. Share based payments

A performance right and share option plan has been established by the consolidated entity and approved by shareholders at the 2017 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, performance rights and grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The performance rights and or options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of Performance Rights and options granted under the plan:

2020 Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/ forfeited other	At the end of the year
3/10/2017	\$0.030	14,377,766	-	-	(14,377,766)	-
21/11/2017	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
13/09/2019	\$0.030	-	360,507	-	-	360,507
19/09/2019	\$0.030	-	3,425,000	-	-	3,425,000
15/10/2019 ⁽ⁱ⁾	\$0.020	-	2,400,000	-	-	2,400,000
26/11/2019 ⁽ⁱⁱ⁾	\$0.030	-	14,377,766	-	-	14,377,766
29/11/2019 ⁽ⁱⁱⁱ⁾	\$0.090	-	7,188,883	-	-	7,188,883
12/06/2020 ^(iv)	\$0.060	-	1,700,000	-	-	1,700,000
		34,777,766	29,452,156	-	(14,377,766)	49,852,156
Weighted average exercise price		\$0.03	\$0.05	-	\$0.03	\$0.04

(i) Employee Options were issued under the shareholder approved Performance Right and Share Options Plan. The Options have the vesting dates of 31 October 2020 (740,000) 31 October 2021 (740,000) and 31 October 2022 (960,000) and are subject to the employees remaining employees of the Group at vesting date.

(ii) Employee Options were issued to the CEO in two tranches. 7,188,883 options (Tranche 1) will vest subject to the employee remaining an employee at vesting date, and the following clauses;

- TD1 shares trade on the ASX at a minimum of \$0.06 per Share for any consecutive 20 trading days during the period from 3 October 2019 and until 3 October 2022, and
- TD1 achieving an operating profit for 2HFY20 (in the case that there are changes to the business plan approved by the Board, the Board will determine in good faith any revision to the operating profit vesting criteria)

7,188,883 options (Tranche 2) will vest subject to the employee remaining an employee at vesting date, and the following clauses;

- TD1 shares trade on the ASX at a minimum of \$0.09 per Share for any consecutive 20 trading days during the period from 3 October 2019 and until 3 October 2022, and
- TD1 achieving an operating profit for 2HFY20 (in the case that there are changes to the business plan approved by the Board, the Board will determine in good faith any revision to the operating profit vesting criteria)

(iii) Broker options issued vested upon issue.

(iv) Employee Options are issued under Performance Right and Share Options Plan. The Options vesting on 1 March 2021 subject to meeting the Business Plan related KPIs.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

25. Share based payments (continued)

2019 Grant date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/ forfeited other	At the end of the year
01/07/2017	\$0.022	2,000,000	-	-	(2,000,000)	-
03/10/2017	\$0.030	14,377,766	-	-	-	14,377,766
21/11/2017	\$0.030	6,800,000	-	-	-	6,800,000
08/10/2018	\$0.030	-	6,800,000	-	-	6,800,000
08/10/2018	\$0.030	-	6,800,000	-	-	6,800,000
		23,177,766	13,600,000	-	(2,000,000)	34,777,766
Weighted average exercise price		\$0.029	\$0.030	-	\$0.022	\$0.030

The weighted average remaining contractual life of performance rights and options outstanding at the end of the financial year was 2.37 years (2019: 3.25 years)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility
13/09/2019	30/06/2021	\$0.010	\$0.030	100%
19/09/2019	30/06/2021	\$0.010	\$0.030	100%
15/10/2019	31/10/2024	\$0.010	\$0.020	100%
26/11/2019	3/10/2022	\$0.060	\$0.030	100%
29/11/2019	30/06/2022	\$0.060	\$0.030	100%
12/06/2020	1/05/2025	\$0.030	\$0.060	100%

TALi Digital Long-Term Incentive Plan

The purpose of the TALi Digital Long-Term Incentive Plan (LTIP) is to provide long term rewards that are linked to shareholder returns. Under the LTIP, selected executives may be offered several performance rights (Right) and share options. Each Right provides the entitlement to acquire one TALi share at nil cost to the satisfaction of performance hurdles.

The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured by an independent third party at grant date and recognised over the three-year vesting period during which the employees become unconditionally entitled to the performance rights.

26. Contingent liabilities

The Group is not aware of any contingent liabilities or contingent assets capable of having a material impact on the Group.

27. Employee benefits

Aggregate liability for employee benefits, including on-costs:

	2020 \$	2019 \$
Current – employee benefits provision	125,820	156,605
Non-current – employee benefits provision	12,505	9,527
Total employee benefits	138,325	166,132

At-risk incentive performance payments

Compensation for all employees other than non-executive directors includes an at-risk performance component. Provision has been made at reporting date for the amount payable in respect of performance for the financial year as measured against agreed criteria set on an employee by employee basis.

A reconciliation of movement for the year for all employee provisions is provided in the following table.

	Annual leave \$	Long service leave \$	Performance incentive \$	Total \$
Balance at the beginning of the year	111,594	54,538	-	166,132
Provision utilised	(110,908)	(33,291)	-	(144,199)
Charges raised	125,134	(8,742)	-	116,392
Balance at the end of the year	125,820	12,505	-	138,325

28. Events subsequent to balance date

On 23 September 2020, 14,377,766 options previously issued to CEO and Managing Director were cancelled.

29. Dividends

No dividends were paid or proposed in the current or prior financial years.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

30. Segmented reporting

Information about reportable segments

For the financial year beginning 1 July 2019 the Group comprises the following two distinct business segments:

1. Research and Development – the operation of conducting health and medical research and development for commercialisation.
2. Investments – investing of excess funds in approved instruments including Australian equities.

2020	Research & Development	Healthcare/ Workforce Management*	Investments	Total
	2020 \$	2020 \$	2020 \$	2020 \$
Revenue from operating activities	47,229	-	-	47,229
Other income	574,715	-	-	574,715
Interest income	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	(3,398,006)	-	68	(3,397,938)
Reportable segment total assets	8,570,023	-	1,418	8,571,441
Reportable segment total liabilities	2,904,885	-	-	2,904,885

2019	Research & Development	Healthcare/ Workforce Management*	Investments	Total
	2019 \$	2019 \$	2019 \$	2019 \$
Revenue from operating activities	16,202	71,540	-	87,742
Other income	826,125	-	-	826,125
Interest income	27,928	-	-	27,928
Finance expense	-	-	-	-
Depreciation and amortisation and loss on disposal	(474,716)	(4,846)	-	(479,562)
Reportable segment profit/(loss) before tax	(3,246,412)	304,394	(2,425)	(2,944,443)
Reportable segment total assets	4,353,756	-	801,350	5,155,106
Reportable segment total liabilities	2,888,012	-	-	2,888,012

The aggregate of the assets, liabilities and profits for each segment in the Group Total

* Healthcare/Workforce Management – developing and providing recruitment solutions in aged and community care in financial year ending 30 June 2019.

30. Segmented reporting (continued)

Reconciliations of information on reportable segments to IFRS measure

	2020 \$	2019 \$
Revenues		
Total revenue and income for reportable segments	651,510	941,795
Total revenue and income for other segments	-	-
Consolidated revenue	651,510	941,795
Profit before Tax		
Total profit before tax for reportable segments	(3,397,938)	(2,944,443)
Profit before tax for other segments	(135)	-
Consolidated profit before tax from continuing operations	(3,398,073)	(2,944,443)
Assets		
Total assets for reportable segments	8,571,441	5,155,107
Assets for other segments	-	-
Equity accounted investees	-	-
Other unallocated amounts	-	-
Consolidated total assets	8,571,441	5,155,107
Liabilities		
Total liabilities for reportable segments	2,904,885	2,888,012
Liabilities for other segments	-	-
Other unallocated amounts	-	-
Consolidated total liabilities	2,904,885	2,888,012

31. Group entities

Significant subsidiaries for the year ended:

Country of incorporation		Ownership interest %	
		2020	2019
AVI Capital Pty Ltd*	Australia	-	100
TALi Health Pty Ltd	Australia	100	100
ACN 158 797 936 Pty Ltd^	Australia	100	100
TALi Digital INC.**	USA	100	-
TALi Digital (UK) Limited***	United Kingdom	100	-

*Deregistered on 13 February 2020

** Incorporated on 16 October 2019

*** Incorporated on 21 June 2020

^ Formerly Newly Pty Ltd.

Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2020

32. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020, the parent entity of the Group was TALi Digital Limited.

	2020 \$	2019 \$
Results of parent entity		
Profit/(Loss) for the period	(1,090,111)	(4,093,183)
Other comprehensive income	-	-
Total comprehensive income for the period	(1,090,111)	(4,093,183)
Financial position of parent entity at year end		
Current assets	8,798,016	2,093,603
Total assets	9,542,092	4,143,974
Current liabilities	1,085,555	1,461,637
Total liabilities	2,068,734	2,177,488
Total equity of the parent entity:		
Share capital	203,195,113	194,976,507
Retained earnings	(195,721,755)	(193,093,907)
Total equity	7,473,358	1,966,486

33. Discontinued operations

On 18 October 2018 Newly Pty Ltd, (subsequently renamed ACN 158 797 936 Pty Ltd) a fully owned subsidiary of TALi Digital, sold its entire business as a going concern. In consideration for the sale the consolidated entity received 600 fully paid shares at \$1,000 per share amounting to \$600,000 in Healthcarelink Group Pty Ltd, plus the right to earn out shares.

34. Deferred income

	2020 \$	2019 \$
Current	261,642	187,659
Non-current	1,424,274	1,210,663
Total deferred income	1,685,916	1,398,322

Due to the deferral of the TALi TRAIN, DETECT and MAINTAIN Development Cost Intangible Assets amortisation as indicated in Note 13, the related deferred R&D grant income and CRC-P grant revenue has been brought into account over the amortisation period. This has resulted in \$477,432 (2019: \$354,156) of R&D grant income and \$97,215 (2019: \$319,193) in CRC-P grant income being recognised in the Profit or Loss for the year ended 30 June 2020. \$1,092,186 (2019: \$882,735) of R&D grant income relating to future periods and \$593,730 (2019: \$515,578) in Grant revenue has been classified as Deferred Income.

35. Finance income and finance costs

Recognised in profit or loss	2020 \$	2019 \$
Interest income on cash and cash equivalents	29,566	27,886
Net gain on disposal of available - for-sale financial assets transferred from equity	-	2,137
Finance income	29,566	30,023
Net change in fair value of financial assets at fair value through profit or loss:		
Available for sale	-	(2,607)
Unwinding on lease liability	(15,097)	(13,860)
Interest charge on loan	(28,831)	(11,943)
Finance income (costs)	(43,928)	(28,410)
Net finance income/(costs) recognised in profit or loss	(14,362)	1,613

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2020

1. In the opinion of the directors of TALi Digital Limited ('the Company'):

- (a) the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 16 to 63, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Company and the group entities will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Financial Controller for the financial year ended 30 June 2020.

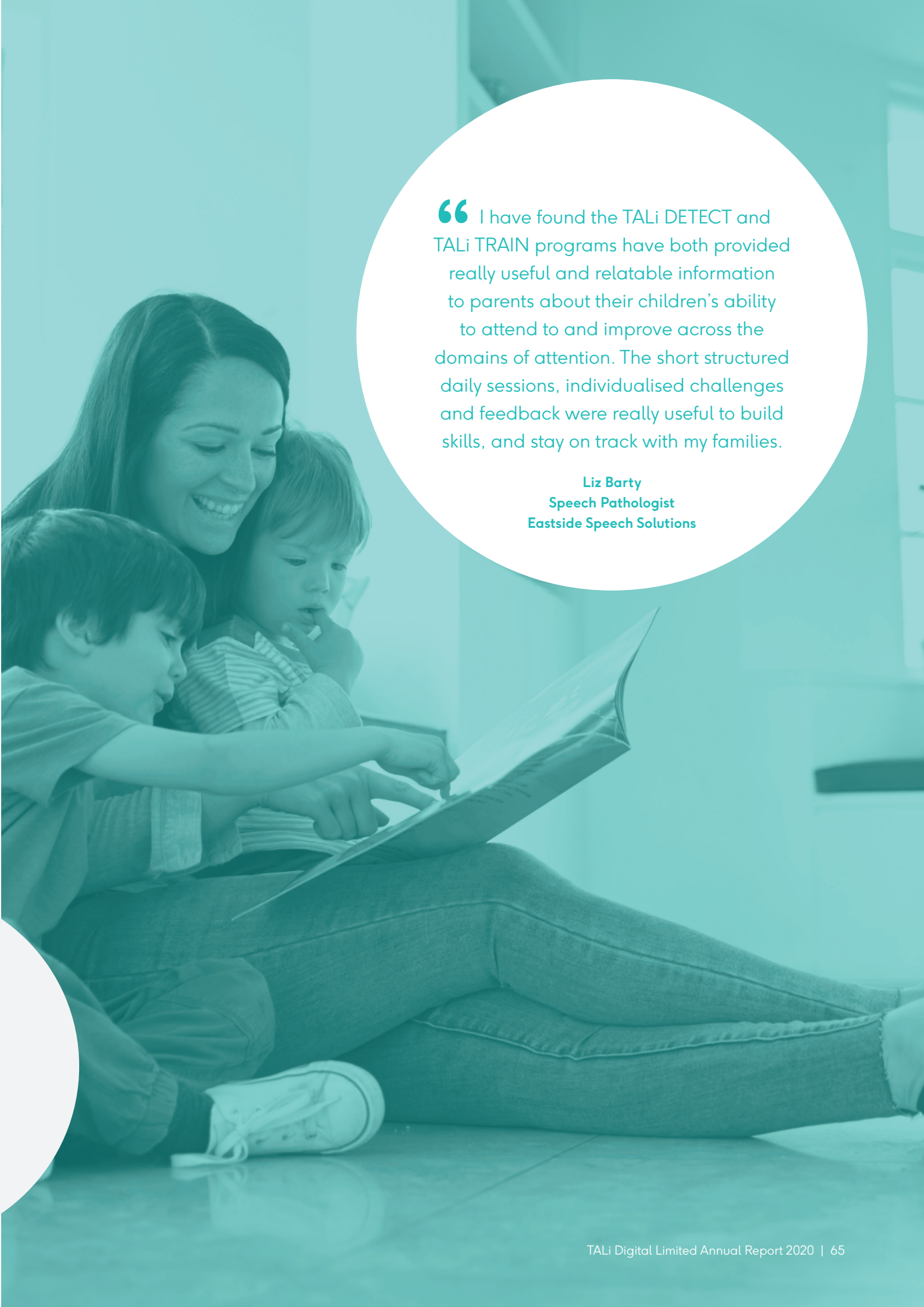
Dated at Melbourne this 30th day of September, 2020.

This report is made with a resolution of the directors.



Sue MacLeman

Chair

A woman with long dark hair is sitting on the floor, smiling and reading a large book to two young children. One child is pointing at the book. The scene is overlaid with a teal tint and a large white circle containing text.

“ I have found the TALi DETECT and TALi TRAIN programs have both provided really useful and relatable information to parents about their children’s ability to attend to and improve across the domains of attention. The short structured daily sessions, individualised challenges and feedback were really useful to build skills, and stay on track with my families.

Liz Barty
Speech Pathologist
Eastside Speech Solutions

Independent Auditor's Report

To the Members of TALi Digital Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of TALi Digital Limited (the Company) and its subsidiaries (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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its 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 Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also 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 related to going concern

We draw attention to Note 2(b) in the financial statements, which indicates that the Group incurred a net loss of \$3,397,938 during the year ended 30 June 2020, and for the period ended on this date, the Group's cash flow for the year was an outflow of \$2,717,938. There also remains significant uncertainty around the breadth and duration of government policy and regulations governing individuals and businesses due to COVID-19. As stated in Note 2(b), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Intangibles assets – note 13

The Group has intangible assets with a written down value of \$3,322,432 as at 30 June 2020, which consist of both acquired intangibles and internally generated intangibles.

The acquired assets consist of a health license and intellectual property relating to the TALi technology acquired as part of the purchase of TALi Health Pty Ltd in 2016. Internally generated intangibles consists of capitalised development costs relating to the TALi Train, TALi Detect and TALi Maintain products which the Company has developed.

In accordance with AASB 138 *Intangible Assets* only directly attributable costs incurred during the development phase may be capitalised and recognised as an asset. AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset.

This area is a key audit matter due to the level of judgement and estimation required in determining the recoverable amounts and whether the requirements of AASB 138 and AASB 136 are satisfied.

Our procedures included, amongst others:

- Assessing the company's accounting policy for capitalisation of development costs for adherence to AASB 138;
- Agreeing a sample of additions to supporting documents such as time records or invoices from third party suppliers and assessing whether the amounts met the recognition criteria in AASB 138;
- Evaluating the assumptions utilised by management which support the generation of future economic benefits from the capitalised costs;
- Considering other qualitative considerations (e.g. market valuation of the company compared to its net assets, recent trial results, other public information available or press releases) in order to challenge management's assessment of impairment indicators;
- Obtaining supporting documentation to demonstrate ongoing use of the asset; and
- Assessing the adequacy of the disclosures within the financial statements.

R&D Incentives – note 10

The Group received a 43.5% refundable tax offset of eligible expenditure under the Research and Development (R&D) Tax Incentive scheme if its turnover is less than \$20 million per annum, provided it is not controlled by income tax exempt entities.

An R&D plan is filed with AusIndustry in the following financial year, and based on this filing, the Group receives the incentive in cash. Management has performed a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation.

The process in calculating the R&D tax rebate requires judgment and specialised knowledge in identifying eligible expenditure which give rise to anticipated R&D tax incentives. Balances in relation to R&D tax incentives are therefore considered to be a key focus area as part of our audit.

Our procedures included, amongst others:

- Comparing the estimates made in prior year to the amount of cash received after lodgement of the R&D tax claim;
- Utilising an internal R&D tax specialist to review the expenditure methodology employed by management;
- Obtaining FY20 R&D rebate calculations performed by management and performing the following audit procedures:
 - Developing an understanding of the model, identifying and assessing key assumptions in the calculation;
 - Verifying included expenses agree to the underlying supporting documentation;
 - Testing the mathematical accuracy of the accrual; and
 - Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria.
- Reviewing disclosures in the notes to the financial statements to ensure adequacy.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our 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 on 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.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 16 to 25 of the Directors' report for the year ended 30 June 2020.

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

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 September 2020

Corporate Governance Statement

The Board of Directors of TALi Digital Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of TALi Digital Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with ASX Listing Rule 4.10.3 the Company's 2020 Corporate Governance Statement can be found at <https://talidigital.com/investors-centre/governance/>

Shareholder Information

Share capital

As at 22 September 2020 the share capital of the company was issued and paid up capital 749,305,218 ordinary shares.

Number

Number of shares quoted on the Australian Securities Exchange Limited 749,305,218.

TALi Digital Limited ordinary shares have been traded on ASX Limited since 28th December 2019 (former name Novita Healthcare Limited) and trade under the ASX code TD1. Melbourne is the Home Exchange. The Company's securities are not quoted on any other stock exchange

Position	Holder name	Holding	% IC
1	Grey Innovation Holdings Pty Ltd	30,909,488	4.13%
2	Mondo Electronics Pty Ltd <Mondo Electronics S/F A/C>	21,000,000	2.80%
3	Moonah Capital Pty Ltd	17,000,000	2.27%
4	Sailors Of Samui Pty Ltd	14,800,000	1.98%
5	Mr Donal Francis O'sullivan	11,000,000	1.47%
6	Ten Goals Pty Ltd <Hamish Mclachlan Family A/C>	10,000,000	1.33%
6	Puntero Pty Ltd	10,000,000	1.33%
7	Mrs Shweta Priyadarshini	9,850,000	1.31%
8	The King's Ransom (Vic) Pty Ltd <King Family Super Fund A/C>	9,223,100	1.23%
9	Mr John George Thomas & Mrs Angela Thomas	7,480,500	1.00%
10	Tg Sfund Pty Ltd <Tg Superannuation Fund A/C>	7,407,679	0.99%
11	Mr Carmelo Cannavo	7,320,000	0.98%
12	Corwest Pty Ltd	6,415,560	0.86%
13	A C N 154 894 256 <Harcourt Family A/C>	6,333,333	0.85%
14	Kembla No 20 Pty Ltd <Caa A/C>	6,126,724	0.82%
15	Citicorp Nominees Pty Limited	6,090,333	0.81%
16	Citos Super Pty Ltd <Citos Pty Ltd Sf A/C>	6,000,000	0.80%
16	Jmt Investment Group Vic Pty Ltd <John Turner Super Fund A/C>	6,000,000	0.80%
16	Mr Murray John Turner	6,000,000	0.80%
17	Crestpond Pty Limited	5,500,000	0.73%
18	Teefish Super Pty Ltd <Teefish Super Fund A/C>	5,350,000	0.71%
19	Jmt Investment Group Vic Pty Ltd	5,000,000	0.67%
19	Cvcv Pty Ltd <Cvc Vellios Super Fund A/C>	5,000,000	0.67%
20	Mr Brett Fielder	4,453,762	0.59%
Totals		224,260,479	29.93%
Total issued capital		749,305,218	100.00%

Distribution of shareholders as at 22 September 2020

Holding ranges	Holders	Total units	% Issued share capital
Above 0 up to and including 1,000	373	107,546	0.01%
Above 1,000 up to and including 5,000	222	646,177	0.09%
Above 5,000 up to and including 10,000	233	1,854,099	0.25%
Above 10,000 up to and including 100,000	1,194	50,569,592	6.75%
Above 100,000	849	696,127,804	92.90%
Totals	2,871	749,305,218	100.00%

The number of shareholders as at 22 September 2020 with less than a marketable parcel of \$500 worth of shares, based on the market price as at that date (\$0.026 per share), was 1,099, with total 6,577,954 amounting to 0.88% of Total Shareholding.

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's 2020 Corporate Governance Statement can be found at <https://talidigital.com/investors-centre/governance/>

Voting rights

The voting rights attached to ordinary shares are set out in Rule 5(f) and 40 of the Company's Constitution. In broad summary, but without prejudice to the provisions of those Rules, each shareholder present at a general meeting in person or by duly appointed representative, proxy or attorney.

- (a) On a show of hands, has one vote except if a shareholder has appointed more than one person as a representative, proxy or attorney, in which case none of those persons is entitled to vote or if a person is entitled to vote in more than one capacity, that person is entitled to only one vote; and
- (b) On a poll, has one vote for each fully paid share held and for each other share held, has a vote in respect of the share equivalent to the proportion that the amount paid on that share is of the total amounts paid and payable on that share at the time a poll is taken but no amount paid on a share in advance of calls shall be treated as paid on that share.

As at 22 September 2020, the Options issued over unissued Ordinary Shares totalled 35,474,390 represented by 4,100,000 granted to employees under the ESOP, 13,600,000 issued to Directors, and 17,774,390 issued to external suppliers for services rendered. There are no voting rights attached to either the Options or the underlying unissued Ordinary Shares.

Issued capital report as at 22 September 2020

Security code	Security name	CHESS holders	CHESS holdings	% CHESS holdings	Issuer holders	Issuer holdings	% Issuer holdings	Total holders	Total holdings
TD1	Ordinary fully paid shares	2,619	722,115,931	96.37%	252	27,189,287	3.63%	2,871	749,305,218
	Total	2,619	722,115,931		252	27,189,287		2,871	749,305,218

Shareholder Information continued

Officers

Managing Director: Glenn Smith

Company Secretary: Stephen Denaro – Appointed 21 February 2019

Registered Office

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Share Registry

Automic Registry Services
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Surry Hills, New South Wales 2010 Australia
Telephone 1300 288 64
Website automic.com.au
Email hello@automic.com.au

Securityholder Information

You can gain access to your security holding information in a number of ways. The details are managed via the Company's Registrar, Automic Registry Services, and can be accessed as outlined below. Please note your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

Investor Phone Access

Provides telephone access, call 1300 288 664 to speak to an operator.

Internet Account Access

Securityholders can access their details via the internet. Automic provides access via its InvestorShare online service. Go to investor.automic.com.au to view your information.

Changing Shareholder Details

Changes to your name or address must be advised in writing to Automic Registry Services. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

TALi Digital Limited Publications Mailing List

The Annual Report is a major source of information about the Company. Shareholders who do not wish to receive this publication can assist the Company to reduce costs by advising Automic Registry Services in writing or doing so online using <http://investor.automic.com.au/#/home>. Shareholders will continue to receive all other shareholder information, including the Notice of Annual General Meeting and Proxy Form. The Annual Report. Other releases and general Company information are also available on the Company's website at www.talidigital.com.au

Investor Relations

If you have any questions or issues regarding your shareholding, please contact Automic Registry Services on 1300 288 664.



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