TALi
DIGITAL LIMITED

Annual Report

2023

Dear Shareholders,

On behalf of the Board of TALi Digital Limited ("TALi"), I am pleased to present the Company's 2023 Annual Report.

The financial year 2023 was in many ways a year of progress for TALi. Throughout the year TALi successfully raised $4.1m before costs through a placement and rights issue, executed a partnership agreement with Genius Learning Pty Ltd ("Genius") and completed the development of healthcare focused product Ready Attention Go ("RAGo") and the education focused product AttentionTime!. However, the year was not without its challenges. Penetrating the healthcare market with the resources available proved lengthier than anticipated and the education market entry was hampered by the Government delaying the opening of the School Readiness Funding Menu in Victoria.

We were pleased that throughout the year the TALi team were able to complete the development of ReadyAttentionGo (RAGo), have the product registered in Australia as a class 1 medical device with the Therapeutics Goods Administration (TGA) and launch into the Australian and Singapore healthcare markets in early calendar year 2023. The results from the testing phase, the controlled market release and the early adopting customers were extremely satisfying for TALi as the product was proven to deliver positive outcomes that it was developed to achieve. This was further validated when the Company received the Red Dot Design award in July 2023, and simultaneously the team completed the development of AttentionTime! which broadened the TALi product range. The education focused product would position the TALi to be able to enter the early childcare sector, a move strengthened by the TALi's partnership with Genius announced in December 2023.

However, we have learnt that the lead times and capital requirements to convert sales of the RAGo product in the healthcare space could not be supported by TALi's cost base. Further there was no firm indication from the Government as to when the School Readiness Funding Menu in Victoria might reopen. These factors lead the Board to undertake a strategic review which resulted in an expansion in the partnership agreement with Genius which will see Genius assume the operational, product development, maintenance, sales and marketing functions in return for a greater share of the revenue generated by the strategic partnership. This expansion to the partnership has allowed TALi to significantly reduce its cost base, dramatically extending its cash runway.

The strategic review also saw TALi announce that following a transition period with Genius it would be parting ways with CEO Dr Mary Beth Brinson. The Board would like to thank the Dr Brinson for guiding the company through the last twelve months and assisting in the transition to Genius. Her leadership and passion is inspiring and we wish her well with her future endeavours.

The Board remains focused on maximising value for its shareholders and will continue to seek aligned opportunities to grow and expand the business to deliver that value throughout financial year 2024.

The Board would like to thank shareholders for their continued support.

Yours sincerely,

Mark Simari
Chair

Directors	Mr Mark Simari (Appointed 6 October 2022) Mr Stephen Munday (Appointed 18 October 2022) Mr David William Dr David Brookes
Company secretary	Mr Tim Luscombe (appointed 5 December 2022)
Registered office	Suite 201 697 Burke Road Camberwell, Victoria 3124
Principal place of business	Suite 201 697 Burke Road Camberwell, Victoria 3124
Share register	Automic Registry Services Level 5, 126 Phillip Street Sydney, New South Wales 2000 Australia Telephone: 1300 288 64 Website: automic.com.au Email: hello@automic.com.au
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000
Solicitor	Bakers McKenzie Level 19 181 William St Melbourne VIC 3000 Australia
Stock exchange listing	TALi Digital Limited shares are listed on the Australian Securities Exchange.
ASX code	TD1
Website	www.talidigital.com

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 2023.

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
Mr Mark Simari Independent Executive Director & Chair	Appointed as Non-Executive Director & Chair on October 6, 2022. Appointed Executive Chair on 16 August 2023. Previously Director from 2016 to 2020. Member of the Audit Committee and the reformed Remuneration and Nomination Committee.
Stephen Munday Independent Non-Executive Director	Appointed October 18, 2022. Simultaneously Mr Munday was appointed the Chair of the Audit Committee and is also a member of the reformed Remuneration and Nomination Committee.
David Brookes Independent Non-Executive Director	Appointed on June 29, 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee which he subsequently resigned from on 18 October 2022. Remains a Member of the Audit Committee and is a member of the reformed Remuneration and Nomination Committee.
David Williams Independent Non-Executive Director	Appointed December 15, 2021. Member of the Audit Committee and Chair of the reformed Remuneration and Nomination Committee.
Sue MacLeman Independent Non-Executive Director & Chair (Former)	Appointed September 6, 2018 Director and Chair since September 6, 2018. Member of the Audit Committee. Resigned as Independent Non-Executive Director and Chair on October 6, 2022.
Jefferson Harcourt Independent Non-Executive Director (Former)	Appointed February 25, 2016. Resigned as Independent Non-Executive Director on October 6, 2022.

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:	**Mark Simari**
Title:	Executive Chair (appointed on 16 August 2023) previosuly Non-Executive Chair (appointed on 6 October 2022)
Experience and expertise:	Mark is an experienced and accomplished professional in the health industry and has over 15 years' Board experience in a diverse range of organisations. Mark was the former Managing Director and Co-Founder of Paragon Care (ASX: PGC) (between 2008 and 2018). He was instrumental in Paragon Care becoming one of the largest independent healthcare suppliers in the Australian and New Zealand Markets, creating a healthcare platform spanning across capital equipment, consumables, devices and service and maintenance.
Other current directorships:	Careteq Limited (ASX: CTQ), IDT Australia Limited (ASX: IDT)
Former directorships (last 3 years):	Paragon Care Limited (ASX: PGC) between 27 Nov 2019 – 30 Nov 2022
Qualifications:	B.Bus (Accounting), Diploma of Financial Services, Member of the Institute of Company Directors

Name:	**Stephen Munday**
Title:	Non-Executive Director, Chair of the Audit & Risk Committee (appointed on 18 October 2022)
Experience and expertise:	Stephen is an experienced financial and governance professional and has more than 25 years' experience on or working directly with Boards in a diverse range of organisations. Stephen has over 40 years business experience in Australia and North America including chief financial officer & company secretary positions in several listed companies over that time. Stephen's experience includes a wide range of responsibilities in a variety of management functions including marketing, business development, supply management, commercial management, financial management and change management. Stephen has been working in the health care sector since 2015. He is currently involved in businesses which supply products, services and technologies to the health care and aged care markets.
Other current directorships:	Careteq Limited (ASX:CTQ)
Former directorships (last 3 years):	N/A
Qualifications:	CA, FGIA, FCG (CS CGP), GAICD, MBA, B.Bus (Accounting)

Name:	**David Williams**
Title:	Non-Executive Director, Chair of the Remuneration & Nomination Committee
Experience and expertise:	Mr D Williams joined the Board on 15 December 2021. He is a Non-Executive Director of the Company and is a member of the TALi Digital Audit Committee. Mr Williams brings extensive international and domestic healthcare sector experience including 25 years with Cochlear Limited. David held a number of senior commercial and financial roles with the medical devices leader including as Senior Vice President of Finance & Operations for Cochlear Americas, President of Cochlear Americas (acting) and General Manager, Acoustics. Most recently he was Cochlear's Vice President of Global Customer Experience.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Qualifications:	B.Bus (Accounting,Law) GAICD

Name:	**David Brookes**
Title:	Non-Executive Director
Experience and expertise:	Dr D Brookes was appointed on 29 June 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee until Stephen Munday assumed the position on 18 October 2022. 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. 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.
Other current directorships:	Executive Chairman of Anatara Therapeutics Ltd (ASX: ANR) and Non-Executive Chair of Dominion Minerals Limited (ASX:DLM formerly Factor Therapeutics Ltd), and a Non-Executive Director of Island Pharmaceuticals Limited (ASX:ILA).
Former directorships (last 3 years):	Non-Executive Chairman of the unlisted Better Medical Group until that company was acquired by private equity firm Livingbridge in January 2021.
Qualifications:	MBBS, FACRRM, FAICD

Name:	**Sue MacLeman**
Title:	Non-Executive Director & Chair (resigned 6 October 2022)
Experience and expertise:	Ms Macleman joined the Board on 6 September 2018 and has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has served as CEO and Board member of several ASX, AIM and NASDAQ listed companies in the healthtech sector. Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School. She -is also a Fellow and Chair of the Health Forum at the Australian Academy of Technology and Engineering (ATSE) and Fellow/Graduate of Australian Institute of Company Directors (AICD)
Other directorships at time of resignation:	Chair of MTPConnect a not-for-profit industry growth centre for the medtech, biotech and pharmaceutical sectors, Planet Innovation Holdings and Omico.
Former directorships (last 3 years):	N/A
Qualifications:	BPharm. MMktg, MLaw, FTSE

Name:	**Jefferson Harcourt**
Title:	Non-Executive Director (resigned 6 October 2022)
Experience and expertise:	Mr Harcourt joined the Board on 25 February 2016. He was a Non-Executive Director of the Company and a member of the TALi Digital Audit Committee. Mr Harcourt oversaw the initial development and commercialisation of TALi and his extensive product development and commercial expertise will assist the Company in commercialising the technology. Mr Harcourt sat on a number of private technology company boards in the medical device, environmental and security markets.
Other directorships at time of resignation:	N/A
Former directorships (last 3 years):	N/A
Qualifications:	B.Eng (Hons), GAICD

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 of 30 June 2023 was as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Mr M Simari	85,227,274	36,000,000
Dr D Brookes	21,642,860	18,000,000
Mr S Munday	10,000,000	18,000,000
Mr D Williams	17,727,273	18,000,000

Company secretary

Mr Tim Luscombe BCom, CA, GIA(Cert)

Tim is a Director of Bio101 who provide outsourced CFO, company secretarial and corporate advisory services to the healthcare sector. A Qualified Chartered Accountant, Tim has extensive experience in providing financial advice, company secretarial and CFO services to Healthcare businesses ranging from ASX listed entities to Not-for-Profit organisations. Tim is CFO and Company Secretary for a number of ASX listed, public unlisted and private companies in the medical technologies, medical devices, biotechnologies and pharmaceuticals sectors. Tim holds a Bachelor of Commerce from the University of Melbourne and a Certificate in Governance Practice from the Governance Institute of Australia.

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 Committee was reformed in March 2023, no meetings were held during the year.

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 Attended	Held	Audit committee meetings Attended	Held
Mr M Simari	8	8	2	2
Mr S Munday	8	8	2	2
Dr D Brookes	13	13	3	3
Mr D Williams	13	13	3	3
Ms S MacLeman	5	5	1	1
Mr J Harcourt	4	5	1	1

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

Principal activities

TALi Digital Limited (ASX: TD1) is a digital health company delivering diagnostic and therapeutic solutions to enhance attention cognitive function. The Company has built a patented platform technology with our first programs targeting cognitive attention skills during early childhood via an evidence-based screening tool (DETECT®) and training modules (TRAIN® and ReadyAttentionGo!). These programs are designed to be play-based interactions and can be complementary to existing therapy, placing TALi at the forefront of improving early intervention for childhood attention and concentration performance, which supports our vision to deliver a personalised digital experience to enhance cognitive care. A continuous innovation focus will see the Company deliver a series of product developments relevant to ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder).

TALi is incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 201, 697 Burke Road, Camberwell 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

Implementing the Strategy

During the financial year TALi completed many of its strategic goals including:
- Finalising and launching a new medical sales channel product Ready, Attention, Go!
- Creating a new education channel product AttentionTime!
- Red Dot Design Award for Ready,Attention,Go!
- Developing new strategic partnerships to speed up the commercialisation of products
- Generating initial sales revenue on new products

While the attainment of these strategic goals improved revenue generation, including small sales in Australia and Singapore, the revenues in the medical channel were slower than required and the delays in the Educate revenue channel led the Board to announce a strategic review of the Company's operations. The review addressed the potential pathways for the commercialisation of TALi's current products and to identify corresponding opportunities in order to maximise value for its shareholders.

The strategic review resulted in:
- An expansion of the partnership between TALi and Genius Learning Pty Ltd ("Genius") announced on 4 August 2023
- The transition of the CEO of TALi, Dr Mary-Beth Brinson, to a consulting role during the review and then out of the business at the end of the review, announced on 16 August 2023
- Annualised costs have been reduced by $1.9 million associated with the expansion of the Genius partnership, announced on 4 August 2023

New Board Members

On the 6th October 2022, TALi announced significant changes to the TALi Board. Mark Simari rejoined the Board as Chair having previously served as a director between 2016 and 2020. Sue MacLeman and Jefferson Harcourt resigned as non-executive Chair and non-executive director, respectively. On the 18th October 2022, Stephen Munday was also appointed to the TALi Board as a non-executive director.

These changes complemented the changes at the Executive level, supported the new strategy, and focused corporate activity on maximising value for its shareholders.

As a part of the strategic review undertaken by the Board in June 2023 to August 2023, Mr Mark Simari has been appointed Executive Chairman and the CEO, Dr Mary-Beth Brinson, has transitioned out of the business during the review process.

Capital Raise

In December 2022, TALi Digital Limited (ASX: TD1) successfully placed the Entitlement Offer Shortfall and received commitments for a Conditional Placement which, when combined with the Company's Placement announced to the ASX on Monday, 21 November 2022, took the total capital raise to $4.1m before costs.

Proceeds from this placement was used to support the continued commercialisation of TALi's products and the advancement of global and domestic partnership initiatives. This included completion of the new product, Ready, Attention, GO! and sales in Australia and Singapore, along with the development of AttentionTime! for the Education market.

Genius Childcare partners with TALi

TALi and Genius reached agreement that allowed Genius Childcare Centres to exclusively distribute TALi products into their Australian Childcare Sector of over 300,000 children. Genius has over 30 centres open with a strong pipeline of new centres across Australia. With the assistance of Genius, TALi sought to have its products and services listed on the appropriate Government Funding Menus.

TALi developed a product for the early education market, AttentionTime!. Genius and TALi ran a pilot in one of Genius' centers in Melbourne to verify that the program was able to be implemented in childcare centres. The pilot was completed with positive feedback about AttentionTime! and valuable learnings from the participants. The information from this pilot was intended to be used to support the approval and listing of AttentionTime! On the Victorian Government Funding menu.

Unfortunately, the Victorian Government did not open the funding menu to new applicants as anticipated and instead is conducting a review of programs. Therefore, the expected revenues from this alliance were not available in the anticipated time frame.

As a result of the strategic review the partnership between TALi and Genius Learning Pty Ltd ("Genius") was expanded, including an amendment to the original Strategic Alliance Agreement between the parties which was first announced on 23 December 2022 and covers activities in Australia and New Zealand.

Under the newly amended Strategic Alliance Agreement, Genius agrees to:
- Act as exclusive distributor of TALi's products across the education sector and non-exclusively across the healthcare sector
- Develop TALi's products in consultation with TALi
- Assume the conduct of TALi's product development and maintenance activities as well as its sales and marketing functions
- Assume relationships with TALi's customers and partners (including assuming any obligations with current contracted TALi partners), subject to the terms of those existing arrangements

TALi will continue to provide support for the products, and will work closely with Genius to achieve the goals of the strategic alliance. TALi will continue to own all intellectual property rights in the existing TALi products during the term of the revised agreement including rights in:
- TALi Train
- TALi Detect
- Ready Attention Go
- AttentionTime!
- All technology and software subsisting in those products.

Genius will assume all costs associated with the conduct of the outsourced activities and functions, in return for a greater share of the revenue generated by the strategic partnership. Genius will also remit to TALi 20% of all TALi product revenues as part of a revenue sharing arrangement agreed between the parties.

This revised strategic partnership arrangement will be in effect for 3 years with an automatic 2 year extension (unless a party provides at least six months' notice that they do not wish to renew). If during the term of the revised agreement, TALi receive an offer to acquire all or substantially all of its assets, Genius has a right of first of refusal to acquire the relevant assets on the same terms offered by the third party, subject to any necessary regulatory or other approvals being obtained. The revised agreement contains customary termination events for an arrangement of this nature.

Ready, Attention, GO! Product Launch and Red Dot Design Award

Ready, Attention, GO!, TALi's new medical product, received Therapeutics Goods Authority (TGA) approval and listing early in calendar year 2023. A successful controlled market release (CMR) was conducted across five Allied Health therapy centres in Australia. Following a successful CMR, Ready, Attention, GO! entered full market release in March generating sales in Australia and Singapore. To promote the new product, TALi exhibited at the SourceKids Disability Expo in Sydney at the end of March. Parents, providers and NDIS Managers attended the TALi booth where Ready, Attention, GO! was exhibited. Attendance at the conference generated sales leads that were followed up in the next months.

Additionally, Ready, Attention, GO! received a Red Dot Design Award in July 2023. The Red Dot Design Award is one of the world's largest design competitions. The Red Dot Label has become established internationally as one of the most sought-after marks of quality for good design.

USA Business

The digital therapeutics business in the United Sates is quite complex due to how medical devices are reimbursed. These headwinds affected the ability to progress the Akili and TALi partnership. These types of issue are common in new categories in United States. While these challenges are likely to be overcome, progress in the relationship will be slower than expected.

Outlook

The Board has completed its strategic review of its operations to address the potential pathways for the commercialisation of TALi's current products and to identify aligned opportunities in order to maximise value for its shareholders.

The strategic review resulted in:
- An expansion of the partnership between TALi and Genius Learning Pty Ltd ("Genius") resulting in annual costs savings of around $1.9 million, announced on 4 August 2023
- The transition of the CEO of TALi, Dr Mary-Beth Brinson, from her position as CEO after assisting with the Genuis partnership expansion

TALi has a strong balance sheet and reduced operating expenditure. It is therefore well positioned to implement the outcomes of the strategic review which include driving sales and marketing efforts of its products through the Genius partnership whilst remains focused on maximising value for its shareholders by seeking aligned opportunities to grow and expand the business to deliver that value.

Material Business risks

The material business risks faced by the company that are likely to have an effect on the financial prospects of the company, disclosed above, and how the company manages these risks include:

- **Technological obsolescence -** given the rapidly changing environment in which the company operates, this could have a significant impact on our financial results. We address this risk through investment in product development by Genius our strategic partner (details of the partnership are included above under “Genius Childcare partners with TALi”) and by constantly monitoring the market. With the expansion of EdTech and other digital offerings in all sectors of the education and healthcare markets, we see this risk increasing in the future
- **Changes in government policy -** given the sizable impact of government funding in education and our strategic partnership with Genius in early childhood education, this could have a significant impact on our financial results. Based on the views of prominent economic commentators, we do not anticipate any significant slowdown in government funding for education in the next few years, but are currently investigating the option with Genius for sales models which do not rely on government funding and expanding our sales into other emerging economies, such as Indonesia and Singapore
- **Distributor viability -** given that our current development, sales and marketing operating are being provided by Genius (details of the partnership are included above under “Genius Childcare partners with TALi”), their future viability could have a significant impact on our financial results. We consider this is unlikely to have any significant impact on our financial results in the next year, but could potentially be significant in future years if they are unable to provide these services. Genius are currently expanding the number of childcare centres they operate, are well funded by Sprint Capital and have strategic relationships with other large players in early childhood education. There is no reason to believe that Genius will be unable to perform under the strategic partnership; however, we continue to monitor the company, its relationships and the sector

Financial review

The statement of profit or loss and other comprehensive income shows a loss of $2,258,623 (2022: $6,936,129) for the year. As at 30 June 2023 the Group had a cash position of $2,986,733 (2022: $1,845,128). Operating, financing and investing activities incurred a net cash outflow for the year of $1,138,310 (2022: $882,709).

The Company 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 2023 the Company has a receivable for the estimated RDTI refund for the year ended 30 June 2023 of $666,813 and during the year the Company received an EMDG of $73,200 (2022: $113,032).

During the prior year the Company executed a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government’s R&D Cash Flow Loan Initiative (Initiative) of $503,744. The loan is repayable by 31 October 2023, aligned to the expected receipt of the FY23 R&D tax incentive. In FY23, TALi received strong support from new and existing shareholders raising $4.2 million (before costs).

Capital and corporate structure

On 24 November 2022 the Company announced a Placement to raise $4.2m before costs and a proposed issuance of options to Placement participants and to the Sole Lead Manager. The Placement comprised of 2,062,525,101 fully paid ordinary shares issued at a price of $0.002 per new share to institutional and sophisticated investors.

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:			
	30,000,000	$0.004	15 March 2028
	30,000,000	$0.008	15 March 2028
	30,000,000	$0.015	15 March 2028
Vendor, broker & consultant options:			
	15,000,000	$0.030	3 August 2025
	5,000,000	$0.020	25 November 2025
	85,051,506	$0.004	15 March 2027
Employee options:			
	300,000	$0.015	31 October 2023
	1,200,000	$0.090	20 July 2026
	600,000	$0.060	20 July 2026
Total	197,151,506		

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 4 August 2023 the Company announced the outcomes of a strategic review that had been announced in June 2023. Outcomes included:

- The Company expanding its existing strategic partnership with Genius Childcare (Genius) by outsourcing product development and maintenance to Genius. It would also outsource the sales and marketing function to Genius exclusively across the education sector and nonexclusively across the healthcare sector.
- Assumption of the cost of product development, maintenance, sales and marketing functions by Genius was in return for a greater share of the revenue generated by the strategic partnership to Genius.
- TALi is expected to achieve an annualised cost reduction of over $1.9 million from July 2023, and will retain 20% of all revenue achieved by TALi products generated through the strategic partnership.

On 16 August 2023 the Company announced the completion of the strategic review that included the following further outcomes:
- Dr Brinson's consulting CEO arrangements would finish on 11 September 2023.
- Mr Simari was appointed as Executive Chairman. Mr Simari's current remuneration arrangements as Non-Executive Chair did not change with this appointment.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs 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 2023 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 24 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)

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 Directors' and Executive Officers' compensation tables below. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

Principles of compensation and strategy

The full Board assesses the appropriateness of the nature and amount of remuneration of NEDs and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team and aligning the interests of the executives with those of the shareholders.

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

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

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

Fixed compensation

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

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

Performance linked compensation

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

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

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

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

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

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

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

Chief Executive Officer - Mary Beth Brinson

The Company had previously entered into an Executive Services Agreement (ESA) with Mary Beth Brinson (Brinson).

Under the ESA, Brinson was employed by the Company to provide services to the Company as Chief Executive Officer on a full-time basis. The Company will remunerate Brinson for her services with a base remuneration of $310,000 per annum, exclusive of superannuation and subject to annual review by the Company.

The ESA could be terminated by either the Company or Brinson for any reason on 4 weeks' written notice, in which case the Company can elect for Brinson to serve out all or part of that notice period and/or to pay Brinson an amount in lieu of continuing her employment during all or part of that notice period.

The ESA may also be terminated by the Company summarily at any time if Brinson breaches a material term of the ESA, or engages in any act or omission constituting serious misconduct, in which case the Company need not make any payment to Brinson other than accrued entitlements.

Any discoveries and inventions made or discovered by Brinson during the term of the ESA which relate to the Company's business must be disclosed to the Company and will remain the sole property of the Company.

Dr Brinson is also subject to restrictions in relation to:
● the use of confidential information during and after her employment with the Company; and
● being directly or indirectly involved in a competing business during and after her employment with the Company, on terms which are considered standard for agreements of this nature.

Otherwise, the ESA was on terms considered standard for agreements of this nature.

On 16 June 2023 the company announced that Dr Brinson's employment arrangements would be modified with the below terms effective 15 July 2023:

- Dr Brinson will be paid a consultancy fee of $10,000 (excluding GST) per month
- Dr Brinson may also receive an incentive payment should the strategic review result in the immediate commercial realisation of TALi's current products. If a realisation does occur, then an incentive would be payable to Dr Brinson equal to 2.5% of any up-front cash payment received by the Company
- The consultancy agreement is otherwise on standard terms and can be terminated by either party by giving one months' notice

On 16 August 2023 the Company announced the completion of the strategic review and that Dr Brinson's consulting arrangements will finish on 11 September 2023.

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 $40,663 (2022: $171,485) has been recognised in the 2023 financial year by way of shared based payment expense. In order to give the incentive medium to long term impact, the options have an approximate three-year life and a vesting profile.

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 2023AGM.

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.

Details of arrangements with Directors are found below:

Position	Annual salary (inclusive of superannuation) to 31 January 2023	Annual salary (inclusive of superannuation) from 1 February 2023	Annual salary (inclusive of superannuation) from 16 August 2023
Non-Executive Chair	$60,000	$90,000	N/A
Non-Executive Directors	$35,000	$52,500	N/A
Executive Chair	N/A	N/A	$90,000

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. Figures in brackets represent the value of bonuses/incentives and options respectively as a percentage of total compensation.

2023:	Base compensation (salary and fees) $	Bonuses / incentives $	Post Employment: Superannuation contributions $	Share-based payments: Shares and options issued $	Total compensation $
Directors					
Non-executive					
Ms S MacLeman[1]	14,437	-	1,516	-	15,953
Mr J Harcourt[2]	9,315	-	-	-	9,315
Mr D Williams	38,273	-	4,019	6,153	48,445
Dr D Brookes	38,273	-	4,019	6,153	48,445
Mr M Simari[3]	56,500	20,000	-	12,307	88,807
Mr S Munday[4]	32,977	-	-	6,153	39,130
Total non-executive compensation	189,775	20,000	9,554	30,766	250,095
Key Management Personnel					
Dr MB Brinson	310,000	-	25,292	-	335,292
	499,775	20,000	34,846	30,766	585,387

[1] Ms Sue MacLeman resigned as Non-Executive Director and Chairman on 6 October 2022.
[2] Mr Jefferson Harcourt resigned as Non-Executive Director on 6 October 2022.
[3] Mr Mark Simari was appointed as Non-Executive Director and Chairman on 6 October 2022.
[4] Mr Stephen Munday was appointed as Non-Executive Director on 18 October 2022.

2022:	Base compensation (salary and fees) $	Bonuses / incentives $	Post Employment: Superannuation contributions $	Share-based payments: Shares and options issued $	Total compensation
Directors					
Non-executive					
Ms S MacLeman	54,545	-	5,455	-	60,000
Mr J Harcourt	35,000	-	-	-	35,000
Dr D Brookes	31,818	-	3,182	34,141	69,141
Mr D Williams[1]	17,418	-	1,742	-	19,160
Total compensation	138,781	-	10,379	34,141	183,301
Executive Directors					
Mr G Smith[2,4]	312,014	49,773	24,887	115,560	502,234
Total compensation	312,014	49,773	24,887	115,560	502,234
Key Management Personnel					
Dr MB Brinson[3]	76,270	-	5,892	-	82,162
Total Compensation	76,270	-	5,892	-	82,162
	527,065	49,773	41,158	149,701	767,697

[1] Mr David Williams was appointed as a Non-Executive Director on 15 December 2021.
[2] Mr Glenn Smith resigned as Managing Director and CEO on 31 March 2022.
[3] Dr Mary Beth Brinson was appointed interim CEO on 5 April 2022 and then CEO on 28 June 2022
[4] Mr Glenn Smith was awarded a bonus of 40% of his eligible short term incentive in relation to FY21. The bonus was at the discretion of the board and based on performance against KPI's set at the beginning of the relevant year.

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

During the year the following options to acquire ordinary shares were issued to the Directors approved by Shareholders at the Extraordinary General Meeting (EGM) held on 15 March 2023.

Number of options	Grant date	Expiry date	Exercise price	Grantee
12,000,000	15/03/2023	15/03/2028	$0.004	Mr M Simari
12,000,000	15/03/2023	15/03/2028	$0.008	Mr M Simari
12,000,000	15/03/2023	15/03/2028	$0.012	Mr M Simari
6,000,000	15/03/2023	15/03/2028	$0.004	Mr D Williams
6,000,000	15/03/2023	15/03/2028	$0.008	Mr D Williams
6,000,000	15/03/2023	15/03/2028	$0.012	Mr D Williams
6,000,000	15/03/2023	15/03/2028	$0.004	Mr D Brookes
6,000,000	15/03/2023	15/03/2028	$0.008	Mr D Brookes
6,000,000	15/03/2023	15/03/2028	$0.012	Mr D Brookes
6,000,000	15/03/2023	15/03/2028	$0.004	Mr S Munday
6,000,000	15/03/2023	15/03/2028	$0.008	Mr S Munday
6,000,000	15/03/2023	15/03/2028	$0.012	Mr S Munday

Shares issued on exercise of options and performance rights

During the financial year the Company issued nil (2022: nil) ordinary shares upon the exercise of options or performance rights to Directors for total proceeds of nil (2022: nil). Since the end of the financial year up to the date of this report the Company has issued nil (2022: nil) shares upon exercise of options or performance rights to Directors for total proceeds of nil (2022: nil).

Alteration to option terms

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

Equity holdings and transactions

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

Number of shares held in TALi Digital Limited:

2023:

	Holding of Ordinary Shares at 1 July 2022 Number	Granted as compensation Number	Received on exercise of options/ performance shares Number	Balance on appointment Number	Net other change Number	Balance on Resignation Number	Holding of Ordinary Shares at 30 June 2023 Number
Directors							
Ms S MacLeman[1]	924,593	-	-	-	2,611,585	(3,536,178)	-
Mr J Harcourt[1]	44,254,065	-	-	-	-	(44,254,065)	-
Dr D Brookes	4,571,430	-	-	-	17,071,430	-	21,642,860
Mr D Williams	-	-	-	-	17,727,273	-	17,727,273
Mr M Simari[2]	-	-	-	5,113,637	80,113,637	-	85,227,274
Mr S Munday[3]	-	-	-	-	10,000,000	-	10,000,000
	49,750,088	-	-	5,113,637	127,523,925	(47,790,243)	134,597,407
Key Management Personnel							
Dr MB Brinson	-	-	-	-	-	-	-
Total	49,750,088	-	-	5,113,637	127,523,925	(47,790,243)	134,597,407

[1] Ms Sue MacLeman and Mr Jefferson Harcourt resigned effective 6 October 2022.
[2] Mr Mark Simari was appointed as a Non-Executive Director and Chairman on 6 October 2022.
[3] Mr Stephen Munday was appointed as Non-Executive Director on 18 October 2022.

Number of options held in TALi Digital Limited:

2023:

	Balance at 1 July 2022 Number	Balance on appointment Number	Granted as compensation Number	Lapsed Number	Balance on Resignation Number	Balance at 30 June 2023 Number
Directors						
Ms S MacLeman[1]	6,800,000	-	-	-	(6,800,000)	-
Mr J Harcourt[2]	3,400,000	-	-	-	(3,400,000)	-
Mr D Williams	-	-	18,000,000	-	-	18,000,000
Dr D Brookes	3,400,000	-	18,000,000	(3,400,000)	-	18,000,000
Mr M Simari[3]	-	3,400,000	36,000,000	(3,400,000)	-	36,000,000
Mr S Munday[4]	-	-	18,000,000	-	-	18,000,000
	13,600,000	3,400,000	90,000,000	(6,800,000)	(10,200,000)	90,000,000
Key Management Personnel						
Dr M E Brinson	-	-	-	-	-	-
Total	13,600,000	3,400,000	90,000,000	(6,800,000)	(10,200,000)	90,000,000

[1] Ms Sue MacLeman resigned as Non-Executive Director and Chairman on 6 October 2022.
[2] Mr Jefferson Harcourt resigned as Non-Executive Director on 6 October 2022.
[3] Mr Mark Simari was appointed as Non- Executive Director and Chairman on 6 October 2022.
[4] Mr Steve Munday was appointed as Non-Executive Director on 18 October 2022.

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 concludes the remuneration report, which has been audited.

This report is made with a resolution of the directors.

Mark Simari
Chair

31 August 2023

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West 3007
T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of TALi Digital Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Melbourne, VIC
Dated: 31 August 2023

TALi Digital Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue			
Revenue from continuing operations	4	26,627	13,165
Other income	5	754,531	868,251
Total revenue and income		781,158	881,416
Expenses			
Contract research and development expenses		(120,869)	(543,185)
Personnel expenses excluding share-based payment expense		(1,309,825)	(2,762,297)
Share based payment expense	19	(40,663)	(171,485)
Depreciation and amortisation expense		(319,754)	(371,380)
Occupancy expenses		(362)	(98,904)
Professional and consulting expenses		(521,634)	(892,479)
Travel and accommodation expenses		(52,482)	(37,752)
Insurance expenses		(144,864)	(191,139)
Corporate administration expenses		(48,706)	(147,353)
Intellectual property expenses		(45,151)	(128,874)
Advertising and promotion		(194,812)	(2,113,584)
Other expenses		(254,722)	(277,555)
Total expenses		(3,053,844)	(7,735,987)
Operating loss		(2,272,686)	(6,854,571)
Net finance expense		10,767	(11,274)
Foreign exchange gains / (losses)		3,296	(70,284)
Loss before income tax expense		(2,258,623)	(6,936,129)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of TALi Digital Limited		(2,258,623)	(6,936,129)
Other comprehensive (loss)/income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of TALi Digital Limited		(2,258,623)	(6,936,129)
		Cents	**Cents**
Basic earnings per share	7	(0.11)	(0.69)
Diluted earnings per share	7	(0.11)	(0.69)

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	2,986,733	1,845,128
Trade and other receivables	9	712,285	613,788
Investments	10	3,510	2,273
Other assets	11	17,808	102,299
Total current assets		3,720,336	2,563,488
Non-current assets			
Intangible assets	12	4,358,389	3,845,015
Property, plant and equipment	13	13,290	28,783
Total non-current assets		4,371,679	3,873,798
Total assets		8,092,015	6,437,286
Liabilities			
Current liabilities			
Trade and other payables	14	165,315	484,102
Deferred income	15	173,743	145,673
Borrowings	16	505,489	42,063
Employee benefits	17	116,413	75,680
Total current liabilities		960,960	747,518
Non-current liabilities			
Deferred income	15	1,962,509	1,791,075
Borrowings	16	-	462,053
Employee benefits	17	-	6,222
Total non-current liabilities		1,962,509	2,259,350
Total liabilities		2,923,469	3,006,868
Net assets		5,168,546	3,430,418
Equity			
Issued capital	18	214,835,167	211,038,225
Reserves		466,741	687,306
Accumulated losses		(210,133,362)	(208,295,113)
Total equity		5,168,546	3,430,418

	Issued capital $	Share based payments reserve $	Change in fair value reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021	208,157,446	1,502,351	(1,000,000)	(201,403,750)	7,256,047
Loss after income tax expense for the year	-	-	-	(6,936,129)	(6,936,129)
Other comprehensive (loss)/income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(6,936,129)	(6,936,129)
Issue of ordinary shares	3,221,745	-	-	-	3,221,745
Transaction costs relating to issue of ordinary shares	(282,730)	-	-	-	(282,730)
Share-based payment transactions to employees	-	171,485	-	-	171,485
Share-based payment transactions to brokers and shareholders	(58,236)	58,236	-	-	-
Reversal of share-based payment transactions to employees from prior periods	-	(44,766)	-	44,766	-
Balance at 30 June 2022	211,038,225	1,687,306	(1,000,000)	(208,295,113)	3,430,418

	Issued capital $	Share based payments reserve $	Change in fair value reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022	211,038,225	1,687,306	(1,000,000)	(208,295,113)	3,430,418
Loss after income tax expense for the year	-	-	-	(2,258,623)	(2,258,623)
Other comprehensive (loss)/income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,258,623)	(2,258,623)
Issue of ordinary shares	4,211,278	-	-	-	4,211,278
Transaction costs relating to issue of ordinary shares	(255,190)	-	-	-	(255,190)
Share-based payment transactions to employees	-	40,663	-	-	40,663
Share-based payment transactions to brokers and shareholders	(159,146)	159,146	-	-	-
Reversal of revaluation reserve to retained earnings	-	-	1,000,000	(1,000,000)	-
Transactions with owners in their capacity as owners:					
Reversal of share-based payment transactions to employees from prior periods	-	(1,420,374)	-	1,420,374	-
Balance at 30 June 2023	214,835,167	466,741	-	(210,133,362)	5,168,546

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

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers from continuing operations		29,607	47,758
Payments to suppliers and employees		(2,919,348)	(5,284,889)
R&D tax incentive		681,278	795,874
Grants received		73,200	113,032
Interest received		27,383	80
Other revenue		107,738	-
Net cash used in operating activities	20	(2,000,142)	(4,328,145)
Cash flows from investing activities			
Payments for intangible assets		(815,019)	-
Payments for property, plant and equipment		(2,617)	(12,634)
Net cash used in investing activities		(817,636)	(12,634)
Cash flows from financing activities			
Proceeds from issue of shares	18	4,211,278	3,272,851
Share issue costs	18	(255,190)	(282,730)
Repayment of lease liabilities		-	(35,795)
Proceeds from borrowings		-	503,744
Net cash from financing activities		3,956,088	3,458,070
Net (decrease)/increase in cash and cash equivalents		1,138,310	(882,709)
Cash and cash equivalents at the beginning of the financial year		1,845,128	2,726,518
Effects of exchange rate changes on cash and cash equivalents		3,295	1,319
Cash and cash equivalents at the end of the financial year	8	2,986,733	1,845,128

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

1. Reporting entity

TALi Digital Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 2023 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 Suite 201, 697 Burke Road, Camberwell Vic 3124. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

2. Basis of preparation

(a) Statement of compliance

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

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

(b) Going concern

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

For the year ended 30 June 2023, the Group incurred a loss of $2,258,623 (2022: $6,936,129), had negative operating cash flows of $2,000,142 (2022: $4,328,145) and had cash reserves of $2,986,733 (2022: $1,845,128). The Group's main activity is developing and commercialising the TALi products and various service lines which will require further funding and investment.

The Company announced a strategic review in June 2023 where it later advised that $1.7m of annualised expenditure had been removed. Following this the Directors have considered a cash flow forecast, which indicates that the Company has sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts referred to above, the directors are satisfied that the going concern basis of preparation is appropriate and the directors are confident of the Company's ability to raise additional funds as and when they are required.

(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 12); and
• Assessing the carrying amount of investments (refer to note 10).

3. Significant accounting policies

The principal 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.

3. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted

The Group 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 Group:

(a) Revenue and other income

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 reasonable expectation of recovering part or all of a financial asset, it’s carrying value is written off.

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

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

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

3. Significant accounting policies (continued)

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

(c) Finance income and costs

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

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

(d) Goods and services tax

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

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

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

(e) Foreign currency

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

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

(f) Income tax

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

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

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

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

3. Significant accounting policies (continued)

(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 straightline 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

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 (2022: 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 Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. 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 in 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.

3. Significant accounting policies (continued)

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

(k) Employee benefits

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

(ii) Share-based payment transactions
The Group provides benefits to its employees in the form of share-based payments, via options over shares (equity-settled transaction). There is currently an Employee Share Option Plan in place as part of the LTI, for the issue of share based payments to staff and KMP to incentivise performance and loyalty. The options over shares will vest over a period of three years subject to the employee remaining employed by the Group. For KMP there may also be performance measures built into the vesting criteria. 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 vesting criteria.

(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 boost and JobKeeper are recorded as a reimbursement of expenditure.

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

(l) Provisions

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

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

The provision recognised for each site is periodically reviewed 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.

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.

3. Significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Foreign currency Translation

The financial statements are presented in Australian Dollars, which is TALi Digital Limited's functional and presentation currency.

(s) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the loans and borrowings using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

3. Significant accounting policies (continued)

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

4. Revenue from continuing operations

	2023 $	2022 $
Sale of licenses	26,627	13,165

5. Other income

	2023 $	2022 $
Co-development reimbursements	41,037	99,788
Grant income	114,020	153,852
Other income	1,213	252
R&D tax incentive	598,261	614,359
	754,531	868,251

6. Income tax expense

Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	(2,258,623)	(6,936,129)

	2023 $	2022 $
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before income tax expense	(2,258,623)	(6,936,129)
Tax at the statutory tax rate of 25%	(564,656)	(1,734,032)
Change in unrecognised temporary differences	74,818	79,569
Add: Non-deductible expenses	10,893	43,706
Add: Use of tax losses not recognised	348,392	1,583,252
Add: Research and development allowance	383,226	292,819
Less: Items deductible for tax purposes	(103,108)	(111,724)
Less: Items not assessable for tax purposes	(149,565)	(153,590)
Income tax expense	-	-

6. Income tax expense (continued)

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 2023 the Group has revenue losses of approximately $165 million (2022: $164 million).

7. Earnings per share

	2023 $	2022 $
Loss after income tax attributable to the owners of TALi Digital Limited	(2,258,623)	(6,936,129)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,147,518,055	999,766,317
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,147,518,055	999,766,317
	Cents	**Cents**
Basic earnings per share	(0.11)	(0.69)
Diluted earnings per share	(0.11)	(0.69)

8. Cash and cash equivalents

	2023 $	2022 $
Current assets		
Cash at bank	2,986,733	1,845,128

9. Trade and other receivables

	2023 $	2022 $
Current assets		
Trade and other receivables	45,472	104,282
R&D tax incentive and other tax receivables	666,813	509,506
	712,285	613,788

Allowance for expected credit losses
The Group has recognised a loss of nil (2022: nil) in profit and loss in respect of the expected credit losses for the year ended 30 June 2023.

10. Investments

	2023 $	2022 $
Current assets		
Financial assets classified at fair value through the profit & loss	3,510	2,273

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	2,273	1,688
Revaluation increments	1,237	585
Closing fair value	3,510	2,273

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.

11. Other assets

	2023 $	2022 $
Current assets		
Prepayments	17,808	102,299

12. Intangible assets

	2023 $	2022 $
Non-current assets		
Development - at cost	4,823,002	4,007,982
Less: Accumulated amortisation and impairment	(1,026,503)	(764,757)
	3,796,499	3,243,225
Intellectual property - at cost	1,149,073	1,149,074
Less: Accumulated amortisation and impairment	(785,690)	(764,290)
	363,383	384,784
Acquired licences - at cost	375,000	375,000
Less: Accumulated amortisation and impairment	(176,493)	(157,994)
	198,507	217,006
	4,358,389	3,845,015

12. 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:

2023	Acquired licences $	Acquired intellectual property $	Internally developed assets $	Total $
Gross carrying amount				
Carrying amount at beginning of period	375,000	1,149,074	4,007,982	5,532,056
Addition, internally generated	-	-	815,019	815,019
	375,000	1,149,074	4,823,001	6,347,075
Amortisation and impairment				
Carrying amount at beginning of period	(157,994)	(764,290)	(764,757)	(1,687,041)
Amortisation	(18,500)	(21,400)	(261,745)	(301,645)
	(176,494)	(785,690)	(1,026,502)	(1,988,686)
Carrying amount at end of period	198,506	363,384	3,796,499	4,358,389

2022	Acquired licences $	Acquired intellectual property $	Internally generated assets $	Total $
Gross carrying amount				
Carrying amount at beginning of period	375,000	1,149,074	4,007,982	5,532,056
Addition, internally developed	-	-	-	-
	375,000	1,149,074	4,007,982	5,532,056
Amortisation and impairment				
Carrying amount at beginning of period	(139,244)	(742,890)	(523,723)	(1,405,857)
Amortisation	(18,750)	(21,400)	(241,034)	(281,184)
	(157,994)	(764,290)	(764,757)	(1,687,041)
	217,006	384,784	3,243,225	3,845,015

(i) Licences and intellectual property

On the acquisition of TALi Health Pty Ltd announced on February 15th 2016, TALi Digital recognised intellectual property (including licences) 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 products.

On 1 April 2021, the estimated useful life of the internally developed assets was reassessed to align the useful life of the assets to the expiry of the assets' main issued patents. The estimated useful life was reassessed to be at that time 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. ReadyAttentionGo! and AttentionTime were available and ready for use from 1 March 2023 and 1 May 2023 respectively and have been amortised accordingly with the useful life tied to the expiry of the patents in 2035.

12. Intangible assets (continued)

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.

In accordance with Accounting Standard AASB 136 Impairment of assets, the Group reviews intangible assets for impairment twice a year (in conjunction with the Interim Financial Report and the Annual Report). If an impairment charge is warranted, it is measured as the amount by which the carrying amount of the asset group exceeds its recoverable amount based on a discounted cash flow analysis or appraisals.

The assessment of recoverable amount for the Licences, intellectual property and the Internally developed assets a single cash generating unit (CGU) was created representing all of the forecast income and expenditure associated with these assets and an allocation of 10% of corporate overheads. The discounted cash flow analysis was largely based on the expected results of the strategic partnership with Genius Learning Pty Ltd over the five-year life of the related agreement and a terminal value calculated at one times the expected net cashflow the final year.

As a result of the value-in-use calculation using a discounted cash flow model, the recoverable amount of these assets exceeds their carrying amounts by $1.5 million and no impairment was identified.

The key assumptions included in the preparation of the discounted cash flow model that was prepared using a five-year forecast with a small terminal value were:

- Pre-tax discount rate of 29.73%
- Revenue projections based on:

	FY24	FY25	FY26	FY27	FY28
	%	%	%	%	%
Market Share	0.01%	0.75%	1.50%	3.00%	5.00%

- Operating cost and overheads growth rate of 5% per year
- Terminal value based on one times the year five net cash flow

The pre-tax discount rate of 29.7% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements. If the pre-tax discount rate was increased to 47.0%, the carrying amount of the asset group would equal its recoverable amount.

Forecasted revenue, based on market share growth is based comparable product market share growth in similar markets. If forecasted market share growth were reduced by 35% resulting in only 3.27% market share by year five, the carrying amount of the asset group would equal its recoverable amount.

If there were any negative changes beyond those described above in these two key assumptions on which the recoverable amount of the Licences, intellectual property and the Internally developed assets is based, this would result in an impairment charge of this asset group.

13. Property, plant and equipment

	2023 $	2022 $
Non-current assets		
Plant and equipment - at cost	210,916	208,299
Less: Accumulated depreciation	(197,626)	(179,516)
	13,290	28,783

13. Property, plant and equipment (continued)

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 $	Plant and equipment $	Right-of-use asset[1] $	Total $
Balance at 1 July 2021	25,854	54,113	33,342	113,309
Additions	-	9,069	-	9,069
Disposals	-	(3,399)	-	(3,399)
Depreciation expense	(25,854)	(31,000)	(33,342)	(90,196)
Balance at 30 June 2022	-	28,783	-	28,783
Additions	-	2,617	-	2,617
Depreciation expense	-	(18,110)	-	(18,110)
Balance at 30 June 2023	-	13,290	-	13,290

[1] The right -of-use asset related to the lease of 19 William Street, Cremorne which ended on 30 April 2022.

14. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	49,952	316,492
Accruals and other payables	115,363	167,610
	165,315	484,102

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in note 21.

15. Deferred income

	2023 $	2022 $
Current liabilities		
Deferred income - R&D Incentive & Grant Income	173,743	145,673
Non-current liabilities		
Deferred income - R&D Incentive & Grant Income	1,962,509	1,791,075
	2,136,252	1,936,748

Reconciliation

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

	2023 $	2022 $
Opening balance	1,936,748	2,082,420
Current year additions	354,533	-
Release of deferred revenues to profit or loss	(155,029)	(145,672)
Closing balance	2,136,252	1,936,748

Due to the capitalisation of the TALi products Development Cost Intangible Assets and the subsequent release of amortisation over the assets useful life of 14.5 years as indicated in note 12, the related R&D tax incentive and CRC-P grant income has been deferred and is proportionally released over the capitalised assets' useful life. This has resulted in a total of $114,210 (2022: $104,853) of R&D tax incentive income and $40,819 (2022: $40,819) in CRC-P grant income being recognised in profit or loss for the year ended 30 June 2023.

16. Borrowings

	2023 $	2022 $
Current liabilities		
R&D Funding	503,744	41,691
Accrued interest payable	1,745	372
	505,489	42,063
Non-current liabilities		
Loan - R&D Advance	-	462,053
	505,489	504,116

During the prior period the Company executed a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government’s R&D Cash Flow Loan Initiative (Initiative) of up to $503,744. The Company received $503,744 in FY22.

Interest on Facility advances is variable at the “TCV 11am” loan interest rate (as at 30 June 2023 was 4.265% and repaid monthly. Repayment of the Facility is timed to coincide with receipt of Tali Digital's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 R&D Tax Incentive (RDTI) refunds. As part of the agreement the Company must maintain a Loan to Value Ratio (LVR) of 80%. At 30 June 2022 the Company's estimated FY2022 RDTI fell below the requirement to meet the LVR, a repayment of $42,063 to reduce the LVR to 80% may have been required by October 2022 and was therefore classified as current, however due to changes in the program this was not required.

16. Borrowings (continued)

Refer to note 21 for further information on financial instruments disclosure and financial risk management.

17. Employee benefits

	2023 $	2022 $
Current liabilities		
Employee benefits provision	116,413	75,680
Non-current liabilities		
Employee benefits provision	-	6,222
	116,413	81,902

In early FY24 as part of the strategic review, changes in headcount resulted in $99,600 of leave entitlements being paid out.

At-risk incentive performance payments

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

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

	Annual leave $	Long service leave $	Total $
2022			
Balance at 1 July 2021	159,344	27,266	186,610
Provision utilised	(312,149)	(26,309)	(338,458)
Charges raised	228,485	5,265	233,750
Balance at 30 June 2022	75,680	6,222	81,902
2023			
Balance at 1 July 2022	75,680	6,222	81,902
Provision utilised	(56,715)	-	(56,715)
Charges raised	97,448	(6,222)	91,226
Balance at 30 June 2023	116,413	-	116,413

18. Issued capital

Terms and conditions of ordinary shares

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

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	3,295,155,625	1,224,791,666	214,835,167	211,038,225

18. Issued capital (continued)

Movements in issued capital during the year were as follows:

	2023 Number	2022 Number	2023 $	2022 $
Balance at the beginning of the financial year	1,224,791,666	931,905,789	211,038,225	208,157,446
Issue of shares through rights issue and placements	2,070,363,959	292,885,877	4,211,278	3,221,745
Transaction costs relating to rights issue and placements[1]	-	-	(255,190)	(282,730)
Transaction costs relating to rights issue and placements[2]	-	-	(159,146)	(58,236)
Issued capital at the end of the financial year	3,295,155,625	1,224,791,666	214,835,167	211,038,225

[1] Directly attributable costs incurred in raising capital are presented as a reduction in equity.
[2] Share based payment expense provided to the Lead Broker for services during the Placement.

19. Share-based payments

A performance right and share option plan has been established by the Group and approved by shareholders at the 2017 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, issue 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:

2023

Grant date	Exercise price	Balance at the start of the year	Granted during the year	Forfeited during the year	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)	-
15/10/2019	$0.150	300,000	-	-	300,000
24/11/2020	$0.030	5,000,000	-	-	5,000,000
24/11/2020	$0.090	3,400,000	-	(3,400,000)	-
22/02/2021	$0.090	5,000,000	-	(5,000,000)	-
22/02/2021	$0.120	5,000,000	-	(5,000,000)	-
22/02/2021	$0.150	5,000,000	-	(5,000,000)	-
20/07/2021	$0.060	600,000	-	-	600,000
20/07/2021	$0.090	1,200,000	-	-	1,200,000
15/03/2023 [1]	$0.004	-	85,051,506	-	85,051,506
15/03/2023 [2]	$0.004	-	30,000,000	-	30,000,000
15/03/2023 [3]	$0.008	-	30,000,000	-	30,000,000
15/03/2023 [4]	$0.012	-	30,000,000	-	30,000,000
04/08/2022 [5]	$0.030	-	15,000,000	-	15,000,000
		45,900,000	190,051,506	(38,800,000)	197,151,506
Weighted average exercise price	$0.06	$0.07	$0.01	$0.07	$0.01

19. Share-based payments (continued)

[1] Broker options issued vested upon issue
[2] Options issued to Directors with vesting date of 15 March 2024.
[3] Options issued to Directors with vesting date of 15 March 2025.
[4] Options issued to Directors with vesting date of 15 March 2026.
[5] Options issued to Broker in relation to capital raise in March 2022.

2022

Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	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
15/10/2019	$0.030	2,100,000	-	-	(1,800,000)	300,000
29/11/2019	$0.030	7,188,883	-	-	(7,188,883)	-
24/11/2020[3]	$0.030	22,500,000	-	-	(17,500,000)	5,000,000
24/11/2020	$0.090	3,400,000	-	-	-	3,400,000
22/2/2021	$0.090	-	5,000,000	-	-	5,000,000
22/2/2021	$0.120	-	5,000,000	-	-	5,000,000
22/2/2021	$0.150	-	5,000,000	-	-	5,000,000
20/7/2021	$0.060	-	2,000,000	-	(1,400,000)	600,000
20/7/2021	$0.090	-	4,000,000	-	(2,800,000)	1,200,000
		55,588,883	21,000,000	-	(30,688,883)	45,900,000
Weighted average exercise price		$0.04	$0.11	$0.00	$0.05	$0.06

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	Fair value of option
15/03/2023	15/03/2027	$0.002	$0.004	196%	$0.002
15/03/2023	15/03/2028	$0.002	$0.004	196%	$0.002
15/03/2023	15/03/2028	$0.002	$0.008	196%	$0.002
15/03/2023	15/03/2028	$0.002	$0.012	196%	$0.002

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.

20. Notes to the statement of cash flows

	2023 $	2022 $
Loss after income tax	(2,258,623)	(6,936,129)
Add: depreciation, amortisation and loss on disposal of plant and equipment and intangibles	319,754	371,381
Share based payment expense	40,663	171,485
Net investment gain on revaluation and unrealised foreign exchange gain	(1,213)	(1,905)
Total non-cash & non-operating items	359,204	540,961
(Increase)/decrease in receivables	(98,497)	233,436
(Increase)/decrease in other assets	84,493	1,913,972
Increase/(decrease) in employee benefits	34,513	(104,708)
Increase/(decrease) in deferred income	199,504	(209,440)
Increase/(decrease) in payables	(320,736)	233,763
Change in operating assets and other receivables	(100,723)	2,067,023
Net cash used in operating activities	(2,000,142)	(4,328,145)

There have been no non-cash investing transactions during the 2023 financial year (2022: nil) which have had a material effect on assets and liabilities of the Group.

A non-cash financing transaction of $159,146 occurred during the 2023 financial year (2022: $58,236) which related to the options issued to brokers for services around capital raising.

21. 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.

(i) Foreign currency risk

The Group has contracts denominated in foreign currencies, predominantly in US dollars, 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 (2022: nil).

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

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

	2023 GBP	USD	SGD	EURO	2022 GBP	USD	SGD	EURO
Bank accounts	-	148,577	-	-	-	35,895	-	-
Receivables	-	-	-	-	-	67,168	-	-
Payables	-	(2,263)	-	-	-	(238,085)	-	-
Net balance sheet exposure	-	146,314	-	-	-	(135,022)	-	-

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 as at 30 June 2023 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 2022. There is no impact on equity.

2023 Exposure	Equity Strengthening	Equity Weakening	Profit and loss Strengthening	Profit and loss Weakening
Net balance sheet exposure	-	-	9,701	(9,701)

2022 Exposure	Equity Strengthening	Equity Weakening	Profit and loss Strengthening	Profit and loss Weakening
Net balance sheet exposure	-	-	9,302	(9,302)

The following significant exchange rates applied during the financial year:

Currency	Average rate 2023	Average rate 2022	Reporting date spot rate 2023	Reporting date spot rate 2022
GBP	0.55	0.56	0.53	0.57
USD	0.68	0.72	0.66	0.69
EURO	0.63	0.65	0.61	0.66

(i) 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 $	Fixed interest rate $	Non-interest bearing $	Total $
Financial assets					
Cash assets – at 30 June 2023	2.41	910,314	1,750,000	326,419	2,986,733
Cash assets – at 30 June 2022	0.01	-	-	1,845,128	1,845,128
Financial liabilities					
Borrowings – at 30 June 2023	4.27	503,744	-	-	503,744
Borrowings – at 30 June 2022	1.52	503,744	-	-	503,744

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

Profit and loss	2023 Strengthening	2023 Weakening	2022 Strengthening	2022 Weakening
Cash at bank – variable interest rate:				
$AUD	21,117	(21,117)	23,502	(23,502)

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 $21,117 (2022: $23,502), if all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for2022.

(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.

(i) 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 2023	712,285	-	-	712,285
Receivables – at 30 June 2022	613,788	-	-	613,788

(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 manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day to day operating requirements is maintained in interest-bearing operating, at-call and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

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

Financial liabilities:	3 months or less $	Greater than 3 months $	Greater than 1 year $	Total $
Trade and other payables – at 30 June 2023	165,315	-	-	165,315
Trade and other payables – at 30 June 2022	484,102	-	-	484,102

Borrowings:	Less than one year $	One to five years $	More than five years $	Total $
Borrowings – at 30 June 2023	503,744	-	-	503,744
Borrowings – at 30 June 2022	41,691	462,053	-	503,744

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

Maturity analysis – contractual undiscounted cash flows on lease liabilities

	2023 $	2022 $
Less than one year	-	-
Other disclosures		
Interest expenses on lease liabilities recognised in the profit or loss	-	366
Total cash outflow for leases recognised in the statement of cashflows	-	35,795

(d) Net fair values of financial assets and liabilities

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

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

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

(e) Capital management

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

22. Dividends

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

23. Dividend franking account

The Company has no franking credits at reporting date.

24. Auditor's remuneration

	2023 $	2022 $
Audit services:		
Auditors of the Group – RSM Australia Partners	75,000	-
Auditors of the Group – Grant Thornton	12,502	88,000
Total audit services	87,502	88,000

25. Segmented reporting

From 1 July 2021 the Group deemed that it has only one business segment.

26. Related party transactions

Disclosures of compensation policies, service contracts and details of individual directors and executives' 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	2023 $	2022 $
Short-term employee benefits	499,775	527,065
Performance benefits	20,000	49,773
Post-employment benefits	34,846	41,158
Share-based payments	30,766	149,701
Total compensation	585,387	767,697

Key Management Personnel transactions

Directors of the Company control 4.08% (2022: 4.06%) 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 2023 or 2022financial 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 (2022: nil).

Other Key Management Personnel transactions with the Group

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

Loans and other transactions with Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2023 year (2022: nil).

Other related party transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2023 or 2022 financial years.

27. Group entities

Significant subsidiaries for the year ended:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	2022 %
TALi Health Pty Ltd	Australia	100.00%	100.00%
TALi Digital INC	USA	100.00%	100.00%

28. Parent entity disclosure

As at, and throughout, the financial year ended 30 June 2023, the parent entity of the Group was TALi Digital Limited.

Statement of profit and loss

	Parent 2023 $	Parent 2022 $
Profit/(loss) after income tax	1,032,835	(2,827,446)
Total comprehensive (loss)/income	1,032,835	(2,827,446)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	7,019,473	5,080,427
Total assets	7,401,776	5,464,119
Total current liabilities	731,789	282,460
Total liabilities	2,233,230	2,033,701
Net assets	5,168,546	3,430,418
Equity		
Issued capital	214,835,167	211,038,224
Revaluation surplus reserve	1,000,000	-
Change in fair value reserve	(1,000,000)	(1,000,000)
Share-based payments reserve	466,741	1,687,306
Accumulated losses	(210,133,362)	(208,295,112)
Total equity	5,168,546	3,430,418

29. Commitments

The Group has no material commitments at year end.

30. Contingent liabilities

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

31. Events after the reporting period

On 4 August 2023 the Company announced the outcomes of a strategic review that had been announced in June 2023. Outcomes included:

- The Company expanding its existing strategic partnership with Genius Childcare (Genius) by outsourcing product development and maintenance to Genius. It would also outsource the sales and marketing function to Genius exclusively across the education sector and nonexclusively across the healthcare sector.
- Assumption of the cost of product development, maintenance, sales and marketing functions by Genius was in return for a greater share of the revenue generated by the strategic partnership to Genius.
- TALi is expected to achieve an annualised cost reduction of over $1.9 million from July 2023, and will retain 20% of all revenue achieved by TALi products generated through the strategic partnership.

On 16 August 2023 the Company announced the completion of the strategic review that included the following further outcomes:

- Dr Brinson's consulting CEO arrangements would finish on 11 September 2023.
- Mr Simari was appointed as Executive Chairman. Mr Simari's current remuneration arrangements as Non-Executive Chair did not change with this appointment.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2023 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

Mark Simari
Chair

31 August 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of TALi Digital Limited

Opinion

We have audited the financial report of TALi Digital Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
(ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Key Audit Matter	How our audit addressed this matter
Impairment of Intangible Assets Refer to Note 3(h) and Note 12 in the financial statements	
The Group has intangible assets with a written down value of $4,358,389 and a related deferred income balance of $2,135,982 (net amount of $2,222,407) as at 30 June 2023. The intangible assets include both acquired and internally generated intangibles. The acquired assets consist of a health licence and intellectual property relating to the TALi technology acquired as part of the purchase of TALi Health Pty Ltd in 2016. Internally generated intangibles consist of capitalised development costs relating to the TALi Train and TALi Detect products that the Group has developed. Deferred income relates to the deferred R&D tax incentive income in relation to the capitalized development costs, being released into profit or loss over the same life of capitalized development costs. 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. The entity shall estimate the asset's recoverable amount if any indication exists. This area is a key audit matter due to the judgement and estimation required in determining the recoverable amounts and whether the requirements of AASB 138 and AASB 136 are satisfied.	Our procedures included, amongst others: • Assessing the Group's accounting policy for capitalisation of development costs for adherence to *AASB 138 Intangible Assets*; • Assessing the reasonableness of management's estimate around the useful life of the intangible asset; • Reviewing in accordance with *AASB 136 Impairment of Assets,* the impairment assessment performed by management, including impairment indicator analysis and value-in-use calculated by management using discounted cashflow model, including: ✓ Verifying the mathematical accuracy of the impairment assessment calculations; ✓ Evaluating the reasonableness of the key assumptions built into the model which includes the future sales growth rates, operating expenditure forecasts, discount rate, terminal value, working capital and capital expenditure, if any; ✓ performing sensitivity analysis on key assumptions to determine the extent of headroom for the intangibles impairment; and ✓ Evaluating the assumptions utilised by management that support the generation of future economic benefits • Assessing the adequacy of the disclosures within the financial statements in accordance with *AASB 136 Impairment of Assets*.

Other Information

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 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

RSM

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2023, 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.

RSM AUSTRALIA PARTNERS

R B MIANO

Partner

Melbourne, VIC

31 August 2023

Share Capital
The shareholder information set out below was applicable as at 29 July 2023.

Number
Number of shares quoted on the Australian Securities Exchange Limited 3,295,155,625.

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	Holding	% IC
1	SPRINT CAPITAL PARTNERS PTY LTD	554,753,577	16.84%
2	KEISER INVESTMENTS PTY LTD - GANN FAMILY RETIREMENT A/C	100,000,000	3.03%
3	MR ROBERT DARIUS FRASER - FRASER FAMILY A/C	100,000,000	3.03%
4	SAILORS OF SAMUI PTY LTD	98,000,000	2.97%
5	CHARKAROO PTY LTD - CHARMARBELLE A/C	77,909,092	2.36%
6	BNP PARIBAS NOMINEES PTY LTD - IB AU NOMS RETAILCLIENT DRP	73,494,288	2.23%
7	PETERLYN PTY LTD - RPC SALMON SUPER FUND A/C	65,494,174	1.99%
8	MR SIMON CHARLES DOHERTY	59,441,832	1.80%
9	PUNTERO PTY LTD	56,329,270	1.71%
10	MR MURRAY JOHN TURNER	56,000,000	1.70%
11	SCINTILLA STRATEGIC INVESTMENTS LIMITED	50,000,000	1.52%
12	GP SECURITIES PTY LTD	47,571,430	1.44%
13	CALAMA HOLDINGS PTY LTD - MAMBAT SUPER FUND A/C	47,500,000	1.44%
14	MR MICHAEL ANDREW WHITING & MRS TRACEY ANNE WHITING - WHITING FAMILY S/F A/C	45,643,394	1.39%
15	CITOS SUPER PTY LTD - CITOS PTY LTD SF A/C	45,000,000	1.37%
16	CORALCO PTY LTD	38,000,000	1.15%
17	MOONAH CAPITAL PTY LTD	37,000,000	1.12%
18	GREY INNOVATION HOLDINGS PTY LTD	35,325,130	1.07%
19	MR ALAN CONIGRAVE	33,700,000	1.02%
20	LONGRIDGE PARTNERS PTY LTD	31,000,000	0.94%
	Totals	1,713,162,187	51.99%
	Total Issued Capital	3,295,155,625	100.00%

Distribution of shareholders as at 29 July 2023

Holding ranges	Holders	Total units	% Issued share capital
Above 0 up to and including 1,000	362	92,830	-
Above 1,000 up to and including 5,000	189	537,949	0.02%
Above 5,000 up to and including 10,000	170	1,385,681	0.04%
Above 10,000 up to and including 100,000	915	38,398,124	1.17%
Above 100,000	901	3,254,741,041	98.77%
Totals	2,537	3,295,155,625	

The number of shareholders as at 29 July 2023 with less than a marketable parcel of $500 worth of shares, based on the market price as at that date ($0.001 per share), was 2,102, with total 149,856,031 amounting to 4.604% of Total Shareholding.

Corporate Governance Statement
In accordance with ASX Listing Rule 4.10.3 the Company's 2023 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 entitle 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 29 July 2023, the Options issued over unissued Ordinary Shares totalled 197,151,506 represented by 2,100,000 granted to employees under the ESOP, 90,000,000 issued to Directors and 105,051,506 issued to external suppliers for services rendered. There are no voting rights attached to either the Options or the underlying unissued Ordinary Shares.

Officers

Chief Executive Officer: Mary Beth Brinson
Company Secretary: Tim Luscombe

Registered Office

TALi Digital Limited
Suite 201, 697 Burke Road
Camberwell, Victoria 3124 Australia
Telephone: +61 3 9192 9937 | 1300 082 013
Website: talidigital.com
Email: info@talidigital.com.au

Share Registry

Automic Registry Services
Level 5, 126 Phillip Street
Sydney, New South Wales 2000 Australia
Telephone: 1300 288 64
Website: automic.com.au
Email: hello@automic.com.au

Securityholder Information

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

Investor Phone Access

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

Internet Account Access

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

Changing Shareholder Details

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

TALi Digital Limited Publications Mailing List

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

Investor Relations

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

TALi Digital Limited
ABN 53 108 150 750

Suite 201, 697 Burke Road,
Camberwell, Victoria 3124

T +61 3 9192 9937 | 1300 082 013

talidigital.com.au