



Norwood Systems Limited

ABN 15 062 959 540

and its controlled entity

APPENDIX 4D

Interim Financial Report

31 December 2021

Corporate directory**Current Directors**

Mr Paul Ostergaard	<i>Managing Director</i>
Mr Philip Marsland	<i>Non-executive Director (appointed 31 January 2022)</i>
Mr Philip Otley	<i>Non-executive Director (appointed 31 January 2022)</i>
Dr John Tarrant	<i>Non-executive Director (appointed 31 January 2022)</i>

Company Secretary

Mr Stuart Usher *(appointed 8 October 2021)*

Registered & Principal Office

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NEDLANDS WA 6009

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Auditors

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5 Spring Street,
Perth, WA 6000

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Solicitors

Steinepreis Paganin

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Contents

■ Results for Announcement to the Market	1
■ Directors' report	3
■ Auditor's independence declaration.....	5
■ Condensed consolidated statement of profit or loss and other comprehensive income.....	6
■ Condensed consolidated statement of financial position	7
■ Condensed consolidated statement of changes in equity	8
■ Condensed consolidated statement of cash flows	9
■ Notes to the condensed consolidated financial statements.....	10
■ Directors' declaration	20
■ Independent auditor's review report.....	21

Results for Announcement to the Market

for the half-year Ended 31 December 2021

1 REPORTING PERIOD (item 1)			
■ Report for the period ended:	31 December 2021		
■ Previous corresponding period is half-year ended:	31 December 2020		
2 RESULTS FOR ANNOUNCEMENT TO THE MARKET	Movement	Percentage %	Amount \$
■ Revenues from ordinary activities (item 2.1)	Increase	12.60 to	525,284
■ Loss from ordinary activities after tax attributable to members (item 2.2)	Increase in Losses	484.93 to	(456,886)
■ Loss from after tax attributable to members (item 2.3)	Increase in Losses	484.93 to	(456,886)
a. Dividends (items 2.4 and 5)		Amount per Security ¢	Franked amount per security %
■ Interim dividend		nil	n/a
■ Final dividend		nil	n/a
■ Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):			
1. Revenue represents interest earned and service revenue.			
3 DIVIDENDS (item 3) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS			
Nil.			
a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):			
Not applicable			
4 RATIOS		Current period	Previous corresponding period
a. Financial Information relating to 4b:		\$	\$
Earnings for the period attributable to owners of the parent		(456,886)	(78,109)
Net assets/(liabilities)		(1,240,786)	(1,147,520)
Less: Intangible assets		-	-
Net tangible assets/(liabilities)		(1,240,786)	(1,147,520)
		No.	No.
Fully paid ordinary shares		283,204,864	260,504,864
b. Net tangible assets/ (liability) backing per share (cents) (item 4):		(0.438)	(0.440)

Results for Announcement to the Market

for the half-year Ended 31 December 2021

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 5)

a. Control gained over entities

- | | |
|---|-----|
| ■ Name of entities (item 5.1) | Nil |
| ■ Date(s) of gain of control (item 5.2) | n/a |

b. Loss of control of entities

- | | |
|---|-----|
| ■ Name of entities (item 5.1) | Nil |
| ■ Date(s) of loss of control (item 5.2) | n/a |

c. Contribution to consolidated loss from ordinary activities after tax by the controlled entity to the date(s) in the current period when control was gained / lost (item 5.3).

n/a

d. Loss from ordinary activities after tax of the controlled entity for the whole of the previous corresponding period (item 5.3)

n/a

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 6)

- | | |
|---|-----|
| ■ Name of entities (item 6) | Nil |
| ■ Percentage holding in each of these entities (item 6) | N/A |

- | | | |
|--|--|--|
| ■ Aggregate share of profits (losses) of these entities (item 6) | | |
|--|--|--|

	Current period	Previous corresponding period
	N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The report is based on accounts which are have been reviewed by the Company's independent auditor (item 9).

Directors' report

Your directors present their report on the consolidated entity, consisting of Norwood Systems Limited (**Norwood Systems or the Company**) and its controlled entity (collectively **the Group**), for the half-year ended 31 December 2021.

1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

- Mr Paul Ostergaard Managing Director
- Mr Philip Marsland Non-executive Director (*appointed 31 January 2022*)
- Mr Philip Otley Non-executive Director (*appointed 31 January 2022*)
- Dr John Tarrant Non-executive Director (*appointed 31 January 2022*)
- Mr Michael Edwards Non-executive Director (*resigned 31 January 2022*)
- Mr Giles Everist Non-executive Director (*resigned 31 January 2022*)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

2. Operating and financial review

2.1. Operations review

As a Company, we are delighted to present the Norwood Systems Limited (Norwood) H1FY22 operational report.

During H1F22, the Company significantly strengthened its operational performance. This was underpinned by increased revenue and reduced cash burn. Also the company continued to advance its core product strategy enhancement of the World Voicemail platform and positive progress on the important Spark NZ product improvement.

Norwood is confident that the World Voicemail platform can help Telcos drive up engagement with their subscriber base and the revenue generating contract with Spark NZ is a tribute to this. Our business development activities throughout the year have been to progress our innovative World Voicemail technology to capture these substantial Telco opportunities. Currently, there are a number of near term significant voicemail tenders opportunities which Norwood expects to participate in during H2F22.

Norwood continues to drive the evolution of voicemail and Telco call completion services to the next level, with the recently announced development of a high quality AI-driven virtual personal assistant, to enable Telco's to further innovative and differentiate with advanced voice services, intended primarily for consumer and SMB markets. During H1FY22, Norwood has engaged with a number of Telcos in ANZ, North America and Europe to further explore and develop these new call completion services.

We continue to maintain strong financial discipline, which has cascaded through to a reduction in cash operating costs. In addition to a reduction in operating costs, we have seen an increase in our receipts from customers, including the long-term, annually recurring revenue from the Spark contract.

Decreasing costs and increasing revenues has continued to enable a robust financial position for Norwood during H1F22.

2.2. Financial Review

a. Operating results

For the half-year ended 31 December 2021 the Group delivered a loss before tax of \$456,886 (31 December 2020: \$78,109 loss), representing a reduction in losses.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 1.1.2 Statement of significant accounting policies: Going Concern on page 10.

Directors' report

2.3. Events Subsequent to Reporting Date

During the annual general meeting held on 31 January 2022:

- the Company appointed Mr Philip Marsland, Mr Philip Otley and Dr John Tarrant appointed as Non-executive directors to the Board and Mr Michael Edwards and Giles Everist resigned as Non-executive directors.
- A total of 15,000,000 options exercisable at \$0.024 each expiring 3 year from the date of issue, to be issue to Mr Philip Marsland, Mr Philip Otley and Dr John Tarrant as directors' remuneration at 5,000,000 options each.
- 8,333,333 shares to be issue to Mr Paul Ostergaard as settlement of convertibale notes valued at \$200,000. Refer note 10.2.
- 4,166,667 shares to be issue to Mr Paul Ostergaard as settlement of convertible notes valued at \$100,000. Refer note 10.2.
- Placement of 67,356,636 new options exercisable at \$0.08 expiring 12 months from the date of issue at an issue price of \$0.002 per options.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 12 Events subsequent to reporting date.

2.4 Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2021 has been received and can be found on page 5 of the interim financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001* (Cth).



PAUL OSTERGAARD

Managing Director

Dated this Monday, 28 February 2022



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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF NORWOOD SYSTEMS LIMITED

As lead auditor for the review of Norwood Systems Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Norwood Systems Limited and the entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a light blue horizontal line.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2022

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2021

	Note	6 months to 31 Dec 2021 \$	6 months to 31 Dec 2020 \$
<i>Continuing operations</i>			
Revenue	3.1	525,284	466,500
Other income	4.1	468,560	984,556
Sales and marketing expenses		(19,063)	(71,655)
Patent, research and development expenses		(87,164)	(103,527)
IT Infrastructure Cost		(145,260)	(109,537)
Employee and director benefits expense		(755,552)	(910,370)
Listing expense		(20,941)	(28,774)
Share based payment expense		-	(7,497)
Consultancy and subcontractor fees		(41,063)	(33,681)
Finance Cost		(18,175)	(14,565)
Accountancy, audit and legal expenses		(177,559)	(124,006)
Other expenses		(37,600)	(30,505)
Travel and entertainment		(89)	(1,586)
Administration expenses		(47,984)	(50,860)
Depreciation and amortisation		(100,280)	(42,602)
Loss before tax		(456,886)	(78,109)
Income tax expense		-	-
Net loss for the half-year		(456,886)	(78,109)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(456,886)	(78,109)
<i>Loss per share:</i>			
Basic and diluted loss per share (cents per share)	5	(0.17)	(0.03)

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

as at 31 December 2021

	Note	31 Dec 2021	30 June 2021
		\$	\$
<i>Current assets</i>			
Cash and cash equivalents	6	47,103	58,474
Trade and other receivables	7	55,856	122,475
Total current assets		102,959	180,949
<i>Non-current assets</i>			
Plant and equipment		40,320	106,261
Right of use assets	8	6,295	40,634
Total non-current assets		46,615	146,895
Total assets		149,574	327,844
<i>Current liabilities</i>			
Trade and other payables	9	581,574	602,489
Lease liabilities	8	6,356	43,940
Provisions		246,481	196,783
Loan payable	10	403,195	491,462
Contract liabilities		132,160	88,619
Total current liabilities		1,369,766	1,423,293
<i>Non-current liabilities</i>			
Provision		20,594	52,071
Total non-current liabilities		20,594	52,071
Total liabilities		1,390,360	1,475,364
Net (liabilities)		(1,240,786)	(1,147,520)
<i>Equity</i>			
Issued capital	11.1	31,322,611	30,958,991
Reserves		9,164,081	9,164,081
Accumulated losses		(41,727,478)	(41,270,592)
Total net asset deficiency		(1,240,786)	(1,147,520)

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2021

	Note				Total
		Issued Capital	Option Reserve	Accumulated Losses	net asset deficiency
		\$	\$	\$	\$
<i>Balance at 1 July 2020</i>		30,644,878	9,021,872	(40,399,932)	(733,182)
Loss for the half-year attributable owners of the parent		-	-	(78,109)	(78,109)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(78,109)	(78,109)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	11.1.1	1,113	116,713	-	117,826
Share based payment	14.1	18,000	7,496	-	25,496
<i>Balance at 31 December 2020</i>		30,663,991	9,146,081	(40,478,041)	(667,969)
<i>Balance at 1 July 2021</i>		30,958,991	9,164,081	(41,270,592)	(1,147,520)
Loss for the half-year attributable owners of the parent		-	-	(456,886)	(456,886)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(456,886)	(456,886)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	11.1.1	303,620	-	-	303,620
Share based payment	14.1	60,000	-	-	60,000
<i>Balance at 31 December 2021</i>		31,322,611	9,164,081	(41,727,478)	(1,240,786)

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2021

Note	6 months to 31 Dec 2021 \$	6 months to 31 Dec 2020 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	635,444	598,076
Government grants received	390,333	984,731
Interest received	126	173
Payments to suppliers and employees	(1,196,869)	(1,436,151)
Finance costs	-	(42,503)
Net cash (used in) / provided by operating activities	(170,966)	104,326
<i>Cash flows from investing activities</i>		
Maturity of term deposit	-	31,096
Net cash provided by investing activities	-	31,096
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	323,000	117,826
Payments for capital raising costs	(19,380)	-
Repayment of borrowings	(358,541)	(504,693)
Proceeds from borrowings	152,100	195,202
Payments for the principal portion of lease liabilities	(37,584)	(40,908)
Proceeds from convertible notes	100,000	-
Net cash provided by / (used in) financing activities	159,595	(232,573)
Net increase/(decrease) in cash held	(11,371)	(97,151)
Cash and cash equivalents at the beginning of the half-year	58,474	152,730
Cash and cash equivalents at the end of the half-year	47,103	55,579

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 1. Statement of significant accounting policies

These are the condensed consolidated financial statements and notes of Norwood Systems Limited (**Norwood Systems or the Company**) and controlled entity (collectively **the Group**). Norwood Systems is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 28 February 2022 by the directors of the Company.

1.1. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Norwood Systems Limited and controlled entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the half-year.

1.1.1. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.1.2. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of \$456,886 (31 December 2020: \$78,109 loss) and a net operating cash out-flow of \$170,966 (31 December 2020: \$104,326 in-flow). As at 31 December 2021 the Group had a working capital deficiency of \$1,266,807 (30 June 2021: \$1,242,344 deficiency).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the Group for the following reasons:

- The Directors have assessed the cash flow requirements for the 12 month period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements;
- The working capital deficiency contains amounts not currently owing but will be due and settled within the next 12 months. The Directors are satisfied additional funds will be available when these obligations are due;
- The Directors anticipate generation of revenues as a result of provision of the Group's products and services;
- Creditors totalling approximately \$114,311 have provided confirmation they will extend agreed payment terms until such time as the Group has the ability to settle invoices;
- The Group is in ongoing discussions with remaining creditors which will be settled upon funding through a debt or equity event. At the date of this report, the Group has not received any demands for payment from creditors;
- Active cost cutting measures have continued;
- Directors and key shareholders have confirmed willingness to financially support the Group via a debt or equity event;
- Securing and drawing down on part of an R&D tax offset funding agreement to the amount of approximately \$90,000 subsequent to period end;
- Ability to draw down further R&D tax offset funding at the end of current quarter;
- The entity anticipates to receive its FY22 R&D rebate of approximately \$400,000 and this is secured against the Company's R&D Loan Facility;
- Cash on hand of \$81,963 as at 24 February 2022; and
- A history of successfully completing capital raisings over the preceding financial period, including via a placement, an entitlement issue and the issue of convertible notes. The Directors are monitoring the impact of the Coronavirus (COVID-19) pandemic on an ongoing basis. Currently, there does not appear to be either any significant impact upon the ability of the Group to raise additional funding through the capital market.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 1. Statement of significant accounting policies

The Group continues to negotiate with a number of potential customers for its products. Should any of these negotiations be successful, based on its current modelling, the Group understands that due to the technology having already been developed, there will be minimal further capital required and the margins on any likely engagements will deliver surplus cash flows to the Group.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

1.1.3. Use of estimates and judgments

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

The judgements, estimates and assumptions applied in the condensed financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

1.2. New and Amended Standards Adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

Note 2. Company details

The registered and principal office of the Company is:

Street: 4 Leura Street,
Nedlands, WA 6009
Australia

Postal: 4 Leura Street,
Nedlands, WA 6009

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 3. Revenue

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$	\$
3.1. Revenue		
World Phone revenue	15,425	36,125
World Voicemail revenue	442,149	296,098
Corona revenue	5,710	34,277
Other revenue	62,000	100,000
	525,284	466,500

3.2. Disaggregation of revenue from contracts with customers

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled over time and at a point in time. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

Timing of revenue recognition – 31 Dec 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	62,000
Over time	15,425	442,149	5,710	-
Total	15,425	442,149	5,710	62,000

Geographical Regions – 31 Dec 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	81	364,257	-	-
Australia	464	-	5,710	-
Rest of the World	14,879	77,892	-	62,000
Total	15,424	442,149	5,710	62,000

Timing of revenue recognition – 31 Dec 2020	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	100,000
Over time	36,125	296,098	34,277	-
Total	36,125	296,098	34,277	100,000

Geographical Regions – 31 Dec 2020	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	64	230,582	-	-
Australia	19,305	-	34,277	100,000
Rest of the World	16,756	65,516	-	-
Total	36,125	296,098	34,277	100,000

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 4. Loss before income tax

The following significant revenue and expense items are relevant in explaining the financial performance:

4.1. Other Income

- Interest income
- Government grant income

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$	\$
	126	(175)
	468,434	984,731
	468,560	984,556

Note 5. Loss per share (EPS)

5.1. Reconciliation of earnings to profit or loss

Loss for the half-year

Loss used in the calculation of basic and diluted EPS

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$	\$
	(456,886)	(78,109)
	(456,886)	(78,109)

5.2. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	No.	No.
	267,980,274	247,860,512

5.3. Earnings per share

Basic EPS (cents per share)

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	¢	¢
	(0.17)	(0.03)

5.4. As at 31 December 2021 the Group has nil unissued shares under options (31 December 2020: 165,402,426). The Group does not report diluted earnings per share on losses generated by the Group.

Note 6. Cash and cash equivalents

6.1. Current

Cash at bank

	31 Dec 2021	30 June 2021
	\$	\$
	47,103	58,474
	47,103	58,474

Note 7. Trade and other receivables

7.1. Current

Trade Receivables

Provision for doubtful debt

Other Receivables

Provision of loan receivable

Prepaid Expenses

	31 Dec 2021	30 June 2021
	\$	\$
	47,277	163,625
	-	(40,000)
	110,183	109,454
	(110,072)	(110,954)
	8,468	350
	55,856	122,475

APPENDIX 4D

Interim Financial Report
31 December 2021

NORWOOD SYSTEMS LIMITED

AND CONTROLLED ENTITY

ABN 13 615 321 189

Notes to the condensed consolidated financial statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 8. Right of use assets

8.1. Non-current

Right of use asset - Buildings
Accumulated amortisation

31 Dec 2021	30 June 2021
\$	\$
177,987	177,987
(171,692)	(137,353)
6,295	40,634

8.2. Lease liabilities

Current
Non-current

6,356	43,940
-	-
6,356	43,940

Note 9. Trade and other payables

9.1. Current

Unsecured

Trade payables
Accruals and other payables

31 Dec 2021	30 June 2021
\$	\$
216,706	266,361
364,868	336,128
581,574	602,489

**Notes to the condensed consolidated financial statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

Note	10. Borrowings	Note	31 Dec 2021 \$	30 June 2021 \$
Current				
	R&D Loan Facility Payable	10.1	101,236	278,828
	Accrued Interest	10.1	1,959	12,634
	Director loan Payable	10.2	300,000	200,000
			403,195	491,462

10.1. During the period, the Company received advance funding on its expected FY2022 R&D rebate from Radium Capital. Refer to below for key terms of this funding.

Key Facility Terms:

- Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital.
- Amount: 80% of the expected R&D tax offset resulting from each period’s eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year.
- Final Maturity Date: 30 November 2022
- Norwood has the option to repay earlier without penalties
- Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2020 until the loan is repaid in full).
- Security: Secured against the R&D refund receivable from the ATO.
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants.
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditures.

10.2. On 17 May 2021 (as varied on 11 August 2021 and 2 December 2021), the Company entered into an unsecured convertible note facility (Convertible Note Facility) with Paul Ostergaard for the issue of 8,333,333 convertible notes (Notes) to the value of \$200,000, the conversion of the Notes into Shares being subject to the receipt of shareholder approval.

On 12 October 2021, the Company entered into an unsecured convertible note facility (Second Convertible Note Facility) with Paul Ostergaard for the issue of 4,166,667 convertible notes (Notes) to the value of \$100,000, the conversion of the Notes into Shares being subject to the receipt of shareholder approval.

As at 31 December 2021, the notes are unsecured interest free debt instruments and did not carry any rights to conversion until receipt of shareholder approval which will be obtained at Annual General Meeting of the Company to be held in 31 January 2022. Shareholders’ approval were obtained at the annual general meeting. Refer note 12.

Key Terms and Conditions:

- Each note has a face value of \$0.024;
- Maturity date is 12 months from the date the Convertible Note Facility is signed by all the parties;
- Each note issued may be converted into one fully paid ordinary share of the Company. The conversion occurs automatically upon shareholder approval;
- Each note will have a conversion price of \$0.024;
- Interest is 8% per annum, and payable in arrears on redemption. If automatically converted, no interest applies.

**Notes to the condensed consolidated financial statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021****Note 11. Equity**

11.1. Issued capital	Note	6 months to	12 months to	6 months to	12 months to
		31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
		No.	No.	\$	\$
Fully paid ordinary shares at no par value		283,204,864	260,504,864	31,322,611	30,958,991
11.1.1. Ordinary shares					
At the beginning of the period		260,504,864	247,838,755	30,958,991	30,644,878
Shares issued during the period					
■ Nov 2020 - Shares issued pursuant to the exercised of 13,614 NOROA Listed Options with \$0.08 exercise price		-	13,614	-	1,089
■ Nov 2020 - Shares issued pursuant to the exercised of 13,614 NOROA Listed Options with \$0.08 exercise price		-	306	-	24
■ Dec 2020 - Shares issued pursuant to the exercised of 800k unlisted NOROA ZEPO options		-	800,000	-	-
■ Dec 2020 - Shares issued as consideration for professional services received		-	837,698	-	9,000
■ Jan 2021 - Shares issued under Placement		-	4,347,826	-	100,000
■ Feb 2021 - Shares issued under Placement		-	6,666,665	-	120,000
■ July 2021- Shares issued as consideration for professional services received	11.1.2	2,500,000	-	-	84,000
■ Dec 2021 - Shares to be issued as consideration for professional services received	11.1.3	-	-	60,000	-
■ Sep 2021 - Shares issued pursuant to the exercised of unlisted ZEPO Options with \$nil exercise price		1,200,000	-	-	-
■ Oct 2021 - Shares issued under Placement		19,000,000	-	323,000	-
Transaction costs relating to share issues					
■ Cash		-	-	(19,380)	-
At reporting date		283,204,864	260,504,864	31,322,611	30,958,991

11.1.2. Shares issued to an advisor in relation to advisory services with a total value of \$84,000 for the fair value of services rendered for the year ended 30 June 2021 (amount recognised in financial year ended 30 June 2021).

11.1.3. Shares to be issued to an advisor in relation to advisory services with a total value of \$60,000 for the fair value of services rendered.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 11 Equity (continued)

11.2. Options	Note	6 months to	12 months to	6 months to	12 months to
		31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
		No.	No.	\$	\$
Options		-	68,821,636	9,164,081	9,164,081
At the beginning of the period		68,821,636	107,045,790	9,164,081	9,021,872
Options issued/(lapsed) during the period:					
■ Oct 2020 - Exercise of options		-	(13,920)	-	-
■ Dec 20 - Listed Options Issued		-	58,356,636	-	116,713
■ Jan 21 - Listed Options Issued		-	9,000,000	-	18,000
■ Expiry of options		(67,621,636)	(105,566,870)	-	-
■ Share Based Payments – Further vesting value of options		-	-	-	7,496
■ Sep 2021 - Exercise of options		(1,200,000)	-	-	-
At reporting date		-	68,821,636	9,164,081	9,164,081

Note 12. Events subsequent to reporting date

During the annual general meeting held on 31 January 2022:

- the Company appointed Mr Philip Marsland, Mr Philip Otley and Dr John Tarrant appointed as Non-executive directors to the Board and Mr Michael Edwards and Giles Everist resigned as Non-executive directors.
- A total of 15,000,000 options exercisable at \$0.024 each expiring 3 year from the date of issue, to be issue to Mr Philip Marsland, Mr Philip Otley and Dr John Tarrant as directors' remuneration at 5,000,000 options each.
- 8,333,333 shares to be issue to Mr Paul Ostergaard as settlement of convertibale notes valued at \$200,000. Refer note 10.2.
- 4,166,667 shares to be issue to Mr Paul Ostergaard as settlement of convertibale notes valued at \$100,000. Refer note 10.2.
- Placement of 67,356,636 new options exercisable at \$0.08 expiring 12 months from the date of issue at an issue price of \$0.002 per options.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

Note 13. Contingent liabilities

There has been no change in contingent liabilities since the last reporting period.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 14. Share-based payments

14.1. Share-based payments:

- Recognised in profit and loss (expenses)

Gross share-based payments

14.2. Share-based payment arrangements in effect during the half-year

14.2.1. Recognised in profit or loss

14.2.1.1. Advisor shares

31 December 2021

2,500,000 shares to be issued to an advisor in relation to advisory services with a total value of \$60,000 for the fair value of services rendered.

31 December 2020

837,698 shares in the Company were issued on 21 December 2020 in satisfaction of outstanding invoices in relation to advisory services with a total value of \$18,000.

14.2.1.2. Directors and former Company Secretary Options (31 December 2020)

Following shareholder approval, the Company issued 1,200,000 Options to Directors and former Company Secretary on 27 August 2019, on the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
1,200,000	20 September 2021	\$0.00	12 months

- (1) *Unquoted option issued to Directors and former Company Secretary were valued at \$nil (2020: \$7,497). Options exercised at September 2021, refer note 11.2.*

14.3. Fair value of options granted during the half-year

No options were granted during the half year ended 31 December 2021 in exchange for goods or services.

Note	6 months to 31 Dec 2021 \$	6 months to 31 Dec 2020 \$
14.2.1	60,000	25,496
	60,000	25,496

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 15. Operating segments

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. During the current period, the Group is considered to operate in one segment, being voice telecommunication services.

Note 16. Related party transactions

16.1. KMP and related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- Avicena Systems Pty Ltd (Avicena)

Avicena Systems Pty Ltd, a Company where Mr Paul Ostergaard is a director entered into a Service Agreement on 21 May 2021, whereby Norwood undertook software development relating to the operation of the Avicena and provide physical facilities to support timely development of the software. The value of the contract was \$170,000 before GST, \$150,000 of the fee was invoiced on execution of the agreement and the remaining \$20,000 was invoiced on completion during the half-year ended 31 Decmeber 2021.

Norwood also invoiced a monthly labour charges of \$7,000 plus GST per month for services provided to Avicena totalling \$42,000 plus GST during the half-year ended 31 December 2021.

These services were provided on normal commercial terms and at arm’s length. No amount remained outstanding as at 31 December 2021.

16.2. KMP and related party balances

a. Contained within other creditors, accruals and loan payables are the following payable to KMP:

- Mr Paul Ostergaard – Director loan payable

	6 months to 31 Dec 2021	12 months to 30 June 2021
	\$	\$
10.2	300,000	200,000

There are no other related party transactions other than those payments to Directors as disclosed above.

Directors' declaration

The Directors of the Group declare that:

1. The condensed financial statements and notes, are in accordance with the *Corporations Act 2001* (Cth) and:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and

(b) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the half-year ended on that date of the Group.

2. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



PAUL OSTERGAARD

Managing Director

Dated this Monday, 28 February 2022



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Norwood Systems Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Norwood Systems Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1.1.2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**Responsibility of the directors for the financial report**

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the BDO logo.

Dean Just**Director**

Perth WA, 28 February 2022



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