TALi

DIGITAL LIMITED

# Annual Report

2021

# Contents

# Corporate Directory

| | |
|---|---|
| **Directors** | Ms Sue MacLeman<br>Mr Jefferson Harcourt<br>Dr David Brookes<br>Mr Glenn Smith |
| **Company secretary** | Mr Stephen Denaro |
| **Registered office** | Level 5,<br>19 William Street<br>Cremorne, Victoria 3121 |
| **Principal place of business** | Level 5,<br>19 William Street<br>Cremorne, Victoria 3121 |
| **Share register** | Automic Registry Services<br>Level 3, 50 Holt Street<br>Surry Hills, New South Wales 2010 Australia<br>Telephone: 1300 288 664<br>Website: automic.com.au<br>Email: hello@automic.com.au |
| **Auditor** | Grant Thornton Audit Pty Ltd<br>Collins Square, Tower 5<br>727 Collins Street<br>Melbourne VIC 3000 |
| **Stock exchange listing** | TALi Digital Limited shares are listed on the Australian Securities Exchange. |
| **ASX code** | TD1 |
| **Website** | www.talidigital.com |

# Chairman's Report

Dear Shareholders,

I am pleased to present TALi Digital's Annual Report for the 2021 financial year.

The past 12-months have been transformative for our Company as we have executed a number of important milestones on our path toward commercialisation of our TALi technology platform in key global markets. Inattention and cognitive impairment right across all ages continues to be a globally growing diagnosis, and solutions outside of traditional pharmacological treatments are growing rapidly, underpinning our Company's goal to usher in the next generation of digital health solutions.

**Executing on global growth strategy**

During the year our team remained dedicated to executing on our global growth plans. We recently announced a landmark deal for our Company, executing a Strategic Licensing Agreement with global leader Akili Interactive Labs, Inc. (Akili). Under the agreement, Akili has become the exclusive commercialisation partner for TALi paediatric cognition products in the US market. Under the agreement TALi will receive milestone payments and royalties upon satisfaction of agreed outcomes.

Akili is a global leader in digital therapeutics having commercialised the first FDA-cleared and CE-marked video game treatment to improve attention in children ages 8–12 years with Attention Deficit Hyperactivity Disorder (ADHD). In this regard, Akili and TALi's technologies are highly complementary and now cover the full age-range in children, given TALi's technology is clinically validated and designed to target and improve attention in the early childhood years of those aged 3–8. Importantly, both Akili and TALi also have a shared focus on rigorous clinical validation and high-end user experience, and are committed to changing the way people think about medicine and the role digital therapeutics can play in healthcare.

To execute an exclusive partnership with a group of the calibre of Akili also validates the market potential of the TALi technology and provides the foundation for additional global partnerships in other regions, a key area of strategic focus for our Company in the year ahead.

Earlier in the period we also announced a partnership for the Indian market, executing an investment and advertising agreement with Brand Capital International, the strategic investment arm of The Times Group.

The Times Group is the largest media conglomerate in India and engages with 550 million people each month via various social networking applications. Whilst the planned direct-to-consumer roll-out of TALi in this market via the Times Group has commenced, the initial timeframes targeted were hampered by the COVID-19 surge in this region earlier this year. We do remain confident of the potential for TALi's products in this large addressable market and will update shareholders of our progress once the full marketing launch occurs later in the year.

We have continued to invest in our IP portfolio throughout the period and have strengthened our position in line with our global channel partner strategy. During the year we were granted our first patent in Japan, with this attractive region being the world's third largest market for ADHD treatments and growing at more than 20 percent annually. We also further strengthened our IP position in China and Australia. It is TALi's patents and trademarks across multiple jurisdictions, including the US, that we see as pivotal in delivering international partnerships, and firmly places our Company at the centre of the digital therapeutics ecosystem.

From a financial perspective, our Balance Sheet is solid and we have sufficient funding to execute our global partnership growth plans. During FY21, we conducted a successful capital raise of $3.85m and welcomed a range of new institutional investors onto our share register as well as recognised the continued support from existing holders.

**Strengthened Advisory Board**

During the year we welcomed the contributions from our new Advisory Board members Ms Sarah Michel, Dr Phil Lambert, Professor Con Stough and Dr Scott Collins. The Advisory Board has been instrumental in guiding our scientific programs and supporting the team as we begin to scale in major global markets. Their expertise and deep experience is highly valuable as we commercialise our digital therapeutic platform and I look forward to their ongoing contribution in FY22.

We are in the early stages of our global expansion journey with our recent US licensing agreement putting us in a good position to progress developments in other markets. These opportunities underline the potential for long term sustainable revenues, ensuring the Company is well positioned to deliver value for shareholders in the coming years.

I would particularly like to thank our team for their hard work and efforts during these difficult and challenging times. I would also like to thank my fellow Directors for their guidance and insights throughout the year. And to our shareholders, thank you for your continued support and I look forward to updating you on our progress as we head into a new and exciting financial year for our Company.

Yours sincerely,

**Sue MacLeman**
Chair

# Chief Executive Officer's Report

Dear Shareholders,

During 2021 we were keenly focused on broadening the reach of our TALi platform in a range of markets and progressing our global partnership growth strategy and I am very pleased to report we delivered on several major milestones over the past year, including entry into the US and Indian markets.

## OPERATIONAL REVIEW

### Strategic licensing agreement with Akili Interactive for large and growing US-market

On 18 August 2021, TALi announced it had entered into a Strategic Licensing Agreement with Akili Interactive Labs, Inc. (Akili), a global leader in the digital therapeutics space. Under the Agreement, our Company will receive total future contingent milestone payments of A$51M (US$37.5M)[1] as well as royalties on future sales. Akili now holds a licence for TALi's market leading technology to become the exclusive commercialisation partner for all paediatric cognition products in the US.

This Agreement is transformational and highly strategic for TALi. Not only is the Attention Deficit Hyperactivity Disorder (ADHD) treatment market in the US the largest in the world (with an estimated value of US$10B annually), it also provides significant validation for our technology given Akili is a global leader in this field. Akili has commercialised the first FDA-cleared and CE-marked video game treatment, EndeavorRx®, as a Prescription Digital Therapeutic ("PDT") to improve attention function in children with ADHD. Akili are also backed by leading investment houses and pharmaceutical companies, having recently completed a US$160M funding round led by top-tier global investment management group, Neuberger Berman Funds.

TALi's platform builds on Akili's product portfolio and complements it flagship product EndeavorRx®, which targets children with ADHD aged between 8–12 years. Together Akili and TALi's technology platforms will now cover the age spectrum of childhood from 3–12 years.

The Agreement is also structured to leverage each organisation's expertise. TALi will lead the clinical and regulatory clearance process, while Akili will lead commercialisation of the approved paediatric digital solutions in the United States. The initial milestone payment to TALi will be US$2m upon FDA clearance. TALi will also receive payments from Akili for clinical development in addition to the milestone payments.

Clinical development and trials collecting US based paediatric data will be facilitated by Duke Clinical Research Institute (DCRI). DCRI and TALi have an existing collaboration and protocols for the trials are currently being prepared by DCRI. Trial commencement is projected to occur this calendar year. The next stage will be for TALi to follow a submission process with the FDA.

Once cleared, TALi's technology platform has the potential to lead to a multi-decade annuity revenue stream in the US market as no additional regulatory approvals in the US will be required for this paediatric ADHD product (based on current US legislation/ regulations). First sale and subsequent revenue milestones will be paid from Akili to TALi on revenues targets being achieved. Royalty payments will be paid on all sales of the TALi products in the US market on-top of milestone payments.

### India market penetration

In December 2020, TALi announced that it had signed an investment and advertising agreement with Brand Capital International (BCI), the strategic arm of Bennett, Coleman and Company Ltd. (The Times Group), to facilitate TALI's entry and growth in the strategically important Indian market.

As part of the agreement, The Times Group invested US$2 million in TALi to provide funds for our Company to accelerate the roll out of products in India. These funds have been deployed towards TALi's marketing communication in the Indian market through the Times Group's media assets, to allow TALi to grow its direct-to-consumer reach.

Since TALi DETECT and TALi TRAIN were made available via the iOS and Android app stores the initial consumer engagement has been strong, with over 25,000 downloads from the Google Play store. The full 'live-launch' of the TALi apps and the full roll out of the print and radio campaigns is scheduled for later in 2021, given the surge in COVID-19 cases throughout India earlier this year. India remains a very relevant market for TALi with a direct opportunity of approximately 30 million children in the TALi age range.

[1] *Exchange rate as at 18th August 2021*

### Enhanced IP portfolio protection

TALi's IP portfolio was further strengthened in FY21, with the granting of its first Japanese patent by the Japan Patent Office. The patent has an expiry date of March 31, 2035 and the claims of the patent cover the TALi DETECT® and TALi TRAIN® products. This represents a significant market opportunity given non-pharmaceutical based approaches are preferred treatment methods in this region.

TALi was also recently issued trademark coverage in China from the China Trade Mark Office in relation to its core TALi TRAIN® and TALi DETECT® products. This trademark has been classified under Acceptance Class 10 — a category that includes goods for surgical, medical, dental and veterinary purposes.

In July 2021, TALi was granted its first Australian patent by IP Australia. This patent covers TALi TRAIN® and TALi DETECT® as well as next generation solutions currently in development, and has a continuance period of 20-years from the priority date March 31, 2015.

### Australian market update

TALi is currently focused on further raising awareness of its products in the healthcare market in Australia and continues to make developments to enhance the user experience between consumers and healthcare professionals. During the period, the Company initiated a shift towards seeking reimbursement for the TALi solution, which initially focuses on market data collection as opposed to direct revenue generation.

Compiling a strong set of data will help us to progress plans such as the undertaking of a reimbursement submission (MSAC and/or PBS submission) for TALi to be potentially listed on the Medicare Benefits Scheme (or other relevant scheme) in Australia as a reimbursable diagnostic aid and therapeutic.

### Financial position

The Company's cash at bank as at 30 June 2021 was $2.7 million, allowing the Company to continue to pursue growth via its global partnership model. In February we received strong support from new and existing shareholders raising $3.85 million, with funds raised partly used to support TALi's recent entry into the US-market via its Agreement with Akili.

The Company reports total revenue and income of $548,905 and a net loss of $4,858,273 for the period. Operating, financing and investing activities incurred a net cash outflow for the year of $1,202,457.

### Positive outlook for FY22

In FY22, the focus is on further progressing the Company's partnership growth strategy. Commercial discussions are ongoing with potential partners in Japan and South Korea and if successful these are expected to position TALi to generate additional value from our clinically-validated technology platform. These discussions also support TALi in its broader goal to build sustainable long-term recurring revenues from key global target markets.

TALi is also currently engaged in a evaluating a research program exploring the potential for its technology platform to be expanded to other cognitive decline indications, more common in populations with Mild Cognitive Impairment (MCI). MCI has been found to often been a precursor to recognising Alzheimer's disease and other forms of dementia. Many conditions associated with MCI are not able to be screened with conventional imaging, such as MRI scan, and require a functional test to assess the reduction in executive cognitive function.

Finally, I would like to thank our shareholders for your continued commitment, and we look forward to delivering further strategic milestones in the year ahead.

Yours sincerely,

**Glenn Smith**
Managing Director

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of TALi Digital Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2021.

**Directors**

The following persons were directors of TALi Digital Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| Name and independence status | Period of office and special responsibilities |
|---|---|
| Sue MacLeman<br>Independent Non-Executive Director & Chair | Appointed September 6, 2018 Director and Chair since September 6, 2018. Member of the Audit Committee. |
| Jefferson Harcourt<br>Non-Executive Director | Appointed February 25, 2016. Member of the Audit Committee. |
| David Brookes<br>Non-Executive Director | Appointed on June 29, 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee. |
| Glenn Smith<br>Managing Director | Appointed Chief Executive Officer October 3, 2017 and appointed Managing Director May 10, 2018. |

## Principal activities

TALi [TALi Digital Limited (ASX: TD1)] is a digital health company delivering diagnostic and therapeutic solutions for cognitive function and behaviour. The Company has built a platform technology, the first iteration of which targets cognitive attention skills during early childhood through its breakthrough evidence a video-gamed-based TALi screening ('DETECT') and training ('TRAIN'). This first to market and user experience focused technology is complementary to existing diagnosis and therapy placing TALi at the forefront of patient experience and early intervention thus positioning the business as an ideal partner in the global digital health sector.

Innovations that target cognitive skills to deliver non-invasive early interventions underpin the TALi platform technology. This innovation focus is allowing the Company to deliver a series of product developments in ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder) for predictive diagnosis and treatment for all age groups along with a core research program exploring applications for populations afflicted with Mild Cognitive Decline (MCI has been found to often been a precursor to recognizing Alzheimer's disease and other forms of dementia). TALi solutions aim to deliver foundational advances in human cognitive function and behaviour only dreamt of a few short years ago.

TALi is 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

### STRATEGIC LICENCING AGREEMENT WITH AKILI

During FY21 TALi made significant progress toward the progression of its global partnership strategy, delivering on several key milestones and subsequent to the reporting period announcing a Strategic Licensing Agreement (Agreement) for paediatric cognition products in the US market with Akili Interactive Labs, Inc. (Akili). Post the period an agreement was entered into by the parties (see ASX announcement on 18 August 2021) under which TALi will receive $51 million (US$37.5 million) in total future contingent milestone payments plus royalties on potential revenues.

This Agreement is transformational and highly strategic for the Group given the paediatric cognitive treatment market in the US is the largest in the world. In addition, the Agreement provides significant validation for the Group's technology platform and is expected to provide the foundation for partnerships in other regions.

### INDIAN MARKET PARTNERSHIP & ROLLOUT

In December 2020, the Company executed an investment and advertising agreement with Brand Capital International (BCI), the strategic arm of Bennett, Coleman and Company Ltd. (The Times Group), to facilitate TALI's entry and growth into the strategically important Indian market.

As part of the agreement, The Times Group invested US$2 million in the Company to provide funds for the Group to accelerate the roll out of products in India. These funds have been deployed towards the Group's marketing and advertising program in the Indian market through the Times Group's media assets, to allow TALi to grow its direct-to-consumer reach.

Soft-launch activities commenced in the Indian market in April and since this time initial consumer engagement with TALi products has been strong, with over 25,000 downloads from the Google Play store. The full 'live-launch' of the TALi apps and the full roll-out of the print and radio campaigns has been delayed and is scheduled for later in 2021, given the surge in COVID-19 cases throughout India earlier this year.

### AUSTRALIAN MARKET UPDATE

Over the 2021 financial year, the Group initiated a shift towards seeking reimbursement for the TALi solution, which initially focuses on market data collection as opposed to direct revenue generation in order to build a more sustainable and longer-term revenue stream.

Compiling a strong set of data is expected to help progress plans such as the undertaking of a reimbursement submission (Medicare Benefits Scheme [MBS] and/or Pharmaceutical Benefits Scheme [PBS]) for TALi to be potentially listed on the MBS and/or PBS in Australia. The Company expects real world data collected from its initial Australia roll-out combined with clinical development data from trials undertaken by Duke Clinical Research Institute in the US, under its Agreement with Akili, to support the Australian market process.

### FINANCIAL REVIEW

The statement of profit or loss and other comprehensive income shows a loss of $4,858,273 (2020: $3,397,938) for the year. The Group has no bank debt. As at 30 June 2021 the Group had a cash position of $2,726,518 (2020: $3,945,408). Operating, financing and investing activities incurred a net cash outflow for the year of $1,202,457 (2020: inflow $3,603,974).

Advertising and promotion expenses for the year ended 30 June 2021 were $885,247 (2020: $342,132) with the increase largely associated with the Group's soft-launch entry into the Indian market via its advertising agreement with The Times Group. As at 30 June 2021 the Group has

$1,973,180 in prepaid advertising credits with The Times Group, which will be utilised as the Group executes it’s Indian advertising and marketing plan.

The Group continues to pursue non-dilutive funding including government funded incentive programs such as the R&D Tax Incentive (RDTI) and the Export Market Development Grant (EMDG). At 30 June 2021 the Group has a receivable for the estimated RDTI refund for the year ended 30 June 2021 of $795,874 (2020: $682,348) and during the year the Group received an EMDG of $100,000 (2020: nil).

During the year the Group received $50,000 (2020: $50,000) of COVID-19 related government PAYGW cash booster payments. This $50,000 was recorded as income in FY20. The Group also received $171,000 of JobKeeper cash payments (2020: $87,000). Of the $171,000, $42,000 was recorded as income in FY20.

### COVID-19

The Company highlights that the impact of the COVID-19 pandemic and associated measures (e.g., travel restrictions, lockdowns, remote work and social distancing) has been of a significant nature to the operations of TALi. This has been reflected in the delayed timing of execution of the agreement between TALi and Akili to progress the medical use of the TALi technology. Similarly, the rescheduling of launch activities for the non-medical use (consumer and education channels) of the TALi technology in India has been necessary.

### OUTLOOK

In FY22, TALi is focused on progressing the Group’s partnership growth strategy. Commercial discussions are ongoing with potential partners in a range of international markets including Japan and South Korea.

This ongoing work, as well as the commencement of Akili partnership activities such as the clinical development program in the current calendar year, ensures the Group is well positioned to progress its growth strategy.

### 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 136 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. As a digital health solution TALi provides logistical advantages over traditional face to face intervention methods to deliver health care into the home providing significant cost savings and better outcomes for children.

### Capital and corporate structure

On 8 December 2020 the Company announced an investment of $2.7million ($2million USD) by Brand Capital International (BCI), the strategic investment arm of Bennett, Coleman and Company Ltd (the Times Group). On 6 January 2021 the Company issued 81,800,594 shares at $0.033 per share.

On 16 February 2021 the Company announced a Placement to raise $3.85million before costs and a proposed issuance of options to Placement participants and to the Sole Lead Manager. Subject to shareholder approval, the Company will issue one free attaching option for every 2 new shares purchased in the Placement. The attaching options will have an exercise price of $0.09 per share and will expire 12 months after the date of issue. In addition, Subject to shareholder approval, the Company also proposed to issue the following options to Taylor Collison (as Sole Lead Manager on the Placement or its nominee):

(a) 5 million options with exercise price of $0.09 per share and expiring 18 months after completion of the Placement;

(b) 5 million options with exercise price of $0.12 per share and expiring 24 months after completion of the Placement;

(c) 5 million options with exercise price of $0.15 per share and expiring 24 months after completion of the Placement.

On 22 February 2021 the Company issued 98,717,948 ordinary shares at $0.039 per share.

On 30 June 2021 the Company issued 2,082,029 Ordinary shares upon exercise of unlisted options.

Full details of movements in share capital for the year are detailed in note 20 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 |
| | 22,500,000 | $0.030 | 24 November 2025 |
| Vendor, broker & consultant options: | 7,188,883 | $0.090 | 30 June 2022 |
| | 10,200,000 | $0.030 | 21 November 2022 |
| Employee options: | | | |
| | 2,100,000 | $0.015 | 31 October 2024 |
| Total | 55,588,883 | | |

On 22 February 2021, 49,358,974 options were provisionally issued to shareholders that participated in the placement and 15,000,000 options were provisionally issued to the Broker of the placement. The options were provisionally issued as they are required to be approved by shareholders at a shareholder meeting.

**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**<br>Independent Non-Executive Director & Chair<br>Qualifications: BPharm. MMktg, MLaw, FTSE | Ms S MacLeman joined the Board on 6 September 2018. She has been a Director and Chair since 6 September 2018 and is a member of the Audit Committee.<br>Ms S MacLeman has over 30 years' experience in the medtech, pharma and biotech sector and is currently the Chair of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPII-GC Ltd), Chair of Tali Digital Ltd (ASX:TD1), Non-Executive Director of Palla Pharma Ltd (ASX:PAL), Non-Executive Director at Anatara Lifesciences Ltd (ASX:ANR), Non-Executive Director of Planet Innovation Holdings Ltd and Non-Executive Director of Omico. |
| **Mr Jefferson Harcourt**<br>Non-Executive Director<br>Qualifications: B.Eng (Hons) GAICD | 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.<br>Mr J Harcourt sits on a number of private technology company boards in the medical device and security markets. |
| **Mr Glenn Smith**<br>Managing Director<br>Qualifications: MBA, BA (Econ) | 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.<br>Mr G Smith sits on a number of private technology company boards and is a Non-Executive Director of HitIQ Limited (ASX:HIQ). |
| **Dr David Brookes**<br>Independent Non-Executive Director<br>Qualifications: MBBS, FACRRM, FAICD | 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 and held Board positions in a number of ASX listed biotechnology companies, including as Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI) in June 2018. He is currently the Non-Executive Chairman of Anatara Therapeutics Ltd (ASX: ANR) and of Factor Therapeutics Ltd (ASX:FTT), and a Non-Executive Director of Island Pharmaceuticals Limited (ASX:ILA). He was the Non-Executive Chairman of the unlisted Better Medical Group until that company was acquired by private equity firm Livingbridge in January 2021.<br>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. |

**Company secretary**

Mr 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 | 3,400,000 |
| Mr J Harcourt | 38,688,423 | 3,400,000 |
| Mr G Smith | 1,454,546 | 22,500,000 |

**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 J Harcourt | 12 | 12 | 2 | 2 |
| Mr G Smith | 12 | 12 | 2 | 2 |
| Dr D Brookes | 12 | 12 | 2 | 2 |

[1] Held: represents the number of meetings held during the time the director held office.

# Directors' Report continued

FOR THE YEAR ENDED 30 JUNE 2021

**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**

There were no significant changes in the state of affairs of the Group during the financial year.

**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**

On 20 July 2021, 6,000,000 options were issued to employees under the employee incentive scheme.

On 20 July 2021, 900,000 options previously issued to employees were cancelled.

On 18 August 2021, the Company announced it had entered into a Strategic Licensing Agreement (Agreement) with Akili Interactive Labs, Inc., a global leader in the digital therapeutics space. Under the Agreement, the Company will receive total milestone payments of up A$51 million (US$37.5 million) as well as royalties on future sales.

On 28 September 2021 the Company received the FY21 income tax return refund of $795,873 in relation to the Research & Development Tax Incentive.

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.

**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 subcommittee 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.

### 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 2021 and is set out after the Directors' report.

### Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 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.

# Remuneration Report — AUDITED

FOR THE YEAR ENDED 30 JUNE 2021

**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 21 and 22. 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 fulfill 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.

**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 $92,295 (2020: $8,705) has been recognised in the 2021 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 later in this report.

**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 Non-Executive Director (NED) maximum aggregate fee pool at the 2021 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.

**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.

**2021:**

| | Base compensation (salary and fees) $ | Bonuses / incentives $ | Post Employment: Superannuation contributions $ | Share-based payments: Shares and performance right's issued $ | Total compensation $ |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| *Non-executive* | | | | | |
| Ms S MacLeman | 54,788 | - | 5,205 | - | 59,993 |
| Mr J Harcourt | 35,000 | - | - | - | 35,000 |
| Dr D Brookes | 31,963 | - | 3,037 | 20,391 | 55,391 |
| **Total compensation** | **121,751** | **-** | **8,242** | **20,391** | **150,384** |
| **Executive Directors** | | | | | |
| Mr G Smith | 250,000 | 93,750 | 23,750 | 70,500 | 438,000 |
| | **371,751** | **93,750** | **31,992** | **90,891** | **588,384** |

**2020:**

| | Base compensation (salary and fees) $ | Bonuses / incentives $ | Post Employment: Superannuation contributions $ | Share-based payments: Shares and performance right's issued $ | Total compensation $ |
|---|---|---|---|---|---|
| **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 non-executive compensation** | **124,483** | **-** | **5,204** | **-** | **129,687** |
| **Executive Directors** | | | | | |
| Mr G Smith [3] | 250,000 | 62,500 | 25,729 | - | 338,229 |
| | **374,483** | **62,500** | **30,933** | **-** | **467,916** |

[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.*

**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 | 08/10/2018 | 21/11/2022 | $0.030 | Ms S MacLeman |
| 3,400,000 | 08/10/2018 | 21/11/2022 | $0.030 | Mr J Harcourt |
| 3,400,000 | 24/11/2020 | 21/11/2025 | $0.030 | Dr D Brookes |
| 22,500,000 | 24/11/2020 | 26/11/2020 | $0.030 | Mr G Smith |

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

During the year 22,500,000 (2020: 14,377,766) options to acquire ordinary shares were issued to the CEO & Managing Director approved by Shareholders at the Annual General Meeting (AGM) held on 24 November 2020.

**Shares issued on exercise of options and performance rights**

During the financial year the Company issued nil (2020: nil) ordinary shares upon the exercise of options or performance rights to Directors for total proceeds of nil (2020: nil). Since the end of the financial year up to the date of this report the Company has issued nil (2020: nil) shares upon exercise of options or performance rights to Directors for total proceeds of nil (2020: 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.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2021

**Number of shares held in TALi Digital Limited:**

**2021:**

| | Holding of Ordinary Shares at 1 July 2020 (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 2021 |
|---|---|---|---|---|---|---|
| | Number | Number | Number | Number | Number | Number |
| **Directors** | | | | | | |
| Ms S MacLeman | 505,920 | - | - | - | - | 505,920 |
| Mr J Harcourt | 38,688,423 | - | - | - | - | 38,688,423 |
| Mr G Smith | 1,454,546 | - | - | - | - | 1,454,546 |
| Dr D Brookes | 3,000,000 | - | - | - | - | 3,000,000 |
| **Total** | **43,648,889** | **-** | **-** | **-** | **-** | **43,648,889** |

**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** |

**Number of options held in TALi Digital Limited:**

**2021:**

| | Balance at 1 July 2020 (or date of appointment) | Granted as compensation | Exercised / elapsed | Balance at 30 June 2021 |
|---|---|---|---|---|
| | Number | Number | Number | Number |
| **Directors** | | | | |
| Ms S MacLeman | 6,800,000 | - | - | 6,800,000 |
| Mr J Harcourt | 3,400,000 | - | - | 3,400,000 |
| Mr G Smith | 14,377,766 | 22,500,000 | (14,377,766) | 22,500,000 |
| Dr D Brookes | - | 3,400,000 | - | 3,400,000 |
| **Total** | **24,577,766** | **25,900,000** | **(14,377,766)** | **36,100,000** |

**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 [1] | 3,400,000 | - | - | 3,400,000 |
| Mr G Smith | 14,377,766 | 14,377,766 | (14,377,766) | 14,377,766 |
| **Total** | **27,977,766** | **14,377,766** | **(14,377,766)** | **27,977,766** |

[1] Mr M Simari resigned 29 June 2020.

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.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2021

**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.

This report is made with a resolution of the directors.

**Sue MacLeman**
Chair

30th of September 2021

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3000

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8329 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

# 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 2021, 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 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

| Statement of profit or loss and other comprehensive income For the year ended 30 June 2021 | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from continuing operations | 4 | **34,238** | 47,229 |
| Other income | 5 | **514,667** | 574,715 |
| **Total revenue and income** | | **548,905** | **621,944** |
| **Expenses** | | | |
| Contract research and development expenses | | **(233,632)** | 36,427 |
| Personnel expenses excluding share-based payment expense | | **(2,191,833)** | (1,841,093) |
| Share based payment expense | 21 | **(92,295)** | (8,705) |
| Depreciation and amortisation expenses | 6(a) | **(541,501)** | (548,913) |
| Occupancy expenses | | **(35,804)** | (52,780) |
| Professional and consulting expenses | | **(731,408)** | (631,063) |
| Travel and accommodation expenses | | **(19,925)** | (129,472) |
| Insurance expenses | | **(110,131)** | (85,103) |
| Corporate administration expenses | | **(236,545)** | (86,468) |
| Intellectual property expenses | | **(106,265)** | (128,042) |
| Advertising and promotion | | **(885,247)** | (342,132) |
| Other expenses | 6(b) | **(277,479)** | (186,268) |
| **Total expenses** | | **(5,462,065)** | **(4,003,612)** |
| **Operating loss** | | **(4,913,160)** | **(3,381,668)** |
| Net finance income/(expense) | 7 | **(9,311)** | (14,362) |
| Foreign exchange gains/(losses) | | **64,198** | (1,908) |
| **Loss before income tax expense** | | **(4,858,273)** | **(3,397,938)** |
| Income tax expense | 8 | **-** | - |
| **Loss after income tax expense for the year attributable to the owners of TALi Digital Limited** | | **(4,858,273)** | (3,397,938) |
| **Other Total comprehensive (loss)/income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Net change in fair value of Investments | | **-** | (800,000) |
| **Total comprehensive (loss)/income for the year attributable to the owners of TALi Digital Limited** | | **(4,858,273)** | (4,197,938) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 9 | **(0.59)** | (0.51) |
| Diluted earnings per share | 9 | **(0.59)** | (0.51) |

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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

| Statement of financial position as at 30 June 2021 | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 10 | **2,726,518** | 3,945,408 |
| Trade and other receivables | 11 | **847,223** | 956,067 |
| Investments | 12 | **1,688** | 1,418 |
| Other assets | 13 | **2,016,270** | 29,144 |
| Total current assets | | **5,591,699** | 4,932,037 |
| **Non-current assets** | | | |
| Investments | 12 | **-** | - |
| Intangible assets | 14 | **4,126,199** | 3,322,432 |
| Property, plant and equipment | 15 | **113,309** | 316,972 |
| Total non-current assets | | **4,239,508** | 3,639,404 |
| **Total assets** | | **9,831,207** | 8,571,441 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **250,338** | 888,417 |
| Deferred income | 17 | **145,674** | 261,642 |
| Lease liabilities | 18 | **55,792** | 136,915 |
| Employee benefits | 19 | **159,344** | 125,820 |
| Total current liabilities | | **611,148** | 1,412,794 |
| **Non-current liabilities** | | | |
| Deferred income | 17 | **1,936,746** | 1,424,274 |
| Lease liabilities | 18 | **-** | 55,312 |
| Employee benefits | 19 | **27,266** | 12,505 |
| Total non-current liabilities | | **1,964,012** | 1,492,091 |
| **Total liabilities** | | **2,575,160** | 2,904,885 |
| **Net assets** | | **7,256,047** | 5,666,556 |
| **Equity** | | | |
| Issued capital | 20 | **208,157,446** | 202,113,795 |
| Reserves | | **502,351** | 98,238 |
| Accumulated losses | | **(201,403,750)** | (196,545,477) |
| **Total equity** | | **7,256,047** | 5,666,556 |

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

| For the year ended 30 June 2021 | Issued capital $ | Share based payments reserve $ | Change in fair value reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Opening balance as at 1 July 2020 | **202,113,795** | **1,098,238** | **(1,000,000)** | **(196,545,477)** | **5,666,556** |
| Loss after income tax expense for the year | - | - | - | (4,858,273) | (4,858,273) |
| Other Total comprehensive (loss)/income for the year, net of tax | - | - | - | - | - |
| **Total comprehensive (loss)/ income for the year** | **-** | **-** | **-** | **(4,858,273)** | **(4,858,273)** |
| Issue of ordinary shares | 6,549,420 | - | - | - | 6,549,420 |
| Transaction costs relating to issue of ordinary shares | (568,230) | - | - | - | (568,230) |
| Share-based payment transactions to employees | - | 92,295 | - | - | 92,295 |
| Share-based payment transactions to brokers and shareholders | - | 311,818 | - | - | 311,818 |
| Issue of ordinary shares from exercise of options | 62,461 | - | - | - | 62,461 |
| **Balance at 30 June 2021** | **208,157,446** | **1,502,351** | **(1,000,000)** | **(201,403,750)** | **7,256,047** |

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

| For the year ended 30 June 2020 | Issued capital $ | Share based payments reserve $ | Change in fair value reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance as at 1 July 2019 | **194,976,507** | **638,126** | **(200,000)** | **(193,147,539)** | **2,267,094** |
| Loss after income tax expense for the year | - | - | - | (3,397,938) | (3,397,938) |
| Other Total comprehensive (loss)/income for the year, net of tax | - | - | (800,000) | - | (800,000) |
| **Total comprehensive (loss)/ income for the year** | **-** | **-** | **(800,000)** | **(3,397,938)** | **(4,197,938)** |
| 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 |
| **Balance at 30 June 2020** | **202,113,795** | **1,098,238** | **(1,000,000)** | **(196,545,477)** | **5,666,556** |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

| For the year ended 30 June 2021 | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers from continuing operations | | **39,906** | 53,854 |
| Payments to suppliers and employees | | **(6,997,809)** | (3,785,688) |
| R&D tax incentive | | **694,848** | 750,103 |
| Grants received | | **461,738** | 232,960 |
| Interest received | | **3,271** | 30,833 |
| **Net cash used in operating activities** | | **(5,798,046)** | (2,717,938) |
| **Cash flows from investing purchases** | | | |
| Payments for intangible assets | | **(1,548,718)** | (648,826) |
| Payments for property, plant and equipment | | **(23,283)** | (65,479) |
| Proceeds from disposal of property, plant and equipment | | **299** | - |
| **Net cash used in investing activities** | | **(1,571,702)** | (714,305) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **6,560,776** | 8,200,001 |
| Share issue costs | | **(256,412)** | (611,302) |
| Repayment of lease liabilities | | **(137,073)** | (122,514) |
| Proceeds from borrowings | | **-** | 178,430 |
| Repayment of borrowings | | **-** | (608,398) |
| **Net cash used in financing activities** | | **6,167,291** | 7,036,217 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,202,457)** | 3,603,974 |
| Cash and cash equivalents at the beginning of the financial year | | **3,945,408** | 341,434 |
| Effects of exchange rate changes on cash and cash equivalents | | **(16,433)** | - |
| **Cash and cash equivalents at the end of the financial year** | 10 | **2,726,518** | 3,945,408 |

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

## 1. Reporting entity

TALi Digital Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 2021 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 accord-ance 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 Ac-counting 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 2021, the consolidated entity incurred a loss of $4,858,273 (2020: $3,397,938) and had negative operating cash flows of $5,798,046 (2020: $2,717,938). 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 $2,726,518; and
- 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 FY21 and FY22 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.

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 India, 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.

## 2. Basis of preparation (continued)

### (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 14); and
- Assessing the carrying amount of investments (refer to note 12).

## 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.

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

### (a) AASB 15 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:

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 reason-able 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 (3c).

**(c) Financial 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 ex-change 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 re-verse 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.

### (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 (2020: 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. Management assessed the finite life at 1 April 2021 to be 14.5 years (previously 7 years) in line with the Group's major patent expiry dates.

### (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 recover-able 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.

3. **Significant accounting policies (continued)**

**(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.

**(i) 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 re-quires 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 substantiate 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

**3. Significant accounting policies (continued)**

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

- 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 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.

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.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use as-set 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 Estimate useful lived 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 re-measurements 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 measure at amortised coast using the effective interest method. It is remeasured when there is a change in future lease payments arising for 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 lost 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.

## 3. Significant accounting policies (continued)

### (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. From 1 July 2020 the Group deems to only operate within one business segment.

### (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 2021 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 probably.

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 2021

## 4. Revenue from continuing operations

| | 2021 $ | 2020 $ |
|---|---|---|
| Sale of licences | **34,238** | 47,229 |

## 5. Other income

| | 2021 $ | 2020 $ |
|---|---|---|
| Grant income | **125,204** | 97,215 |
| Other income | **297** | 68 |
| R&D tax incentive | **389,166** | 477,432 |
| | **514,667** | 574,715 |

## 6. Profit before related income tax expense

| | 2021 $ | 2020 $ |
|---|---|---|
| **a) Profit before related income tax expense has been arrived at after charging the following items:** | | |
| Depreciation of plant and equipment | **224,550** | 218,618 |
| Amortisation of intangible assets | **316,951** | 330,295 |
| Amounts recognised in provisions for employee entitlements | **172,607** | 139,195 |
| Superannuation payments to defined contribution plans | **169,596** | 173,705 |
| **b) Other expenses:** | | |
| Workplace administration | **271,608** | 181,622 |
| Asset management | **3,371** | 1,646 |
| Other expenses | **2,500** | 3,000 |
| Total other expenses | **277,479** | 186,268 |

### 7. Finance income and finance costs

| | 2021 $ | 2020 $ |
|---|---|---|
| **Recognised in profit or loss** | | |
| Interest income on cash and cash equivalents | **2,844** | 29,566 |
| Finance income | **2,844** | 29,566 |
| **Net change in fair value of financial assets at fair value through profit or loss:** | | |
| Unwinding on lease liability | **(7,050)** | (15,097) |
| Interest charge on loan | **(5,105)** | (28,831) |
| Finance costs | **(12,155)** | (44,738) |
| **Net finance income/(costs) recognised in profit or loss** | **(9,311)** | (15,172) |

### 8. Income tax expense

| | 2021 $ | 2020 $ |
|---|---|---|
| **Numerical reconciliation between tax expense and pre-tax net loss:** | | |
| Loss before tax – continuing operations | **(4,858,273)** | (3,397,938) |
| Current tax expense (benefit) - current year | **-** | - |
| Deferred tax expense - continuing operations | **-** | - |
| Aggregate income tax expense | **-** | - |
| **Numerical reconciliation between tax expense and pre-tax net loss:** | | |
| Loss become income tax expense | **(4,858,273)** | (3,397,938) |
| Tax at the statutory tax rate of 26% (2020: 27.5%) | **(1,263,151)** | (934,433) |
| Change in unrecognised temporary differences | **102,402** | 85,923 |
| Add: Non-deductible expenses | **24,824** | 4,192 |
| Add: Use of tax losses not recognised | **1,197,087** | 853,506 |
| Add: Research and development allowance | **167,390** | 252,942 |
| Less: Items deductible for tax purposes | **(105,864)** | (103,336) |
| Less: Items not assessable for tax purposes | **(122,688)** | (158,794) |
| **Income tax expense** | **-** | - |

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 2021 the Group has revenue losses of approximately $159 million (2020: $154 million).

### 9. Earnings per share

| | 2021 $ | 2020 $ |
|---|---|---|
| Loss after income tax attributable to the owners of TALi Digital Limited | **(4,858,273)** | (3,397,938) |
| **Weighted average number of ordinary shares** | **Number** | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **820,820,227** | 670,288,091 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **820,820,227** | 670,288,091 |
| Basic earnings per share (cents per share) | **(0.59)** | (0.51) |
| Diluted earnings per share (cents per share) | **(0.59)** | (0.51) |

### 10. Cash and cash equivalents

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current assets** | | |
| Cash at bank | **1,776,338** | 148,058 |
| Cash on deposit | **950,180** | 3,797,350 |
| **Total current cash and cash equivalents** | **2,726,518** | 3,945,408 |

***Financing arrangements***

A security bond of $100,000 was provided on a Bank Guarantee on the Group's Cremorne premises. Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 0.003% (2020: 0.46%).

## 11. Trade and other receivables

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current assets** | | |
| Trade and other receivables | **51,349** | 214,719 |
| R&D tax incentive and other tax receivables | **795,874** | 741,348 |
| **Total current trade and other receivables** | **847,223** | 956,067 |

### Allowance for expected credit losses

The Group has recognised a loss of nil (2020: nil) in profit and loss in respect of the expected credit losses for the year ended 30 June 2021.

## 12. Investments

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current** | | |
| Financial assets classified at fair value through the profit & loss | **1,688** | **1,418** |
| **Non-current assets** | **-** | - |
| Investments in equity instruments | **-** | - |
| **Total** | **1,688** | **1,688** |
| **Reconciliation** | | |
| Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening fair value | **1,418** | 801,350 |
| Revaluation increments | **270** | 68 |
| Change in fair value recognised in other comprehensive income | **-** | (800,000) |
| **Closing fair value** | **1,688** | 1,418 |

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.

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 2020, 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 was written off.

## 13. Other assets

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current assets** | | |
| Prepayments | **2,016,270** | 29,144 |

On 6 January 2021 $2,586,299 prepaid advertising credits were purchased from the Times Group India. As at 30 June 2021 the Group has $1,973,180 in credits remaining which will be utilised as the Group executes it's Indian advertising and marketing plan. The credits have an expiry of June 2022.

## 14. Intangible assets

| | 2021 $ | 2020 $ |
|---|---|---|
| **Non-current assets** | | |
| Development - at cost | **4,007,982** | 2,887,266 |
| Less: Accumulated amortisation | **(523,723)** | (376,493) |
| | **3,484,259** | 2,510,773 |
| Intellectual property - at cost | **1,149,074** | 1,149,074 |
| Less: Accumulated amortisation | **(742,890)** | (630,447) |
| | **406,184** | 518,627 |
| Acquired licences - at cost | **375,000** | 375,000 |
| Less: Accumulated amortisation | **(139,244)** | (81,968) |
| | **235,756** | 293,032 |
| **Total** | **4,126,199** | 3,322,432 |

### 14. Intangible assets (continued)

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

| 2021 | Acquired licenses $ | Acquired intellectual property $ | Internally generated assets $ | Total $ |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Carrying amount at beginning of period | 375,000 | 1,149,074 | 2,887,266 | 4,411,340 |
| Addition, internally developed | - | - | 1,120,716 | 1,120,716 |
| Balance at 30 June 2021 | 375,000 | 1,149,074 | 4,007,982 | 5,532,056 |
| **Amortisation and impairment** | | | | |
| Carrying amount at beginning of period | (81,968) | (630,447) | (376,493) | (1,088,908) |
| Amortisation | (57,276) | (112,443) | (147,230) | (316,949) |
| Impairment losses | - | - | - | - |
| Balance at 30 June 2021 | (139,244) | (742,890) | (523,723) | (1,405,857) |
| **Carrying amount at 30 June 2021** | **235,756** | **406,184** | **3,484,259** | **4,126,199** |

### 14. Intangible assets (continued)

| 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** |

**(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 include the applied development activities conducted on the TALi Technology in respect of the development stage of the TALi TRAIN and TALi DETECT projects. On 1 April 2021, the estimated useful life of the internally developed assets was reassessed based on a number of factors and which ultimately align the useful life of the assets to the expiry of the assets main issued patent. The estimated useful life was reassessed to be 14.5 years (previously 7 years). The date of reassessment occurred on 1 April 2021 in line with the assets roll out to the Indian market. Both TALi TRAIN and TALi DETECT assets were assessed as available and ready for use for customers from the date of reassessment and have been amortised accordingly.

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.

## 15. Property, plant and equipment

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Non-current assets** | | |
| Leasehold improvements - at cost | **156,848** | 162,543 |
| Less: accumulated depreciation | **(130,994)** | (79,246) |
| | **25,854** | 83,297 |
| Property, plant and equipment – at cost | **216,588** | 191,982 |
| Less: accumulated depreciation | **(162,475)** | (125,017) |
| | **54,113** | 66,965 |
| Right-of-use asset | **400,104** | 400,104 |
| Less: accumulated depreciation | **(366,762)** | (233,394) |
| | **33,342** | 166,710 |
| **Closing written down value** | **113,309** | 316,972 |

### Reconciliations

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

| | Leasehold improvements<br>$ | Plant and equipment<br>$ | Right-of-use asset<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Balance as at 1 July 2019** | 108,549 | 59,337 | 311,192 | 479,078 |
| Additions | 28,549 | 40,884 | - | 69,433 |
| Disposals | (1,807) | - | - | (1,807) |
| Reclassifications | - | - | (11,114) | (11,114) |
| Depreciation expense | (51,994) | (33,256) | (133,368) | (218,618) |
| **Balance at 30 June 2020** | 83,297 | 66,965 | 166,710 | 316,972 |
| Additions | - | 21,145 | - | 21,145 |
| Disposals | - | (258) | - | (258) |
| Reclassifications | (5,694) | 5,694 | - | - |
| Depreciation expense | (51,749) | (39,433) | (133,368) | (224,550) |
| **Balance as at 30 June 2021** | **25,854** | **54,113** | **33,342** | **113,309** |

## 16. Trade and other payables

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | **100,010** | 828,938 |
| Accruals and other payables | **150,328** | 59,479 |
| | **250,338** | 888,417 |

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

## 17. Deferred income

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current liabilities** | | |
| Deferred income - R&D Incentive & Grant Income | **145,674** | 261,642 |
| **Non-current liabilities** | | |
| Deferred income - R&D Incentive & Grant Income | **1,936,746** | 1,424,274 |
| **Reconciliation** | | |
| Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening balance | **1,685,916** | 1,398,322 |
| Current year additions | **487,512** | 371,463 |
| Release of deferred revenues to the Profit and Loss | **(91,008)** | (83,869) |
| Closing balance | **2,082,420** | 1,685,916 |

Due to the deferral of the TALi products Development Cost Intangible Assets amortisation as indicated in note 14, the related deferred R&D grant income and CRC-P grant revenue has been bought into account over the amortisation period. This has resulted in a total of $389,166 (2020: $477,432) of R&D grant income and $10,205 (2020: $97,215) in CRC-P grant income being recognised in the Profit or Loss for the year ended 30 June 2021. $1,498,894 (2020: $1,092,186) of R&D grant income relating to future periods and $583,526 (2020: $593,730) in Grant revenue has been classified as Deferred Income.

## 18. Lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current liabilities** | | |
| Lease liability | **55,792** | 136,915 |
| **Non-current liabilities** | | |
| Lease liability | **-** | 55,312 |
| | **55,792** | 192,227 |

The lease liability relates to the office lease held by the Group. The lease has been accounted for in accordance with AASB 16.

Refer to note 23 for further information on financial instruments disclosure and financial risk management.

## 19. Employee benefits

| | 2021 $ | 2020 $ |
|---|---|---|
| **Current liabilities** | | |
| Employee benefits provision | **159,344** | 125,820 |
| **Non-current liabilities** | | |
| Employee benefits provision | **27,266** | 12,505 |
| | **186,610** | 138,325 |

### 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.

| 2020 | Annual leave $ | Long service leave $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2019** | **111,594** | 54,538 | 166,132 |
| Provision utilised | **(110,908)** | (33,291) | (144,199) |
| Charges raised | **125,134** | (8,742) | 116,392 |
| Balance at 30 June 2020 | **125,820** | 12,505 | 138,325 |

| 2021 | Annual leave $ | Long service leave $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2020** | **125,820** | 12,505 | 138,325 |
| Provision utilised | **(124,322)** | - | (124,322) |
| Charges raised | **157,846** | 14,761 | 172,607 |
| Balance at 30 June 2021 | **159,344** | 27,266 | 186,610 |

## 20. 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 | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| Ordinary shares, fully paid | **931,905,789** | **208,157,446** | 749,305,218 | 202,113,795 |
| **Movements in issued capital during the year were as follows:** | | | | |
| Balance at the beginning of the financial year | **749,305,218** | **202,113,795** | 449,305,165 | 194,976,507 |
| Issue of shares through placement | **180,518,542** | **6,549,420** | 300,000,053 | 8,200,000 |
| Issue of shares on exercise of options | **2,082,029** | **62,461** | - | - |
| Transaction costs relating to rights issue and placements[1] | **-** | **(568,230)** | - | (1,062,712) |
| **Issued capital at the end of the financial year** | **931,905,789** | **208,157,446** | **749,305,218** | **202,113,795** |

[1] Directly attributable costs incurred in raising capital are presented as a reduction in equity. Costs that are a reduction of equity include $311,818 share based payment in relation to 15,000,000 options were provisionally issued to the Broker of the placement on 22 February 2021. The other $256,412 of transaction costs were costs settled via cash payments.

## 21. 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 our below are summaries of Performance Rights and options granted under the plan:

| 2021 Grant Date | Exercise Price | Balance at the start of the year | Granted during the year | Expired/ forfeited/other | Balance at the end of the year |
|---|---|---|---|---|---|
| 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 | $0.020 | 2,400,000 | - | (300,000) | 2,100,000 |
| 26/11/2019[1] | $0.030 | 14,377,766 | - | (14,377,766) | - |
| 29/11/2019 | $0.090 | 7,188,883 | - | - | 7,188,883 |
| 12/06/2020 | $0.060 | 1,700,000 | - | (1,700,000) | - |
| 24/11/2020[1] | $0.030 | - | 22,500,000 | - | 22,500,000 |
| 24/11/2020[2] | $0.030 | | 3,400,000 | - | 3,400,000 |
| | | 49,852,156 | 25,900,000 | (20,163,273) | 55,588,883 |
| Weighted average exercise price | | $0.04 | $0.03 | $0.03 | $0.04 |

[1] 22,500,000 options were issued to the Managing Director, Glenn Smith replacing the 14,377,766 options issued in 2019. Each option issued has an exercise price of $0.03 and will expire on the fifth anniversary of the date of issue. The options have the following vesting conditions:

- Execution of a market entry partnership agreement with a gross transaction value that has been defined by the Board and agreed with the Managing Director pertaining to one of the following countries: China, India or Indonesia; and
- Entry into a joint venture, licence or equivalent agreement with a gross transaction value that has been defined by the Board and agreed with the Managing Director pertaining to one of the following countries: USA, UK or Japan.

[2] Shareholder approval was given to the issue of 3,400,000 options to Director, David Brookes. These were issued with an exercise price of $0.03 and will expire on 21 November 2022.

### 21. Share-based payments (continued)

| 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 (1) | $0.020 | - | 2,400,000 | - | - | 2,400,000 |
| 26/11/2019 (2) | $0.030 | - | 14,377,766 | - | - | 14,377,766 |
| 29/11/2019 (3) | $0.090 | - | 7,188,883 | - | - | 7,188,883 |
| 12/06/2020 (4) | $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 | $0.00 | $0.03 | $0.04 |

[1] 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.

[2] 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)

[3] Broker options issued vested upon issue.

[4] 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.

**21. Share-based payments (continued)**

The weighted average remaining contractual life of performance rights and options outstanding at the end of the financial year was 2.63 years (2020: 2.37 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 |
|---|---|---|---|---|
| 24/11/2020 | 24/11/2025 | $0.03 | $0.03 | 137% |
| 24/11/2020 | 24/11/2022 | $0.03 | $0.03 | 137% |

### 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.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2021

### 22. Notes to the statement of cash flows

| For the year ended 30 June 2021 | 2021 $ | 2020 $ |
|---|---|---|
| **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 | **1,776,338** | 148,058 |
| Bank short term deposits | **950,180** | 3,797,350 |
| **Cash assets (note 10)** | **2,726,518** | 3,945,408 |
| **Loss after income tax** | **(4,858,273)** | (3,397,938) |
| Add: depreciation, amortisation and loss on disposal of plant and equipment | **541,800** | 548,912 |
| Share based payment expense | **92,295** | 8,705 |
| Investment (gain)/loss on revaluation and unrealised foreign exchange (gain)/loss | **16,161** | (68) |
| **Total non-cash & non-operating items** | **650,256** | 557,549 |
| (Increase)/decrease in receivables | **108,844** | 14,733 |
| (Increase)/decrease in other assets | **(1,987,124)** | (24,887) |
| (Increase)/decrease in employee benefits | **48,285** | (27,807) |
| (Increase)/decrease in deferred income | **396,504** | 287,594 |
| (Increase)/decrease in payables | **(156,538)** | (127,182) |
| **Change in operating assets and other receivables** | **(1,590,029)** | 122,451 |
| **Net cash used in operating activities** | **(5,798,046)** | (2,717,938) |

There have been no non-cash financing and investing transactions during the 2021 financial year (2020: nil) which have had a material effect on assets and liabilities of the Group.

### 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 (2020: nil).

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

| Shares | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | GBP | USD | SGD | EURO | GBP | USD | SGD | EURO |
| Bank accounts | - | 1,370 | - | - | - | 144 | - | - |
| Payables | - | 5,823 | - | - | | (29,437) | - | - |
| **Gross balance sheet exposure** | - | 7,193 | - | - | - | (29,293) | - | - |

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2021

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

**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 2021 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 2020. There is no impact on equity.

| 2021 Exposure | Equity | | Profit and loss | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| Gross balance sheet exposure | - | - | 541 | (492) |

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

The following significant exchange rates applied during the financial year:

| Currency | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| GBP | **0.55** | 0.56 | **0.54** | 0.56 |
| USD | **0.72** | 0.70 | **0.75** | 0.69 |
| EURO | **0.63** | 0.62 | **0.63** | 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.

| | Effective interest rate % | Floating interest rate $ | 3 months or less $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Cash assets – at 30 June 2021** | **0.01** | **950,180** | **-** | **1,776,338** | **-** |
| Cash assets – at 30 June 2020 | 0.46 | 3,797,450 | - | 148,058 | - |
| **Financial liabilities** | | | | | |
| **Borrowings – at 30 June 2021** | **-** | **-** | **-** | **-** | **-** |
| Borrowings – at 30 June 2020 | - | - | - | - | - |

**Profit and loss**

| Profit and loss | 2021 | | 2020 | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| Cash at bank – variable interest rate: $AUD | 4,751 | (4,751) | 18,987 | (18,987) |

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 $4,751 (2020: $18,987), if all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

**(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.

| Financial assets | 3 months or less $ | Greater than 3 months $ | Greater than 1 year $ | Total $ |
|---|---|---|---|---|
| **Receivables – at 30 June 2021** | **652,139** | **-** | **-** | **652,139** |
| Receivables – at 30 June 2020 | 953,317 | - | 2,750 | 956,067 |

**(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.

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

**(c) Liquidity risk**

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

| Financial liabilities | 3 months or less $ | Greater than 3 months $ | Greater than 1 year $ | Total $ |
|---|---|---|---|---|
| **Creditors – at 30 June 2021** | **100,010** | **-** | **-** | **100,010** |
| Creditors – at 30 June 2020 | 819,924 | 9,014 | - | 828,938 |

| Financial liabilities | Less than one year $ | One to five years $ | More than 5 years $ | Total $ |
|---|---|---|---|---|
| **Lease liabilities – at 30 June 2021** | **56,487** | **-** | **-** | **56,487** |
| Lease liabilities – at 30 June 2020 | 143,412 | 55,661 | - | 199,073 |

| **Maturity analysis – contractual undiscounted cash flows on lease liabilities** | 2021 $ | 2020 $ |
|---|---|---|
| Less than one year | **56,487** | 143,412 |
| One to five years | **-** | 55,661 |
| Total undiscounted lease liability at 30 June | **56,487** | 199,073 |
| **Other disclosures** | | |
| Interest expenses on lease liabilities recognised in the profit or loss | **7,050** | 15,097 |
| Total cash outflow for leases recognised in the statement of cashflows | **137,073** | 122,514 |

**(d) Net fair values of financial assets and liabilities**

(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. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## 25. Dividend franking account

The Company has no franking credits at reporting date.

## 26. Auditors' remuneration

| | 2021 $ | 2020 $ |
|---|---|---|
| **Audit services:** | | |
| Auditors of the Group – RSM | - | 23,250 |
| Auditors of the Group – Grant Thornton | **68,210** | 60,000 |
| **Total audit services** | **68,210** | 83,250 |
| **Other services:** | | |
| Tax compliance and advisory services – RSM | - | 7,400 |
| Tax compliance and advisory services Group – Grant Thornton | - | 13,000 |
| **Total other services** | - | 20,400 |

## 27. Segmented reporting

From 1 July 2020 the Group deemed that it has only one business segment.

## 28. Related party transactions

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.

### Directors and Key Management Personnel compensation

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

| Nature of compensation | 2021 $ | 2020 $ |
|---|---|---|
| Short-term employee benefits | **371,751** | 374,483 |
| Performance benefits | **93,750** | 62,500 |
| Post-employment benefits | **31,992** | 30,933 |
| Share-based payments | **90,891** | - |
| **Total compensation** | **588,384** | 467,916 |

### Key Management Personnel transactions

Directors of the Company control 4.68% (2020: 5.83%) 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 2021 or 2020 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 (2020: nil).

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2021

## 28. Related party transactions (continued)

### 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 2021 year.

### Other related party transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2021 or 2020 financial years.

## 29. Group entities

Significant subsidiaries for the year ended:

| Name | Country of incorporation | Ownership interest % | |
|---|---|---|---|
| | | 2021 | 2020 |
| TALi Health Pty Ltd | **Australia** | 100 | 100 |
| ACN 158 797 936 Pty Ltd[1] | **Australia** | - | 100 |
| TALi Digital INC | **USA** | 100 | 100 |
| TALi Digital (UK) Limited | **United Kingdom** | 100 | 100 |

[1]ACN 158 797 936 Pty Ltd was de-registered on 14/09/2020.

## 30. Parent entity disclosure

As at, and throughout, the financial year ended 30 June 2021, the parent entity of the Group was TALi Digital Limited.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Statement of profit and loss** | | |
| Loss after income tax | **(2,442,426)** | (1,090,531) |
| Total comprehensive (loss)/income | **(2,442,426)** | (1,090,531) |
| **Statement of financial position** | | |
| Total current assets | **12,845,625** | 8,798,017 |
| Total assets | **13,300,179** | 9,542,092 |
| Total current liabilities | **416,608** | 1,085,555 |
| Total liabilities | **1,821,484** | 2,068,734 |
| **Net assets** | **11,478,695** | 7,473,358 |
| **Equity** | | |
| Issued capital | **208,157,446** | 202,096,875 |
| Change in fair value reserve | **(1,000,000)** | (1,000,000) |
| Share-based payments reserve | **1,502,351** | 1,098,238 |
| Accumulated losses | **(197,181,102)** | (194,721,755) |
| Total equity | **11,478,695** | 7,473,358 |

**31. Commitments**

The Company has no commitments at year end.

**32. Contingent liabilities**

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

**33. Events after the reporting period**

On 20 July 2021, 6,000,000 options were issued to employees under the employee incentive scheme:

(i) 2,000,000 options exercisable at $0.06, vesting on 1 July 2022 with an expiry date of 30 June 2026.

(ii) 2,000,000 options exercisable at $0.09, vesting on 1 July 2023 with an expiry date of 30 June 2026.

(iii) 2,000,000 options exercisable at $0.09, vesting on 1 July 2024 with an expiry date of 30 June 2026.

On 20 July 2021, 900,000 options previously issued to employees were cancelled.

On 18 August 2021, the Company announced it had entered into a Strategic Licensing Agreement (Agreement) with Akili Interactive Labs, Inc., a global leader in the digital therapeutics space. Under the Agreement, the Company will receive total milestone payments of up A$51 million (US$37.5 million) as well as royalties on future sales.

On 28 September 2021 the Company received the FY21 income tax return refund of $795,873 in relation to the Research & Development Tax Incentive.

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.

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2021

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

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

**Sue MacLeman**
Chair

Dated at Melbourne this 30th of September 2021.

Grant Thornton

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3000

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8329 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

# 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 2021, 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 2021 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 $4,858,273 during the year ended 30 June 2021, and for the period ended on this date, the Group's operating cash flow for the year was an outflow of $5,798,046. 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.

## 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 |
|---|---|
| **Intangible Assets – note 14** | |
| The Group has intangible assets with a written down value of $4,126,199 as at 30 June 2021, which consist of both acquired intangibles and internally generated intangibles.<br><br>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 and TALi Detect products which the Group has developed.<br><br>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.<br><br>This area is a key audit matter due to the level of judgement and estimation required in determining the recoverable amounts and recognition of R&D and whether the requirements of AASB 138 and AASB 136 are satisfied. | Our procedures included, amongst others:<br>• Assessing the company's accounting policy for capitalisation of development costs for adherence to AASB 138;<br>• 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;<br>• Evaluating the assumptions utilised by management which support the generation of future economic benefits from the capitalised costs;<br>• 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;<br>• Assessing the change in estimate for useful life of intangible products made by management during the period;<br>• Obtaining supporting documentation to demonstrate ongoing use of the asset; and<br>• Assessing the adequacy of the disclosures within the financial statements. |
| **R&D Incentives – note 11** | |
| 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.<br><br>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.<br><br>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:<br>• Comparing the estimates made in prior year to the amount of cash received after lodgement of the R&D tax claim;<br>• Utilising an internal R&D tax specialist to review the expenditure methodology employed by management;<br>• Obtaining FY20 R&D rebate calculations performed by management and performing the following audit procedures:<br>– Developing an understanding of the model, identifying and assessing key assumptions in the calculation;<br>– Verifying included expenses agree to the underlying supporting documentation;<br>– Testing the mathematical accuracy of the accrual; and<br>– 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.<br>• 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 2021, 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 17 to 26 of the Directors' report for the year ended 30 June 2021.

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

### Responsibilities

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 September 2021

# Shareholder Information

## Share capital

The shareholder information set out below was applicable as at 25 August 2021.

**Number**

Number of shares quoted on the Australian Securities Exchange Limited 931,905,789.

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 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 66,494,118 | 7.14% |
| 2 | GREY INNOVATION HOLDINGS PTY LTD | 30,909,488 | 3.32% |
| 3 | SAILORS OF SAMUI PTY LTD | 24,305,455 | 2.61% |
| 4 | MONDO ELECTRONICS PTY LTD <MONDO ELECTRONICS S/F A/C> | 19,884,346 | 2.13% |
| 5 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 17,701,984 | 1.90% |
| 6 | MOONAH CAPITAL PTY LTD | 16,000,000 | 1.72% |
| 7 | JP MORGAN NOMINEES AUSTRALIA PTY LIMITED | 15,425,505 | 1.66% |
| 8 | KEMBLA NO 20 PTY LTD <CAA A/C> | 14,300,000 | 1.53% |
| 9 | SANLAM PRIVATE WEALTH PTY LTD <WESTBOURNE LONG SHORT A/C> | 12,500,000 | 1.34% |
| 10 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 10,222,898 | 1.10% |
| 11 | TEN GOALS PTY LTD <HAMISH MCLACHLAN FAMILY A/C> | 10,000,000 | 1.07% |
| 11 | MR DONAL FRANCIS O'SULLIVAN | 10,000,000 | 1.07% |
| 11 | PUNTERO PTY LTD | 10,000,000 | 1.07% |
| 12 | MRS SHWETA PRIYADARSHINI | 9,850,000 | 1.06% |
| 13 | ENJIRU PTY LTD <ENJIRU FAMILY A/C> | 9,044,204 | 0.97% |
| 14 | CPO SUPERANNUATION FUND PTY LTD <C & P O'CONNOR S/F A/C> | 7,954,271 | 0.85% |
| 15 | MR CARMELO CANNAVO | 7,320,000 | 0.79% |
| 16 | MR ALAN CONIGRAVE | 7,200,000 | 0.77% |
| 16 | PETERLYN PTY LTD <RPC SALMON SUPER FUND A/C> | 7,200,000 | 0.77% |
| 17 | TEEFISH SUPER PTY LTD <TEEFISH SUPER FUND A/C> | 7,100,000 | 0.76% |
| 18 | JMT INVESTMENT GROUP VIC PTY LTD | 7,000,000 | 0.75% |
| 18 | CITOS SUPER PTY LTD <CITOS PTY LTD SF A/C> | 7,000,000 | 0.75% |
| 19 | CITICORP NOMINEES PTY LIMITED | 6,881,979 | 0.74% |
| 20 | CORWEST PTY LTD | 6,415,560 | 0.69% |
| | **Totals** | 340,709,808 | 36.56% |
| | **Total issued capital** | 931,905,789 | 100.00% |

## Distribution of shareholders as at 25 August 2021

| Holding ranges | Holders | Total units | % Issued share capital |
|---|---|---|---|
| Above 0 up to and including 1,000 | 375 | 105,134 | 0.01% |
| Above 1,000 up to and including 5,000 | 212 | 603,727 | 0.06% |
| Above 5,000 up to and including 10,000 | 200 | 1,646,859 | 0.18% |
| Above 10,000 up to and including 100,000 | 1,140 | 46,780,256 | 5.02% |
| Above 100,000 | 797 | 882,769,813 | 94.73% |
| **Totals** | 2,724 | 931,905,789 | 100.00% |

The number of shareholders as at 25 August 2021 with less than a marketable parcel of $500 worth of shares, based on the market price as at that date ($0.038 per share), was 901, with total 3,657,268 amounting to 0.39% of Total Shareholding.

## Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's 2021 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 care 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 25 August 2021, the Options issued over unissued Ordinary Shares totalled 60,688,883 represented by 7,200,000 granted to employees under the ESOP, 36,100,000 issued to Directors, and 17,388,883 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 25 August 2021

| Security code | Security name | CHESS holders | CHESS holdings | % CHESS holdings | Issuer holders | Issuer holdings | % Issuer holdings | Total holders |
|---|---|---|---|---|---|---|---|---|
| TD1 | Ordinary fully paid shares | 2,466 | 903,794,155 | 96.98% | 258 | 28,111,634 | 3.02% | 2,724 |

# Shareholder Information continued

## Officers

Managing Director: Glenn Smith

Company Secretary: Stephen Denaro

## Registered Office

TALi Digital Limited
Level 5, 19 William Street
Cremorne, Victoria 3121 Australia

| | |
|---|---|
| Telephone | +61 3 9192 9937 \| 1300 082 013 |
| Website | talidigital.com |
| Email | info@talidigital.com.au |

## Share Registry

Automic Registry Services
Level 3, 50 Holt Street
Surry Hills, New South Wales 2010 Australia

| | |
|---|---|
| Telephone | 1300 288 664 |
| 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.

DIGITAL LIMITED

**TALi Digital Limited**
ABN 53 108 150 750

Level 5, 19 William Street
Cremorne, Victoria 3121 Australia

T +61 3 9192 9937 | 1300 082 013

talidigital.com.au