

ASX ANNOUNCEMENT

31 August 2016

Norwood releases Annual Report and Audited Financial Statements

Highlights:

- Nearly 5 million downloads of World Phone in less than a year
- Number one most downloaded travel App in 109 countries
- Features developed for World Phone including Free App-to-App Calling, World Credit and Global Dynamic Pricing capabilities
- Launch of Corona Cloud and Corona GTS, culminating in first sales
- First Australian patent granted in January 2016 for the Corona platform

“Sharing Economy” telecommunications pioneer Norwood Systems Ltd (“Norwood” or “the Company”) (ASX: NOR) is pleased to release its Annual Report and the Audited Financial Statements for the year ended 30 June 2016, covering the Company’s first full year of operation since listing on the Australian Securities Exchange.

This has been a significant year for the Company, which has achieved the goal of building a capable platform that is poised to deliver strong returns into the future. This platform is the result of significant up-front investment into the Company’s technology, people and marketing efforts, effectively setting the stage for future returns.

Norwood delivered a net loss of the year ending 30 June 2016 of \$16,656,439 reflecting the significant investment made in technology and marketing. This investment was made following careful consideration and extensive modelling, and the Company is pleased with the results and is confident in the returns this platform will deliver.

The Company focused on upgrades to World Phone including the release of World Phone Version 1.2 adding latest features as Free App-to-App Calling, World Credit and Global Dynamic Pricing capabilities. Downloads of World Phone have exceeded the most optimistic forecasts, with nearly 5 million downloads in less than a year. The Group has seen an encouraging update of World Credit, fulfilling the goal of increasing the addressable market for World Phone to a truly worldwide market by allowing location and calling pair dependent variable pricing. The next stage of development for World Phone is to launch features that support Apple’s new iOS 10 operating system services and to continue to develop monetisation strategies that are enabled by our significant user base.

Norwood renewed its focus on Corona with the launch of Corona Cloud and Corona GTS Services, and the Company has been encouraged with the growth of the customer pipeline and the market response for the new Corona services. During the year the Company launched Corona Cloud, Corona GTS, and enhanced World Phone with a “switcher” to let users effortlessly switch between business and personal calling. These new features have resulted in significant interest from Australian businesses. Norwood has positioned Corona as supporting enterprise BYOD strategies and first sales have now been achieved. Corona is continuing to build a pipeline of customer leads and trials, and grow the base of Australian businesses using the services.

Norwood's white label products have been developed over the year and discussions continue with a number of potential telco operator and other partners around opportunities for the entire Norwood product suite, including World Phone, Corona, World Wi-Fi and World Message.

These opportunities have a longer sales cycle by nature, and we continue to invest time, effort and resources into building compelling go-to-market propositions with potential partners around the globe.

Financial

To provide financial security the Company completed a \$3.5 million capital raising prior to 30 June 2016 which ensures Norwood is fully funded for FY17. The Company's capital requirements will be significantly lower than FY16 due to the prioritisation on business sales (Corona) rather than direct consumer (World Phone). Norwood's "base case" expenditure scenarios for FY17 which will see the Company's operating plans, including R&D and corporate sales efforts fully funded for FY17 assuming a forecast quarterly burn rate of less than \$1.2 million per quarter. The Group has forecasted to receive an R&D tax credit refund of an estimated \$1.26 million prior to the financial year ended 30 June 2017, up from an earlier estimate of at least \$700,000.

In conclusion, Norwood achieved a number of major milestones during the financial year ended 30 June 2016 including product launches and technical investment, the benefits of which are likely to be seen during the financial year ended 30 June 2017 and beyond. The Company is confident in its future and excited to see the benefits flow from the established platform.

-ENDS-

For Further information, please contact:

Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Shane Murphy , FTI Consulting Office: +61 9485 8888 Direct: +61 8 9485 8804 Mobile: +61 420 945 291 Twitter: @ShaneWMurphy
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Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges*, which is forecast to grow to more than \$80 billion by 2018 (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patent-pending cloud service platforms integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to optimise roaming business travellers' telephony experiences.

Australian businesses and individual business travellers are using Norwood's services today on multiple continents. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionizing the 'Sharing Economy' delivery of high-quality telecommunications services for individual business travellers and organisations on a worldwide basis. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global mobility and roaming solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **CORONA™** and **World Phone™**, deliver the world's most advanced international fixed-line roaming solutions addressing a broad spectrum of customers, from individual business travellers all the way through to large enterprise and government clients.

Corona Cloud is Norwood's business-focused App-based telephony offering. It provides corporate clients with a centralised and zero-touch corporate web-based platform to manage Over-the-Top (OTT) telecommunications services being delivered to multiple users and groups in the business environment. Organisations can effortlessly set up their own Corona Cloud implementation through the web.

Corona GTS connects all office voice traffic to nearby Points of Presence in Norwood's global federated network, delivering a single-vendor solution for multi-sited multi-country organisations. Corona GTS call routing over the internet is delivered over short-haul routes, hence users enjoy very high quality calling, without the service degradation generally suffered by free VOIP services, particularly over international distances. Both Corona Cloud and GTS have significant advantages for business considering how to manage bring your own device environments.

World Phone is an award-winning, revolutionary communications App, delivering effortless 'Sharing economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries.



World Phone™

Norwood System Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Norwood System Limited
ACN: 062 959 540
Reporting period: For the year ended 30 June 2016
Previous period: For the year ended 30 June 2015

2. Results for announcement to the market

			\$ 000
Revenues from ordinary activities	up	100% to	703
Loss from ordinary activities after tax attributable to the owners of Norwood System Limited	down	183% to	(16,656)
Loss for the year attributable to the owners of Norwood Systems Limited	down	183% to	(16,656)

Dividends

No dividend paid during the year.

Comments

Please Refer to Preliminary Final Report for the year ended 30 June 2016 attached: Director's Report, Operating, and Results Sections.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.003</u>	<u>0.006</u>

4. Control gained over entities having material effect

Not applicable.

5. Loss of control over entities having material effect

Not applicable.

6. Details of associates and joint venture entities

Not applicable

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

The Annual Report of Norwood System Limited for the year ended 30 June 2016 is attached.

9. Signed

Signed 

Date: 31 August 2016

Paul Ostergaard
Managing Director



A.C.N. 062 959 540

ANNUAL REPORT

for the year ended 30 June 2016

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NORWOOD SYSTEMS LTD
ACN: 062 959 540

CORPORATE INFORMATION

Directors:

Mr Paul Ostergaard
Managing Director

Mr Michael Edwards
Non-Executive Chairman

Mr Amit Pau
Non-Executive Director

Mr Giles Everist
Non-Executive Director

Joint Company Secretary:

Mr Brett Tucker
Mr Steven Wood

Auditors:

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Telephone: [insert number]

Share Registry:

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
PERTH WA 6000
Telephone: +61 1300 554 474

Bankers:

Bankwest
150 Rokeby Rd, Subiaco WA 6008

Westpac Banking Corporation
Level 14, 109 St Georges Terrace
Perth WA 6000

Registered & Principal Office:

Ground Floor, 16 Ord Street
WEST PERTH WA 6005

Telephone: + 618 9200 3505

Email: info@norwoodsystems.com
Website: www.norwoodsystems.com

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Home Securities Exchange:

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:

NOR

MANAGING DIRECTOR'S REMARKS

It is with great pleasure that we provide the Norwood Systems Ltd (Norwood) FY16 annual report for the Company's first full year of operation since listing on the Australian Securities Exchange. This has certainly been a significant year for the Company and I am pleased to the report that we have achieved our goal of building a capable platform that is poised to deliver strong returns into the future. This platform is the result of significant up-front investment into our technology, people and marketing efforts, effectively setting the stage for future returns.

Results

Norwood delivered a net loss of the year ending 30 June 2016 of \$16,656,439 reflecting the significant investment that we have made in technology and marketing. This investment was made following careful consideration and extensive modelling, we are pleased with the results and are confident in the returns this platform will deliver.

To provide financial security the Company completed a \$3.5 million capital raising prior to 30 June 2016 which ensures Norwood is fully funded for FY17. The Company's capital requirements will be significantly lower than FY16 due to the prioritisation on business sales (Corona®) rather than direct consumer (World Phone®). Norwood's "base case" expenditure scenarios for FY17 which will see the Company's operating plans, including R&D and corporate sales efforts fully funded for FY17 assuming a forecast quarterly burn rate of less than \$1.2 million per quarter.

World Phone

Downloads of our World Phone app have exceeded even our most optimistic forecasts, with nearly 5 million downloads in less than a year. Along the way we became the number one most downloaded travel App in 109 countries and the top grossing travel app in 117 countries. We also saw our app being used to make and receive calls in over 200 countries and 5,100 cities around the globe.

There has also been considerable work undertaken by the team to improve World Phone further. Soon after launch on iOS we added an Android version of the app, and post-launch we have upgraded both versions to support great new features such as Free App-to-App Calling, World Credit and Global Dynamic Pricing capabilities.

Customer feedback has validated our approach; 15,639 customers on Google Play have given us the top 5-star rating – that's 67% of all of the reviews posted for our app!

The next stage of development for World Phone is to launch features that support Apple's new iOS 10 operating system services and to continue to develop monetisation strategies that are enabled by our significant user base.

Corona

With World Phone market-proven and performing, we refocused on the business segment. During the year we launched Corona Cloud, Corona GTS, and enhanced World Phone with a "switcher" to let users effortlessly switch between business and personal calling.

These new features have resulted in significant interest from Australian businesses. We have positioned Corona as supporting company's BYOD strategies and first sales have now been achieved.

Next steps with Corona is to continue to build a pipeline of customer leads and trials, and build the base of Australian businesses we are enabling with our services.

White Label

Norwood's white label products have been developed over the year and discussions continue with a number of potential telco operator and other partners around opportunities for the entire Norwood product suite, including World Phone, Corona, World Wi-Fi and World Message.

These opportunities have a longer sales cycle by nature, and we continue to invest time, effort and resources into building compelling go-to-market propositions with potential partners around the globe.

Intellectual Property

Consistent with our approach to invest in building a robust platform for future success, Norwood has been very careful to protect our intellectual property.

MANAGING DIRECTOR'S REMARKS (CONTINUED)

We were granted our first Australian patent in January 2016, covering core technology systems used in the Company's Corona platform. Since then three other patents have been granted covering aspects of our Voice services and World Wi-Fi product.

Additionally, we have been granted Australian registered trademark rights for "World Phone®" and "Corona®" in their respective categories. Worldwide protection is now being sought for both.

People

Over the course of the year, we have made a number of strategic appointments to expand our depth of talent and develop capabilities.

To that end we were delighted to have Giles Everist join us as a non-Executive Director. Giles brings outstanding corporate governance credentials and superb finance capabilities to the Board of Norwood.

We also made new hires in Marketing, Digital Marketing, Sales, Finance, Customer Service and Engineering to help build a world class team. The company's core organisational structure is now in place, stable and working well together.

Strategic Platform

The purpose of all this activity through the year is twofold. First, is to continue to build, market and sell disruptive products and services globally.

Next and more importantly for the future of Norwood, is to help construct services platforms that are flexible, expandable, protected (through our IP), and differentiated. These platforms provide common services to power our apps and products: our Federated Network, our common payments systems (World Credit), our identity management, and our core team of skilled engineers, developers, marketers and salespeople.

Taken together, these technologies and internal capabilities allow Norwood to offer unique solutions to the market, solutions that are valued by our clients, such as BYOD management, end user identity management and record keeping / archival solutions.

This is what we believe sets us apart from our peers, and these technologies and solutions will provide us with the tools and capabilities to drive our future successes.

Looking Forward

In conclusion, I am very pleased to have established an extremely strong basis for future success. We've achieved a number of major milestones in FY16 including product launches, download numbers, technical developments and advanced stage customer discussions with healthy forward looking sales pipelines for both enterprise and carrier clients. As a Company we are confident in our future and excited to see the benefits flow from our platform.

I look forward to updating you in FY17 and beyond.



Mr Paul Ostergaard
Managing Director
31 August 2016

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Norwood Systems and the entities it controlled during the period for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr Paul Ostergaard, B. Eng, MBA

Managing Director

[Experience and expertise](#)

The Founder of Norwood Systems and the man who along with David Wilson pioneered the development the company's current Cloud services. Offering CORONA (Corporate Roaming Network Access), a system that effectively delivers the world's most advanced international roaming solution through local non-cellular networks.

Responsible for the company's overall strategic direction, and planning, he founded Norwood Systems in 2011 with the vision to create the world's best private cloud communications platform servicing enterprise's growing need for mobile connectivity.

Paul has a 25-year track record of success and innovation in the high-technology sector, having worked in senior executive roles in start-ups and large corporations across the North American, European and Asia-Pacific regions. Prior to Norwood Systems, Paul founded several companies in the wireless communications sector including the original Norwood Systems Ltd, the award-winning technology pioneer in fixed mobile convergence platforms, founded in 1999.

Previously, Paul headed the global platform marketing strategy for a \$1 billion systems platform at 3Com Corporation, leading the platform's brand and core technology development across seven divisions and 37 product lines. During his tenure at 3Com, worldwide market share for this platform increased to an all-time peak of 35% with sales increasing at an average of 50% p.a. to reach \$1.2 billion in annual revenues.

He was previously a finalist in the Ernst & Young Entrepreneur of the Year competition (London region) and has been invited to speak at events such as Catalyst, ETRÉ and the Bluetooth SIG conferences.

Paul holds a Bachelor of Electronic Engineering from the University of Western Australia and an MBA from INSEAD.

[Other current directorships of ASX listed companies](#)

Nil

[Other directorships held in ASX listed companies in the last three years](#)

Nil

Mr Michael Edwards, B. Bus, B. Sc

Non-Executive Chairman

[Experience and expertise](#)

Mr Edwards is a Geologist and Economist with over 20 years' experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from The University of Western Australia. He spent three years with Barclays Australia in their Corporate Finance department and then 8 years as an Exploration and Mine Geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources.

Since 2010 Mr Edwards has been consulting to numerous companies conducting project evaluations and deal structuring across a wide range of commodities and countries.

[Other current directorships of ASX listed companies](#)

Non-Executive Director – International Goldfields Ltd

[Other directorships held in ASX listed companies in the last three years](#)

Nil

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Mr Amit Pau

Non-Executive Director

Experience and expertise

Mr Pau has over 20 years of experience in the technology, media and telecommunications industries. Mr Pau has held previous corporate positions at Vodafone including as Managing Director for International Accounts and Business Markets in which role he was instrumental in creating strategic OEM partnerships with Dell, IBM, and HP.

Additionally, Mr Pau led the Divisional Units of AT&T and Global TeleSystems where he launched their e-commerce products which achieved significant scale.

Mr Pau has served on a number of listed and private board such as Vodafone Spain Radamec Plc and IOS Plc and has previously been involved in a number of IPO's and trade sales in a Director capacity.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Giles Everist

Non-Executive Director from 13 November 2015

Experience and expertise

Giles Everist joined the Board of Norwood Systems as a Non-Executive Director in November 2015. Mr Everist has extensive corporate and financing experience, having held executive finance roles at Coopers and Lybrand, Rio Tinto, Fluor Australia, and Monadelphous. Mr Everist has previously chaired ASX listed companies and brings outstanding corporate governance credentials and superb finance capabilities to the Board of Norwood.

Mr Everist is a current Director of ASX listed companies Macmahon Holdings, Decmil Group, and Austal. Mr Everist also sits on the boards of startup firms APE Mobile, which specialises in paperless apps for the construction industry, and qodeo, which produces time and money saving tools, data & connectivity for the global venture community. Mr Everist is a Chartered Accountant and a member of the Institute of Chartered Accountants (England and Wales). He holds a Bachelor of Sciences (Honours) in Mechanical Engineering from the University of Edinburgh.

Other current directorships of ASX listed companies

Non-Executive Director – Macmahon Holdings Limited

Non-Executive Director – Austal Limited

Non-Executive Director – Decmil Group Limited

Other directorships held in ASX listed companies in the last three years

Non-Executive Director – Logicamms Limited

JOINT COMPANY SECRETARY

Mr Brett Tucker

Experience and expertise

Mr Tucker is a Chartered Accountant who has acted as Company Secretary to a number of ASX listed companies across a wide range of industries. During this time he has been involved in a number of initial public offerings, reverse takeover transactions, corporate transactions and capital raisings. Mr Tucker has a strong corporate and compliance background which includes 8 years working in an international accounting firm within Australia and the UK.

DIRECTORS' REPORT (CONTINUED)

JOINT COMPANY SECRETARY (CONTINUED)

Mr Steven Wood

Experience and expertise

Mr Wood specialises in corporate advisory, company secretarial and financial management services. Steven is a Chartered Accountant and has previously been involved in various private and seed capital raisings as well as successful ASX listings, whilst also providing company secretarial and financial management services to both ASX and unlisted public and private companies.

KEY MANAGEMENT PERSONNEL

Mr David Wilson, B.Sc., MBA

Chief Technology Officer

Experience and expertise

Mr Wilson has been Chief Technology Officer at Norwood since the Company was founded in 2011 and has overseen the development of the Company's award-winning technologies including the CORONA cloud services platform and the WorldPhone application.

Mr Wilson has more than 20 years of technology and telecommunications experience, both in software development and management. Mr Wilson is an IT generalist with an insightful approach to problem-solving and a long history of creating innovative solutions to business needs.

In 2007, Mr Wilson pioneered the first ever integration of the Application Program Interfaces of Salesforce.com with Google Earth data, an achievement that was featured in several national Australian news publications.

David holds a Bachelor of Science and a Master of Business Administration from the University of Western Australia.

Nick Horton

General Manager Consumer & Vice President Marketing from 1 January 2016

Experience and expertise

Mr Horton is directly responsible for the company's Consumer segment and the overall supervision of brand and marketing strategy.

Mr Horton has built and led international marketing, sales, and product management teams for global brands in the Telco and Smartphone segments, including FT/Orange, O2/Telefonica, Telecom New Zealand and BlackBerry. He has lived in worked in Australasia, Europe, the Middle East and South East Asia.

A New Zealander, Nick graduated with a Bachelors degree in Commerce and Administration from the Victoria University of Wellington, and holds a major in Marketing.

Steve Tot

General Manager Enterprise & Vice President Sales from 19 October 2015

Experience and expertise

Mr Tot is responsible for Norwood's Enterprise Go to Market strategy, partner channels and overall sales execution.

Mr Tot has 25 years of international telecoms experience spanning Australia, the UK and Silicon Valley in various roles including product marketing, pre-sales solution consulting, sales & account management, Partner & Alliance management to a senior leadership level.

Mr Tot is a former Head of Global Consulting and General Manager, ICT Channels at Telstra. He is passionate about disruptive technology that enables clients to improve their business advantage.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

The principal activities during the period included:

- Launch of the World Phone® App on both the iOS and Android platforms;
- Re-design and launch of a revised Corona® platform, supporting fully cloud-based operations, as well as supporting management of fixed line connectivity for clients, via the new Corona Cloud and Corona GTS offerings.
- Implementation of growth strategy including several top-level management appointments to strengthen the Group's corporate and consumer go-to-market teams; and
- Establishment of dual revenue streams, with World Phone and Corona sales recorded during the period;
- Significant investment in technical development and marketing were made during the financial year, including the establishment of an internal digital marketing team, as well as commencing development of new Apps, World Wi-Fi and World Message, servicing two new lines of business and future revenue streams for messaging and data services;
- Achieved nearly 5 million downloads of World Phone in less than a year and supported nearly one million daily active user connections, demonstrating the Group's global telecommunications credentials;
- A number of upgrades to World Phone has been developed and released including the release of World Phone Version 1.2 bringing the latest features such as Free App-to-App Calling.
- First Australian patent of the Group was granted in January 2016, covering core technology systems used in the Group's CORONA platform.

RESULTS

The net loss attributable to members of the Group for the year ended 30 June 2016 amounted to \$16,656,439 (2015: \$5,882,956).

DIVIDENDS

There were no dividends paid or declared during the year.

REVIEW OF OPERATIONS AND RESULTS

Operations

About Norwood Systems

Norwood Systems was founded in 2011 to develop and supply the best possible global mobility and roaming solutions using Over the Top (OTT) voice technologies. The Group's breakthrough offerings, **CORONA®** and **World Phone®**, deliver the world's most advanced international fixed-line roaming solutions addressing a broad spectrum of customers, from individual business travellers all the way through to large enterprise and government clients.

CORONA is an award-winning, enterprise-class cloud services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location.

World Phone was officially launched by the Group in July 2015 and is an award-winning, revolutionary new communications App, delivering effortless "shared economy" consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries. **World Phone** provides business travellers with lower-cost per-minute calling, clearer audio and novel features such as a frictionless calling experience and easy in-app provisioning of local numbers when travelling.

Operations – Telecommunications

The financial year ended 30 June 2016, has been the first financial full year as a listed company for Norwood Systems and it has been an extremely busy and productive one for the Group, operationally and financially. Norwood has made significant investment in technical development and marketing during the period and is very pleased to have launched new products and invested heavily in its existing platforms, as well as laying the foundations for new complementary revenue streams in the messaging and data services sectors. The Group achieved nearly 5 million downloads of World Phone in less than a year and supported nearly one million daily active user connections, demonstrating the Group's global telecommunications credentials.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

In that time World Phone has become the number one most downloaded travel App on the iTunes App Store in 109 countries out of the 155 countries that Apple have a dedicated presence in, highlighting the global success and adoption of this App. On the Google Play Store, World Phone enjoys a 4.2 rating, with the vast majority of 23,000 reviews giving it 5 stars, highlighting the quality of the App and its broad popularity with consumers.

Downloads remain robust, with more than 50% of downloads now occurring organically, despite the decision to reduce marketing spend at the end of the period. During the period a number of upgrades to World Phone have been developed and released including the release of World Phone Version 1.2 bringing the latest features such as Free App-to-App Calling, World Credit and Global Dynamic Pricing capabilities. The upgrades occurred to both iOS and Android platforms and incorporated support for Corona and Corona Cloud. The Group has seen highly encouraging update of World Credit, fulfilling the goal of increasing the addressable market for World Phone to a truly worldwide market by allowing location and calling pair dependent variable pricing. Global Dynamic Pricing optimisations based on a combination of local market pricing, competition and user demand are regularly underway.

Norwood has renewed its focus on Corona, Norwood's business-focused telephony product, following the launch of Corona Cloud and Corona GTS services during the period. There have been a number of major enhancements to Corona over the financial year, including Corona Cloud and Corona GTS, culminating in first sales having been achieved with customers in Retail, Consulting and Accounting sectors. Targeted savings on telco expenses over the next 12 months for customer are as high as 50%. Norwood has been delighted with the growth of the customer pipeline and the general market response for these new Corona services.

Corona customers now benefit from the ongoing improvements made to World Phone, now that this App is the primary access mechanism for Corona services. Norwood expects to make further announcements about significant improvements in the World Phone App in the near term, relevant to business customers and consumers alike.

Europa, encompassing the entirety of Norwood's back-end platform, has been further developed over the financial year and discussions continue with a number of potential telco operator partners around white label or partnership opportunities for the entire Norwood product suite, including World Phone, Corona, World Wi-Fi and World Message. Further to these discussions, Norwood was pleased to sign a Non-binding Memorandum of Understanding signed with Vietnam Posts and Telecommunications Group (VNPT) which has over 33.7 million mobile subscribers or more subscribers than Telstra, Optus and Vodafone Australia combined. Similar advanced discussions with other mobile operators span nearly the entire globe and demonstrate the strong industry-wide interest in solutions to answer the OTT threat from new players providing services directly to end-users, bypassing the mobile operators own native services.

Norwood Developments

Product development on World Wi-Fi and World Message is progressing to plan. World Message combines the best of SMS and the best of WhatsApp and supports World Phone presence information. World Wi-Fi allows users to connect to the world's largest federated Wi-Fi network, utilising a simple Wi-Fi access App with integrated security features. Norwood was pleased to sign with Devicescape, the operator of the world's largest multi-services Wi-Fi platform in relation to World Wi-Fi, providing automated access to Devicescape's Curated Virtual Network of shared Wi-Fi hotspots, with over 20 million quality-managed locations worldwide.

Corporate

Norwood was pleased to finalise a \$3.5 million capital raising prior to 30 June 2016 which funds will be used for on-going operations, sales, research, and development.

Norwood was granted the Group's first Australian patent in January 2016, covering core technology systems used in the Group's CORONA platform, following an application made in July 2011. The patent provides protection within Australia for Norwood's unique ability to automatically configure re-existing business telephone networks to integrate with Norwood's products. Additional patents filed between 2012 and 2015 are progressing towards grant in the US, EU and Australian jurisdictions.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

Financial

Post period end the Group has prioritised its business sales efforts over direct consumer marketing expenses, in order to support the launch of both Corona Cloud and Corona GTS services. This has had the effect of reducing Norwood's quarterly expenditures for the financial year ended 30 June 2017 to a targeted forecast quarterly burn rate of \$1.2 million per quarter.

The Group has forecasted to receive an R&D tax credit refund of an estimated \$1.26 million prior to the financial year ended 30 June 2017.

In conclusion, Norwood achieved a number of major milestones during the financial year ended 30 June 2016 including product launches and technical investment, the benefits of which are likely to be seen during the financial year ended 30 June 2017 and beyond.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Norwood was pleased to sign with Devicescape, the operator of the world's largest multi-services Wi-Fi platform in relation to World Wi-Fi, providing automated access to Devicescape's Curated Virtual Network of shared Wi-Fi hotspots, with over 20 million quality-managed locations worldwide.

One additional Australian patent was granted to Norwood.

The Group is pleased to announce the Group's first sales for both Corona Cloud and Corona GTS with customers in Retail, Consulting and Accounting sectors, with targeted savings on telco expenses over the next 12 months for these customers being as high as 50%.

Apart from the event discussed above, no other matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of \$18,320 excluding GST (2015: \$10,695) to insure the Directors and Secretary of the Company for a period of 7 years.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, unlisted options and performance shares of the Company were:

Director	Shares		Options		Class A Performance Shares		Class B Performance Shares	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Paul Ostergaard	166,548,681	31,474,796	19,000,000	-	-	41,362,174	-	41,362,174
Michael Edwards	-	4,322,976	-	3,000,000	-	-	-	-
Giles Everist	-	-	2,000,000	-	-	-	-	-
Amit Pau	-	8,260,766	3,000,000	-	-	1,770,165	-	1,770,165
Total	166,548,681	44,058,538	24,000,000	3,000,000	-	43,132,339	-	43,132,339

MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors held during the year and the numbers of meetings attended by each Director are:

Board of Directors	Meetings Attended	Meetings Eligible to Attend
Paul Ostergaard	16	16
Michael Edwards	16	16
Amit Pau	16	16
Giles Everist (<i>Appointed 13 November 2015</i>)	11	11

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2016. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the following specified executives in the Company:

Key Management Personnel

Directors:

Mr Paul Ostergaard	Managing Director	Appointed 8 June 2015
Mr Amit Pau	Non-Executive Director	Appointed 8 June 2015
Mr Michael Edwards	Non-Executive Director	Appointed 8 June 2015
Mr Giles Everist	Non-Executive Director	Appointed 13 November 2015

Executives:

Mr David Wilson	Chief Technology Officer	Appointed 8 June 2015
Mr Steve Tot	General Manager Enterprise & Vice President Sales	Appointed 19 October 2015
Mr Nicholas Horton	General Manager Consumer & Vice President Marketing	Appointed 1 January 2016

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Policies

Remuneration levels for Directors, secretaries and, if required, senior executives of the Company ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the entity's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels are, if necessary reviewed annually by the Board through a process that considers individual and overall performance of the entity. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place. Performance-Linked Remuneration

The remuneration policy will be tailored to increase goal congruence between shareholders and Directors and key management personnel. This will be facilitated through bonus schemes and the issue of options and performance shares to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. Currently, remuneration is incentive-based however efforts have been made to progressively move towards a performance-linked remuneration policy.

Principles used to determine the nature and amount of variable remuneration: relationship between remuneration and company performance

As the Group is currently in the start-up phase, the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company rather than Group financial performance.

Directors and executives are issued options and, in some cases, performance shares, to encourage the alignment of personal and shareholder interests.

Options issued to Directors may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance shares vest on the achievement of operational milestones, providing those directors are holding performance shares as an incentive to meet the operational milestones prior to the expiry date of the performance shares.

On the resignation of Directors any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

In considering the entity's performance and benefits for shareholders' wealth, the Chairman has regard to the following indices in respect of the current financial year and the previous four financial years.

	2016	2015	2014	2013
Net profit / (loss)*	\$(16,656,439)	\$(5,882,956)	\$(2,825,590)	\$(1,610,526)
Share price	\$0.03	\$0.033	\$0.01	\$0.03
Change in share price	(\$0.003)	\$0.023	\$(0.02)	\$(0.03)
Earnings per share*	\$(2.01)	\$(1.50)	\$(0.04)	\$(0.04)

*Net profit/(loss) and earnings per shares figures for the periods 2014 – 2013 are as previously disclosed and have not been updated for the reverse acquisition of Norwood Systems (Aust) Pty Ltd which occurred on 8 June 2015 and therefore these figures may not be comparative to the 2015 and 2016 figures.

As the Group is currently in the start-up phase, the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company rather than Group financial performance.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Service Agreements

It is the entity's policy that service contracts for executive Directors and senior executives be entered into.

A service contract with an executive Director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual. The executive Directors and senior executives would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

At any time the service contract can be terminated either by the entity or the executive Director or senior executive providing notice for a period of time in line with market practice at the time the terms are agreed. The Company may make a payment in lieu of notice for the same period of time, equal to 100% of base salary.

An executive Director or senior executive would have no entitlement to termination payment in the event of removal for misconduct.

Major provisions of the agreements existing at reporting date relating to executive remuneration are set out below.

Mr Paul Ostergaard – Managing Director

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$175,000 per annum plus superannuation at statutory rates
- Bonuses – Mr Ostergaard is entitled to the following bonus payments:
 - An amount equal to 5% of revenues generated by the EURPOA/World Phone platform to the Company (net of payments made to re-sellers of the EUROPA/World Phone Application) in the period of 12 months following the public launch of EUROPA/World Phone; and
 - An amount of \$25,000 payable on satisfaction of a gross revenue target of \$200,000 from a third party contract in a 12 months period for each of the first two separate third party contracts, within 30 months from 8 June 2015.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Mr David Wilson – Chief Technology Officer

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$160,000 per annum plus superannuation at statutory rates.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Mr Nick Horton – General Manager Consumer & Vice President of Marketing

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$200,000 per annum plus superannuation at statutory rates.
- Car Allowance - \$15,000
- Bonuses - Mr Horton is entitled to the following bonus payments:
 - An amount of \$100,000 bonus per annum payable for meeting agreed targets. The bonus is paid by meeting a mix of individual performance targets (70%) and Company performance targets (30%) which is calculated quarterly. Individual performance targets include Active World Phone Users, user churn, ARPU per user and total revenue, cost of acquisition per user and migration of World Phone users to CORONA. Company performance targets include company revenue growth, profitability and reduction in cash burn, total number of end users and closing a major white label accounts (>\$200k revenue per annum). Bonus- accelerators is multiplied by 1.5 for performance >100% and <125% and 2.5 for performance >125% with no upper cap.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Mr Steven Tot – General Manager Enterprise & Vice President Sales

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$180,000 per annum plus superannuation at statutory rates.
- Car Allowance - \$15,000
- Bonuses - Mr Tot is entitled to the following bonus payments:
 - An amount of \$120,000 bonus per annum payable for meeting agreed targets. The bonus is paid by meeting a mix of individual performance targets (70%) and Company performance targets (30%) which is calculated and paid quarterly. Individual performance targets include revenue generated by corporate accounts, number of corporate end user licenses and closing of major accounts (>\$200k annualised revenue). Company performance targets include company revenue growth, profitability and reduction in cash burn and total number of end users. Bonus- accelerators is multiplied by 1.5 for performance >100% and <125% and 2.5 for performance >125% with no upper cap.

- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Non-Executive Directors and Chairman

Upon appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of Director.

The key terms of the Non-Executive Director service agreements are as follows:

- Term of Agreement – ongoing subject to annual review.
- Non-Executive Directors' Fees of \$39,420 per annum.
- Non-Executive Chairman's Fees of \$48,000 per annum.
- There is no notice period stipulated to terminate the contract by either party.

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed \$300,000 per annum and fees are set based on fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently set at \$36,000 plus superannuation per annum.

The Company does not have a Director's Retirement Scheme in place at present.

Hedging Exposure

It is the entity's policy that Directors and executives of the Company are required to seek the prior written approval of the Board before entering into hedging arrangements in respect to their holdings of Company equity instruments. The executive or Director must provide full details of any such hedging arrangements for consideration by the Board. The Board will consider each approach for approval on its merits, taking into account the size of the holding, the level of exposure, the repayment requirements and the impact any adverse market conditions may have on the capital structure of the Company.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Norwood Systems Limited are set out in the following table.

Key Management Personnel of Norwood Systems Limited

2016			Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary & Fees	Non-Monetary	Super-annuation	Options	Total	Performance Related
	\$	\$	\$	\$	\$	%
Executive Directors						
Mr Paul Ostergaard	175,000	-	16,625	2,041,855	2,233,480	-
Total Executive Directors	175,000	-	16,625	2,041,855	2,233,480	-
Non-Executive Directors						
Mr Michael Edwards	79,250	-	-	281,661	360,911	-
Mr Amit Pau	39,420	-	-	281,661	321,081	-
Mr Giles Everist ⁽³⁾	24,966	-	-	118,628	143,594	-
Total Non-Executive Directors	143,636	-	-	681,950	825,586	-
Total Directors	318,636	-	16,625	2,723,805	3,059,066	-
Executives						
Mr David Wilson	160,000	-	15,200	868,875	1,044,075	-
Mr Steve Tot ⁽²⁾	137,386	-	13,052	114,291	264,729	-
Mr Nicholas Horton ⁽¹⁾	107,500	-	10,212	114,291	232,003	-
Total Executives	404,886	-	38,464	1,097,457	1,540,807	-
Total	723,522	-	55,089	3,821,262	4,599,873	-

The remuneration figures in the above table represent the total amounts earned by each individual in the period 1 July 2015 to 30 June 2016 without regard to the appointment dates listed below.

⁽¹⁾ Mr Nicholas Horton was appointed General Manager, Consumer; Vice President of Marketing on 1 January 2016.

⁽²⁾ Mr Steve Tot was appointed General Manager, Enterprise; Vice President of Sales on 19 October 2015.

⁽³⁾ Mr Giles Everist was appointed Non-Executive Director on 13 November 2015.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

2015			Post- Employment Benefits	Share Based Payments		
Key Management Personnel	Salary & Fees	Non- Monetary	Super- annuation	Options	Total	Performance Related
	\$	\$	\$	\$	\$	%
Executive Directors						
Mr Paul Ostergaard ⁽¹⁾	133,541	-	12,686	-	146,227	-
Mr Michael Edwards ⁽²⁾	50,323	-	-	-	50,323	-
Total Executive Directors	183,864	-	12,686	-	196,550	-
Non-Executive Directors						
Mr Michael Edwards ⁽³⁾	8,000	-	-	-	8,000	-
Mr Amit Pau ⁽⁴⁾	2,200	-	-	-	2,200	-
Mr Alexander Barblett ⁽⁵⁾	23,494	-	2,232	-	25,726	-
Mr Andrew Habets ⁽⁵⁾	23,494	-	2,232	-	25,726	-
Mr John Hannaford ⁽⁶⁾	13,844	-	1,315	-	15,159	-
Total Non-Executive Directors	71,032	-	5,779	-	76,811	-
Total Directors	254,896	-	18,465	-	273,361	-
Executives						
Mr David Wilson ⁽⁷⁾	130,576	-	12,405	-	142,981	-
Mr Michael Edwards ⁽⁸⁾	25,750	-	-	-	25,750	-
Total Executives	156,326	-	12,405	-	168,731	-
Total	411,222	-	30,870	-	442,092	-

The remuneration figures in the above table are for the Key Management Personnel of both Norwood Systems Limited and Norwood Systems (Aust) Pty Ltd.

⁽¹⁾ Mr Paul Ostergaard was appointed Managing Director on 8 June 2015.

⁽²⁾ Amounts paid to Mr Michael Edwards in his capacity as Executive Director from 20 January 2015 to 8 June 2015.

⁽³⁾ Amounts paid to Mr Michael Edwards in his capacity as Non-Executive Director from 8 June 2015.

⁽⁴⁾ Mr Amit Pau was appointed as a Non-Executive Director on 8 June 2015.

⁽⁵⁾ Mr Alexander Barblett and Mr Andrew Habets resigned on 8 June 2015.

⁽⁶⁾ Mr John Hannaford resigned on 20 January 2015.

⁽⁷⁾ Mr David Wilson was appointed Chief Technology Officer on 8 June 2015.

⁽⁸⁾ Amounts paid to Mr Michael Edwards in his capacity as Chief Executive Officer from 1 July 2014 to 20 January 2015.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Share Based Compensation

The Company granted the following unlisted options as share based payments during financial year. These options are not dependent upon satisfaction of performance conditions and have been issued to increase goal congruence between Shareholders and Directors.

Tranche	Number of Options Issued	Issue Date	Vesting Date	Expiry Date	Exercise Price	Total Value(i)	Recipient
A	9,500,000	27 Nov 2015	27 Nov 2015	27 Nov 2020	\$0.198	\$1,045,333	Managing Director Mr Paul Ostergaard
B	9,500,000	27 Nov 2015	27 Nov 2015	27 Nov 2020	\$0.297	\$996,522	Managing Director Mr Paul Ostergaard
C	3,000,000	27 Nov 2015	27 Nov 2015	27 Nov 2018	\$0.173	\$281,661	Non-Executive Chairman Mr Mike Edwards
C	3,000,000	27 Nov 2015	27 Nov 2015	27 Nov 2018	\$0.173	\$281,661	Non-Executive Director Mr Amit Pau
D	10,000,000	27 Nov 2015	27 Nov 2018(ii)	27 Nov 2020	\$0.135	\$1,143,360	5,000,000 each to Nicholas Horton and Steve Tot.
E	18,336,111	27 Nov 2015	16 Jun 2017(ii)	27 Nov 2018	\$0.02	\$2,270,286	Chief Technology Officer David Wilson
H	2,000,000	29 Dec 2015	29 Dec 2015	29 Dec 2018	\$0.107	\$118,628	Non-Executive Director Mr Giles Everist
I	2,000,000	1 June 2016	31 May 2016	1 June 2021	\$0.057	\$50,800	1,000,000 each to Nicholas Horton and Steve Tot

- (i) Basis of valuation is based on the Black Scholes Model.
(ii) Options will be vested on its respective vesting dates with no additional conditions.

Share Holdings of Key Management Personnel

The number of ordinary shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2016 is as follows:

Directors and Executives	Held at 30 June 2015	On Market Purchases During the Year	Other Changes	Balance at Appointment/ (Resignation) Date	Held at 30 June 2016
Mr Paul Ostergaard	198,023,477	-	-	-	198,023,477
Mr Michael Edwards	4,322,976	-	-	-	4,322,976
Mr Amit Pau	8,260,766	-	-	-	8,260,766
Mr David Wilson	-	-	-	-	-
Mr Steve Tot	-	100,000	-	-	100,000
Mr Nicholas Horton	-	350,000	-	-	350,000
Mr Giles Everist	-	-	-	-	-
Total	210,607,219	450,000	-	-	211,057,219

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Option Holdings of Key Management Personnel

The number of options of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2016 is as follows:

Directors and Executives	Held at 30 June 2015	Granted as Compensation	Options Expired	Balance at Appointment/ (Resignation) Date	Held at 30 June 2016	Vested and Exercisable at 30 June 2016
Mr Paul Ostergaard	-	19,000,000	-	-	19,000,000	19,000,000
Mr Michael Edwards	-	3,000,000	-	-	3,000,000	3,000,000
Mr Amit Pau	-	3,000,000	-	-	3,000,000	3,000,000
Mr Giles Everist	-	2,000,000	-	-	2,000,000	2,000,000
Mr Steve Tot	-	6,000,000	-	-	6,000,000	-
Mr Nicholas Horton	-	6,000,000	-	-	6,000,000	-
Mr David Wilson	-	18,336,111	-	-	18,336,111	-
Total	-	57,336,111	-	-	57,336,111	27,000,000

Directors and Executives	Total Opportunity	Awarded %	Forfeited %	Value Granted \$*	Value Exercised \$
Mr Paul Ostergaard	4,702,500	100	-	2,041,855	-
Mr Michael Edwards	519,000	100	-	281,661	-
Mr Amit Pau	519,000	100	-	281,661	-
Mr Giles Everist	214,000	100	-	118,628	-
Mr Steve Tot	732,000	100	-	597,080	-
Mr Nicholas Horton	732,000	100	-	597,080	-
Mr David Wilson	366,722	100	-	2,270,286	-
Total	7,785,222	100	-	6,188,251	-

*The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

Performance Share Holdings of Key Management Personnel

The number of Performance Shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2016 is as follows:

Directors and Executives	Held at 30 June 2015	Granted During the Year	Vested During the Year	Balance at Appointment/ (Resignation) Date	Vested but not Exercisable at 30 June 2016
Mr Paul Ostergaard	82,724,348	-	-	82,724,348	82,724,348
Mr Michael Edwards	-	-	-	-	-
Mr Amit Pau	3,540,330	-	-	3,540,330	3,540,330
Mr Steve Tot	-	-	-	-	-
Mr Nicholas Horton	-	-	-	-	-
Mr David Wilson	-	7,855,548	-	7,855,548	7,855,548
Total	86,264,678	7,855,548	-	94,120,226	94,120,226

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

During the year ended 30 June 2015 Norwood Systems Ltd issued a total of 157,739,522 Performance Shares to the shareholders of Norwood Systems (Aust) Pty Ltd which convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- 78,869,761 Class A Performance Shares convert upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period (which may be the same 12 month period or different 12 month periods for each contract. The expiry date of the Class A Performance Shares is 9 December 2017; and
- 78,869,761 Class B Performance Shares convert upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Shares is 9 June 2018.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the two performance milestones which are based on future events.

During the financial year ended 30 June 2016, 7,855,548 performance shares issued to David Wilson consisting of 3,927,774 Class A Performance Rights and 3,927,774 Class B Performance Rights expiring at 8th December 2017 and 8th June 2018 respectively. The terms of the Class A and Class B performance rights are the same as the Class A and Class B performance rights issued in the financial year ended 30 June 2015.

Key Management Personnel Loans

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director)

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2015. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. Movements in the loan account during the year are as follows:

	Consolidated 2016 \$	Consolidated 2015 \$
Opening balance payable by the Group	(40,469)	128,258
Loans proceeds (advanced)	-	(63,668)
Repaid through the issue of 6,678,583 shares in the Company ¹	-	(105,059)
Cash repayments	-	-
Total payable by/(receivable due to) the Group	(40,469)	(40,469)

Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director)

The Company has a loan account with the Ostergaard Family Trust, the movements in which are as follows:

	Consolidated 2016 \$	Consolidated 2015 \$
Opening balance	18,739	-
Loans proceeds received	-	24,906
Repaid through the issue of 9,579 shares in the Company ²	-	(24,906)
Loans advanced	39,864	18,739
Total receivable due to the Group	58,603	18,739

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman, resigned 20 January 2015)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2016 is as follows:

	Consolidated 2016 \$	Consolidated 2015 \$
Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office	-	108,275
Corporate advisory services in respect of the acquisition of Norwood Systems (Aust) Pty Ltd	-	55,900
Total	-	164,175

Ariadne Capital Ltd (Mr Amit Pau – Non-Executive Director)

Ariadne Capital Ltd, a Company of which Mr Amit Pau is a Director, received \$180,000 for Strategic Positioning & Strategic Business Development as per the Letter of Engagement.

Shadwick Nominees Pty Ltd (Mr Michael Edwards)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided directorial and consulting services to the Company during the year. A total amount of \$79,250 (2015: \$76,073) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2016. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2016 was \$7,150 (2015: \$8,000).

***** **END OF AUDITED REMUNERATION REPORT** *****

DIRECTORS' REPORT (CONTINUED)

AUDITOR & NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act 2001*.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 33.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought to or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

SHARE OPTIONS

During the year ended 30 June 2016, 1,000,000 and 2,000,000 unlisted options with an exercise price of \$0.30 and \$0.25 each respectively, expired unexercised (2015: 10,450,000). There were no options exercised during the year (2015: nil).

Options over unissued ordinary shares

At the date of this report the following options over ordinary shares in Norwood Systems Ltd are on issue and outstanding:

	No. of Options	Exercise Price	Expiry Date
Unlisted Options	16,970,401	\$0.02	09/06/2018
Unlisted Options	5,000,000	\$0.25	30/11/2016
Unlisted Options	1,000,000	\$0.40	08/10/2016
Unlisted Options	36,004,084	\$0.02	27/11/2018
Unlisted Options	2,000,000	\$0.11	29/12/2018
Unlisted Options	10,000,000	\$0.14	27/11/2020
Unlisted Options	6,000,000	\$0.17	27/11/2018
Unlisted Options	9,500,000	\$0.20	27/11/2020
Unlisted Options	6,400,000	\$0.057	31/05/2021
Unlisted Options	9,500,000	\$0.30	27/11/2020
Total	102,374,485		

DIRECTORS' REPORT (CONTINUED)

PERFORMANCE SHARES

During the financial year ended 30 June 2016, 7,855,548 performance shares were issued to David Wilson consisting of 3,927,774 Class A Performance Rights and 3,927,774 Class B Performance Rights expiring at 8th December 2017 and 8th June 2018 respectively. The terms of the Class A and Class B performance rights are the same as the Class A and Class B performance rights issued in the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read "Paul Ostergaard". The signature is written in a cursive, flowing style.

Mr Paul Ostergaard
Managing Director
31 August 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main Corporate Governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition unless otherwise stated.

Board of Directors

Role of the Board

The Board’s primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management’s goals and ensuring the integrity of risk management, internal control legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board Processes

The Board has not established an Audit Committee, a Nomination Committee or a Remuneration Committee because of the limited size, nature and scope of operations of the Company, the Board itself undertakes these responsibilities. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman. Standing items include the financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

Director Education

The entity does not have a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors, these matters are dealt with on an informal basis at present. However, when the Company expands its present business activities a formal process will be initiated to educate new and existing Directors on an ongoing basis.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company’s expense. The Director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman’s approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors’ Report.

Given the Group’s present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives. The current board composition includes two independent Directors and one non-independent Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The future composition of the Board is determined using the following principles:

- the Board should comprise not more than ten Directors and not less than three Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises;
- a majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the Chairman should not also be the Chief Executive Officer;
- the Board should comprise Directors with a broad range of expertise both nationally and internationally;
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office. There were no executive Directors at the time of this report; and
- the Board assumes the role of Nomination Committee due to the size, nature and scope of the Company.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

The Board considers Mr Michael Edward, Mr Giles Everist and Mr Amit Pau to be independent Directors and Mr Paul Ostergaard, as a member of management, to not be an independent Director. Therefore the majority of the Board is considered to be comprised of independent Directors. The Chairman of the Board is Mr Michael Edwards.

** the Board considers 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10% of the relevant segment's or the Director-related business' revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The Board maintains a skills matrix which indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, relevant industry experience, HR, policy development, international business and marketing skills. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

Remuneration

The Board assumes the role of the remuneration committee and the Chairman reviews remuneration packages and policies applicable to the Directors and employees.

The Chairman is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies none of which are applicable to the Company at the present time.

The total remuneration for all non-executive Directors, last voted upon by shareholders, is not to exceed \$300,000 per annum. The current remuneration for each non-executive Director is \$39,420 per annum. Non-executive Directors do not receive bonuses. The Chairman currently receives remuneration of \$48,000 per annum.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration Report

The Remuneration Report is set out above and forms part of the Directors' Report for the financial year ended 30 June 2016.

Audit Committee

The Board assumes the role of the Audit Committee because of the limited size and nature of the operations of the Company. The Company has a documented Audit Committee charter, approved by the Board. The external auditors, and the Board conduct the equivalent to Audit Committee meetings. The auditors and Board met once during the year.

The Chief Financial Officer and Company Secretary has declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2016 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The responsibilities of the Audit Committee as assumed by the Board include:

- reviewing the annual, half year concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews deemed necessary by the Board;
- reviewing the nomination and performance of the external auditor;
- monitoring the procedures to ensure compliance with Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half yearly and annual financial report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Nomination Committee

The Board assumes the role of the Nomination Committee because of the limited size and nature of the operations of the Company. The Company has a documented Nomination Committee charter, approved by the Board.

The Board's function as a Nomination Committee is to examine the selection and appointment practices of the Company.

The responsibilities of the Nomination Committee as assumed by the Board are given below.

Size and Composition of the Board

To ensure that the Board has the appropriate blend of directors with the necessary skills, expertise, relevant industry experience and diversity, the Board shall:

- regularly review the size and composition of the Board and consider any appropriate changes;
- identify and assess necessary and desirable Director skills and competencies and provide advice on the skills and competency levels of directors with a view to enhancing the Board;
- make recommendations on the appointment and removal of Directors;
- make recommendations on whether any Directors whose term of office is due to expire should be nominated for re-election;
- regularly review the time required from Non-Executive Directors and whether Non-Executive Directors are meeting that requirement;
- regularly review the Company's Diversity Policy and make decisions as to any strategies required to address Board diversity; and
- regularly review and consider and note the relative proportion of women and men at all levels of the economic group controlled by Company.

Selection Process of New Directors

The Board shall review the Company's Policy and Procedure for Selection and Appointment of Directors and the Company's Diversity Policy. Such procedure should be transparent to promote investor understanding and confidence in the process.

The Board is empowered to engage external consultants in its search for a new Director, particularly as a means to increase the presentation of candidates which meet the requirements and targets set pursuant to the Company's Diversity Policy.

The initial appointment of a new Director is made by the Board. The new Director will be required to stand for election at the Company's next general meeting.

Each Director and senior executive is required to enter into a written agreement with the Company which sets out the terms of their appointment.

Performance Appraisal

The Board shall:

- develop a process for evaluation of the performance of the Board, Board committees (if any), and when deemed appropriate by the Chair, individual Board members in accordance with the Company's Process for Performance Evaluation;
- implement ways of enhancing the competency levels of Directors;
- consider and articulate the time required by Board members in discharging their duties efficiently;
- undertake continual assessment of Directors as to whether they have devoted sufficient time in fulfilling their duties as Directors;
- develop a process for, and carry out, an evaluation of the performance of the Managing Director and other senior executives in accordance with the Company's Process for Performance Evaluation;
- review and implement the Company's induction program;
- ensure new Directors participate in the induction program; and
- provide all Directors with access to ongoing education relevant to their position in the Company, including education concerning key developments in the Company and in the industry and environment within which it operates.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Management

Oversight of the Risk Management System

The Board has implemented a Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company because of the limited size and scope of the Company's operations. The Board has assessed the financial reporting risk management and associated compliance and controls and found them to be operating efficiently and effectively. The operational and other risk management compliance and controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the group. Given the present size of the Company, these assessments are performed by the Board as a whole and not through a separate internal audit function.

Risk Profile

The risk management program is aimed at ensuring risks are identified, assessed and appropriately managed. Major risks for the entity arise from such matters as actions by competitors, government policy changes, information technology security, supplier relationships, occupational health and safety, financial reporting, consumer and industry trends and the purchase, development and use of information systems and communication technology.

Financial risk exposures arise in the course of the day-to-day operating activities of the entity, largely due to cash flow and interest rate movements. The primary objective of financial exposure management is to reduce the volatility of cash flows and asset values arising from such movements. The cash funds invested by the Company are generally in short term investments with Australian banks.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal controls is comprehensive and comprises the Company's internal compliance and control systems, including:

- financial reporting – there is a budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The entity reports to shareholders half yearly;
- continuous disclosure – the entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules;
- a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the Board;
- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board;
- the Company Secretary is responsible for all communications with the ASX; and
- investment appraisal – the entity has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Financial Reporting

The Chief Financial Officer and Company Secretary has declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets and revised forecasts for the year are prepared regularly.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Assessment of Effectiveness of Risk Management

The Board ensures compliance of the internal controls and risk management programs by reviewing the effectiveness of the compliance and control systems.

Ethical Standards

All Directors, executives and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the entity. The Board reviews the Ethical Standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned is not present at the meeting whilst the item is considered. Details of Director-related entity transactions with the entity are set out in note 25.

Code of Conduct

The entity has advised each Director, executive and employee that they must comply with the Ethics Standards policy. The policy covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community, such as environmental protection policies, supporting the community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Trading in General Company Securities by Directors and Employees

The key elements of the Securities Trading Policy set out are:

- identification of those restricted from trading – Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options;
 - during any closed period (that is five days immediately prior to the release of the preliminary announcement of the Company's annual or half year results and one day after the announcement); and
 - whilst in possession of price sensitive information not yet released to the market;
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares; and
- requiring details to be provided of the subsequent confirmation of the trade.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a continuous disclosure discovery process, which involves monitoring all areas of the entity's internal and external environment;
- the annual financial report is provided to all shareholders on the Company's website via a link to the ASX announcements website (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the entity during the year, changes in the state of affairs of the entity and details of future developments;
- the half yearly report contains summarised financial information and a review of the operations of the entity during the period. The half year reviewed financial report is lodged with the ASX, and sent to any shareholder who requests it;
- proposed major changes in the entity which may impact on share ownership rights are submitted to a vote of shareholders;
- notices of all meetings of shareholders; and
- the external auditor attends the annual general meetings to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, the compliance of accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website via a link to the ASX announcements website immediately upon public release, and available to all shareholders who lodge their contact details with the Company.

Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically either through contacting the Company via its website or contacting the security registry directly.

The Board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the remuneration report and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Gender Diversity

The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The company currently has no female board members or senior executives and has two female employees.

ASX Principals of Good Corporate Governance

The Board has reviewed its current practices in light of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply:

ASX Principle	Reference/comment
Principle 1: Lay solid foundations for management and oversight	
1.5 The Board should establish a diversity policy	The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity. The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.
Principle 2: Structure the Board to add value	
2.1 The Board should establish a nomination committee	Given the size of the Board there is no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 4: Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee	The Company does not have an Audit Committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function.
Principle 7: Recognise and manage risk	
7.1-2 The Board should establish an risk committee	The Company does not have a Risk Committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. The board continuously reviews and addresses risk facing the Company.
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee	Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NORWOOD SYSTEMS LTD

As lead auditor of Norwood Systems Ltd for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Norwood Systems Ltd and the entities it controlled during the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2016

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	Consolidated 2016 \$	Consolidated 2015 \$
Revenue	4	703,386	-
Cost of Sales		(1,052,910)	-
Gross Profit		(349,524)	
Interest and other revenue	4	88,301	7,485
Government grant income	4	308,693	65,195
Sales and Marketing	6	(5,448,952)	-
Patent, research and development		(1,524,306)	(110,917)
Information technology infrastructure cost		(354,570)	-
Employee and director benefits expense	5	(2,323,894)	(681,539)
Listing expense		(82,042)	(3,470,844)
Loss on conversion of debt to equity	15	-	(688,937)
Share based payment expense	21	(5,573,271)	(352,984)
Accountancy costs		(233,150)	(197,782)
Consultancy and subcontractor fees		(45,049)	(159,430)
Travel and entertainment		(252,870)	(75,983)
Legal fees		(44,137)	(25,773)
Rent		(111,330)	(100,568)
Interest expense		(2,139)	(30,433)
Other expenses		(205,397)	(13,010)
Administration expenses		(468,547)	(35,198)
Electricity and telephone		(22,554)	(11,702)
Licence fees		-	-
Depreciation		(11,701)	(536)
Loss before income tax		(16,656,439)	(5,882,956)
Income tax benefit	7	-	-
Loss after tax for the period attributable to the members of Norwood Systems Ltd		(16,656,439)	(5,882,956)
Other comprehensive income		-	-
Total comprehensive (loss) for the period attributable to the members of Norwood Systems Ltd		(16,656,439)	(5,882,956)
Basic and diluted loss per share (cents per share) for the year attributed to the members of Norwood Systems Ltd	8	(2.01)	(1.50)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	Consolidated 2016 \$	Consolidated 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	3,888,765	4,546,059
Trade and other receivables	10	261,672	171,534
Total Current Assets		4,150,437	4,717,593
Non-Current Assets			
Plant and equipment	11	59,363	1,778
Total Non-current Assets		59,363	1,778
TOTAL ASSETS		4,209,800	4,719,371
LIABILITIES			
Current Liabilities			
Trade and other payables	12	632,001	214,044
Provisions	13	151,404	60,261
Deferred revenue	14	74,032	-
Total Current Liabilities		857,437	274,305
Non-Current Liabilities			
Provisions	13	51,568	54,499
Total Non-Current Liabilities		51,568	54,499
TOTAL LIABILITIES		909,005	328,804
NET ASSETS/(LIABILITIES)		3,300,795	4,390,567
EQUITY			
Issued capital	15	22,258,701	12,171,805
Reserves	16	5,720,855	352,984
Accumulated losses	17	(24,678,761)	(8,134,222)
TOTAL EQUITY/(DEFICIT)		3,300,795	4,390,567

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 30 June 2016

	Consolidated			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance at 1 July 2014	1,250,224	-	(2,251,266)	(1,001,042)
Loss for the year	-	-	(5,882,956)	(5,882,956)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(5,882,956)	(5,882,956)
<i>Transaction with owners, directly recorded in equity:</i>				
Issue of Ordinary Shares, net of transaction costs	10,921,581	-	-	10,921,581
Issue of Options	-	352,984	-	352,984
Total transactions with owners	10,921,581	352,984	-	11,274,565
Balance at 30 June 2015	12,171,805	352,984	(8,134,222)	4,390,567

	Consolidated			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance at 1 July 2015	12,171,805	352,984	(8,134,222)	4,390,567
Loss for the year	-	-	(16,656,439)	(16,656,439)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(16,656,439)	(16,656,439)
<i>Transaction with owners, directly recorded in equity:</i>				
Issue of Ordinary Shares, net of transaction costs	10,086,896	-	-	10,086,896
Issue of Options	-	5,479,771	-	5,479,771
Expiry of Options	-	(111,900)	111,900	-
Total transactions with owners	10,086,896	5,367,871	111,900	15,566,667
Balance at 30 June 2016	22,258,701	5,720,855	(24,678,761)	3,300,795

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated 2016 \$	Consolidated 2015 \$
Cash flows from operating activities			
Receipt from Customers		580,091	-
Other Income		39,193	-
Government grants received		304,635	396,269
Payments to suppliers and employees		(11,522,195)	(1,795,274)
Interest received		50,970	12,942
Interest paid		(1,000)	(45,602)
Net cash flows (used in) operating activities	19	(10,548,306)	(1,431,665)
Cash flows from investing activities			
Purchase of plant & equipment		(66,338)	(1,048)
Loans to related parties		(36,000)	-
Loan proceeds advanced from Norwood Systems Ltd to Norwood Systems (Aust) Pty Ltd prior to acquisition date		-	257,750
Cash held by Norwood Systems Ltd at acquisition date		-	78,909
Net cash flows (used in)/from investing activities		(102,338)	335,611
Cash flows from financing activities			
Proceeds from issue of shares		10,600,001	5,500,000
Share issue costs		(606,651)	(330,000)
Proceeds from issue of convertible notes		-	504,050
Proceeds from related party borrowings		-	24,906
Director and related party loans advanced		-	(82,208)
Net cash flows from financing activities		9,993,350	5,616,748
Net (decrease)/increase in cash and cash equivalents		(657,294)	4,520,694
Cash and cash equivalents at beginning year		4,546,059	25,365
Cash and cash equivalents at end year	9	3,888,765	4,546,059

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1: REPORTING ENTITY

Norwood Systems Ltd is a listed public Company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or “Group”).

A description of the nature of the Company’s operations and its principal activities is included in the Directors’ Report which does not form part of this financial report.

The consolidated financial statements were authorised by the Board of Directors on the date of signing the Directors’ Declaration.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Company comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Norwood Systems Ltd is a company limited by shares. The financial report is presented in Australian currency. Norwood Systems Limited is a for-profit entity.

Going Concern

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

As disclosed in the financial statements, the Group incurred a loss of \$16,656,439 and had net cash outflows from operating activities of 10,548,306. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The directors believe that there are reasonable grounds to believe that the Group will continue as going concern, after considering the following factors:

- The completion of an over-subscribed placement to professional and sophisticated investors during the year to raise \$5,600,000;
- The completion of an over-subscribed placement to institutional investors during the year to raise \$3,500,000;
- Successful launch of the Group’s Corona application after year end;
- Active cost cutting measures have been undertaken after year end;
- Ability to raise further capital based on historical success;
- Cash on hand of \$3,888,765 as at 30 June 2016;
- Net assets of \$3,300,795 as at 30 June 2016.

Should the group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Share Based Payments

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Norwood Systems Limited and its subsidiaries (the Group) as at 30 June 2016 or for any time during the year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(b) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

World Phone Revenue

World Phone revenue is recognised based on the stage of completion of the transaction. This is often referred to as percentage of completion method. Under this method, revenue is recognised in the reporting periods in which the services are rendered. The recognition of revenue in this basis provides useful information on the extend of service activity and performance during the period.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(d) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income 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 on the taxable income 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 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 not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. 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 to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Norwood Systems Limited and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets not measured at fair value comprise:

- (i) loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

(f) Trade and Other Receivables

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for doubtful accounts.

(g) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and Equipment	10% - 40%

(h) Patents & Development Expense

The Company expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Company has received formal notification that a patent has been granted. The Company believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Company will only record a development asset when there is certainty that the Company will be able to patent the technology it has created, as demonstrated by the approval of the patent application and as a result expect future economic benefits to flow to the Company.

Following initial recognition of development expenditure as an development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the patent. Amortisation is recorded in other expenses. During the period of development, the asset is tested for impairment annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets should be impaired. If such indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(j) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on costs.

Contributions are made by the consolidated entity to employee's superannuation funds and are charged as expenses when incurred.

(m) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(n) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

(o) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(t) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is assessed by the consolidated entity to be insignificant.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards and Interpretations (Continued)

AASB 15 Revenue from Contracts with Customers (Continued)

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is assessed by the consolidated entity to be insignificant as all sales are made in advance.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTE 4: REVENUE AND OTHER INCOME

	Consolidated 2016 \$	Consolidated 2015 \$
Revenue		
World Phone Revenue	700,665	-
Other income – Booking.com	2,721	-
	703,386	-
Interest and other income		
Interest revenue	52,370	3,235
Other income	35,931	4,250
	88,301	7,485
Government Grant		
Export Market Development Grants	51,036	65,195
Research and Development Grant	257,657	-
	308,693	65,195

NORWOOD SYSTEMS LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 5: LOSS

Loss before income tax has been determined after charging the following expenses:

	Consolidated 2016 \$	Consolidated 2015 \$
Directors' fees	318,636	254,896
Employee wages	1,863,455	355,860
Superannuation	141,803	70,783
Total employee and director benefits expense	<u>2,323,894</u>	<u>681,539</u>
Rental expense relating to operating leases	<u>111,330</u>	<u>100,568</u>

NOTE 6: SALES AND MARKETING

	Consolidated 2016 \$	Consolidated 2015 \$
Sales and Marketing		
Google customer acquisition fee	2,058,945	-
Apple customer acquisition fee	2,135,132	-
Advertising free minutes	693,984	-
Sales and marketing consultants	560,892	-
	<u>5,448,952</u>	<u>-</u>

NOTE 7: INCOME TAX

Major components of income tax expense

	Consolidated 2016 \$	Consolidated 2015 \$
Accounting loss before income tax	(16,656,439)	(5,882,956)
Income tax benefit at the Company's statutory rate of 30%	(4,996,932)	(1,764,887)
<i>Add:</i>		
Research and development claim	(77,297)	-
Non-deductible differences	1,671,999	1,354,769
Temporary differences and losses not recognised	3,402,230	410,118
Total income tax benefit for the year	<u>-</u>	<u>-</u>

At 30 June 2016, the Group has an unrecognised deferred tax asset of \$7,800,460 (2015: \$4,111,079) in relation to historical losses incurred by the Company. No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 7: INCOME TAX (CONTINUED)

- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- there are no changes in tax legislation in Australia which will adversely affect the Company in realising the benefit from the deductions for the losses.

NOTE 8: LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 2016 \$	Consolidated 2015 \$
Loss used in the calculation of basic and diluted loss per share	(16,656,439)	(5,882,956)
Basic earnings/(loss) per share attributable to equity holders	(2.01)	(1.50)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	828,582,557	391,406,326

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated 2016 \$	Consolidated 2015 \$
Cash at bank	3,888,765	4,546,059
Total Cash and Cash Equivalents	3,888,765	4,546,059

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 24 on financial instruments for details on the Group's exposure to risk in respect of its cash balance.

NORWOOD SYSTEMS LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated 2016 \$	Consolidated 2015 \$
Current:		
Trade debtors	16,679	134
Research and development grant receivable	-	-
Related party loan –Ostergaard Family Trust (note 25(b))	58,603	18,739
Related party loan – Ocean Broadband Ltd (note 25(b))	40,469	40,469
Other receivables	101,0	77,778
Prepaid expenses	44,906	34,414
Total Other Receivables	261,672	171,534

The above amounts do not bear interest and their carrying amount is equivalent to their fair value.

No trade and other receivables were impaired during the current year (2015: nil).

The Group's exposure to credit and market risks related to trade and other receivables are disclosed in note 24.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2016 \$	Consolidated 2015 \$
Leasehold Improvements – at cost	2,602	2,603
Less: Accumulated Depreciation	(1,982)	(1,717)
	620	886
Plant and Equipment – at cost	70,335	14,572
Less: Accumulated Depreciation	(11,592)	(13,680)
	58,743	892

	Leasehold improvements \$	Plant and equipment \$	Total \$
Consolidated			
Balance at 1 July 2014	1,266	-	1,266
Additions	-	1,048	1,048
Depreciation expense	(380)	(156)	(536)
Balance at 30 June 2015	886	892	1,778
Additions	-	69,286	69,286
Depreciation expense	(266)	(11,435)	(11,701)
Balance at 30 June 2016	620	58,743	59,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated 2016 \$	Consolidated 2015 \$
Current:		
Trade payables	556,649	132,225
Accruals	75,352	81,819
Total Trade and Other Payables	632,001	214,044

Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTE 13: PROVISIONS

	Consolidated 2016 \$	Consolidated 2015 \$
Current:		
Employee benefits provision	151,404	60,261
Non-Current:		
Employee benefits provision	51,568	54,499
Total Provisions	202,972	114,760

The current provision for employee benefits includes accrued annual leave and long service leave.

Movements in the employee benefits provision during the year is as follows:

	Consolidated 2016 \$	Consolidated 2015 \$
Opening balance	114,760	48,862
Movements	88,212	65,898
Closing balance	202,972	114,760

NOTE 14: DEFERRED REVENUE

	Consolidated 2016 \$	Consolidated 2015 \$
Deferred Revenue		
World Phone deferred revenue	74,032	-
Total deferred revenue	74,032	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 15: ISSUED CAPITAL

	2016	2015
	Number of	Number of
	Shares	Shares
Issued Ordinary Shares - no par value (fully paid)	968,779,598	773,859,598
Issued AA Preference Shares	-	-
Total	968,779,598	773,859,598
Opening balance – 1 July 2014	1,558,243	1,250,224
June 2015 – Norwood Systems (Aust) Pty Ltd shares eliminated on completion of Norwood Systems Ltd acquisition	(1,558,243)	-
June 2015 – Norwood Systems Ltd shares on issue at acquisition date	130,800,710	-
June 2015 – Issue of Shares for cash pursuant to the Public Offer	275,000,000	5,500,000
June 2015 – Issue of Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd	257,060,790	3,531,619
June 2015 – Issue of Shares on conversion of Norwood Systems (Aust) Pty Ltd convertible notes	82,042,337	1,640,847
June 2015 – Issue of Shares to settle Norwood Systems (Aust) Pty Ltd creditors	18,302,230	366,045
June 2015 – Issue of Shares to the original Norwood (Aust) Pty Ltd investors	9,073,265	181,465
June 2015 – Issue of Shares to settle Norwood (Aust) Pty Ltd loan from Ostergaard Family Trust	1,580,266	31,605
Costs of share issues	-	(330,000)
Closing balance – 30 June 2015	773,859,598	12,171,805
July 2015 – Issue of Shares as consideration for professional services received (note 21(h))	1,000,000	20,000
Nov 2015 – Issue of Shares for cash pursuant to a placement to professional and sophisticated investors	70,000,000	5,600,000
Dec 2015 – Issue of Shares for cash pursuant to a Share Purchase Plan prospectus offer	18,750,000	1,500,000
Dec 2015 – Issue of Shares as consideration for professional services received (note 21(h))	4,000,000	92,000
Costs of share issues	-	(436,048)
Jun 2016 – Issue of placement shares	100,000,000	3,500,000
Jun 2016 - Issue of Shares as consideration for professional services received (note 21(h))	1,170,000	41,945
Costs of share issues	-	(231,001)
Closing balance – 30 June 2016	968,779,598	22,258,701

The Company has unlimited authorised capital.

There are no restrictions on distributions of dividends or repayment of capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 15: ISSUED CAPITAL (CONTINUED)

Loss on Conversion of Debt to Equity

No conversion of debt to equity during the financial year ended 30 June 2016.

The following shares in Norwood Systems Ltd were granted in June 2015:

- 82,042,337 shares in the Company were issued on conversion of Norwood Systems (Aust) Pty Ltd convertible notes with a total value of \$1,198,269. The fair value of these shares was \$1,640,847 based on the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$442,578 in relation to the difference between the convertible note amount and the fair value of shares issued to extinguish the liability.
- 18,302,230 shares in the Company were issued in satisfaction of Norwood Systems (Aust) Pty Ltd trade creditors with a total value of \$307,839. The fair value of these shares was \$366,045 based in the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$58,206 in relation to the difference between the creditor amount and the fair value of shares issued to extinguish the liability.
- 9,073,265 shares in the Company were issued to original Norwood investors for a subscription value of \$11. The fair value of these shares was \$181,465 based on the issue price of \$0.02. The Group has recognised a loss of \$181,454 in relation to the difference between the subscription value and the fair value of shares issued.
- 1,580,266 shares in the Company were issued in satisfaction of an outstanding loan of \$24,906 from Ostergaard Family Trust. The fair value of these shares was \$31,605 based on the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$6,699 in relation to the difference between the loan amount and the fair value of shares issued to extinguish the liability.

Capital Management

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group was not subject to any externally imposed capital requirements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 16: SHARE BASED PAYMENT RESERVE

	2016	2015
	Number of Options	Number of Options
Issued Options	102,374,485	25,970,401
	No.	\$
Opening balance – 1 July 2014	-	-
June 2015 – Norwood Systems Ltd options on issue at acquisition date	9,000,000	-
June 2015 – Issue of options to Norwood advisors and management	1,970,401	40,984
June 2015 – Issue of advisor options	15,000,000	312,000
Closing balance – 30 June 2015	25,970,401	352,984
Oct 2015 – Option expiry	(1,000,000)	(41,900)
Nov 2015 – Issue of options to Norwood directors, employees, and advisors	71,004,084	5,352,984
Nov 2015 – Option expiry	(2,000,000)	(70,000)
Dec 2015 – Issue of options to Norwood director	2,000,000	118,629
Jun 2016 – Issue of options to employees	6,400,000	8,158
Closing balance – 30 June 2016	102,374,485	5,720,855

Nature and Purpose of Reserve

The share based payment reserve records the value of share options issued to the Company's directors, employees, and third parties. The value of the amount disclosed during the period 2016 reflects the value of options issued by Norwood Systems Ltd post reverse acquisition.

NOTE 17: ACCUMULATED LOSSES

	2016	2015
	\$	\$
Accumulated Losses	(24,678,763)	(8,134,222)
Opening balance	(8,134,222)	(2,251,266)
Net loss for the financial year	(16,656,439)	(5,882,956)
Expiration of options	111,900	-
Total	(24,678,761)	(8,134,222)

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NOTE 18: GROUP ENTITIES

Parent Entity

While the accounting parent of the Group is Norwood Systems (Aust) Pty Ltd, the legal and ultimate parent of the Group is Norwood Systems Ltd. The consolidated financial statements include the financial statements of Norwood Systems (Aust) Pty Ltd as accounting parent and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2016	% Equity Interest 2015
Norwood Systems Ltd	Australia	100%	100%
Norwood Systems (UK) Pty Ltd	Australia	100%	100%
Norwood Incorporated	USA	100%	-
Eburnean Resources Pty Ltd	Australia	100%	100%
Vema Resources Pty Ltd	Australia	100%	100%
Monteray Mining Burkina SARL	Burkina Faso	100%	100%

NOTE 19: OPERATING CASH FLOW INFORMATION

	Consolidated 2016 \$	Consolidated 2015 \$
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(16,656,439)	(5,882,956)
<i>Non-cash items</i>		
Listing expense	-	3,470,844
Loss on conversion of debt to equity	-	688,937
Share based payments	5,573,271	352,984
Depreciation	11,701	536
<i>Changes in Assets and Liabilities</i>		
(Increase) / Decrease in Trade and Other Receivables	(57,039)	298,902
Increase / (Decrease) in Trade and Other Payables	491,988	(426,811)
Increase / (Decrease) in Provisions	88,212	65,899
Cash flows used in operations	(10,548,306)	(1,431,665)

NOTE 20: AUDITOR'S REMUNERATION

	Consolidated 2016 \$	Consolidated 2015 \$
The auditor of Norwood Systems Ltd is BDO Audit (WA) Pty Ltd		
<i>Amounts received or due and receivable by BDO for:</i>		
Audit and review services	35,436	20,000
The auditor of Norwood Systems (Aust) Pty Ltd prior to being acquired by Norwood Systems Ltd was Ernst & Young		
<i>Amounts received or due and receivable by Ernst & Young for:</i>		
Audit and review services	-	67,026
Non-audit services – research and development tax services	-	35,000
Non-audit services – Investigating Accountants Report	-	15,000
	-	117,026

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For the year ended 30 June 2016

NOTE 21: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2016 are summarised below.

(a) Recognised Share Based Payment Expense

	Consolidated 2016	Consolidated 2015
	\$	\$
Expense arising from equity settled share based payment transactions	5,573,271	352,984

(b) Options Granted During the Year

The Company granted the following options in June 2016:

Tranche	Number of Options Issued	Issue Date	Vesting Date	Expiry Date	Exercise Price	Total Value	Recipient
A	9,500,000	27 Nov 2015	27 Nov 2015 ⁽ⁱⁱ⁾	27 Nov 2020	\$0.198	\$1,045,333	Managing Director Mr Paul Ostergaard
B	9,500,000	27 Nov 2015	27 Nov 2015 ⁽ⁱⁱ⁾	27 Nov 2020	\$0.297	\$996,522	Managing Director Mr Paul Ostergaard
C	6,000,000	27 Nov 2015	27 Nov 2015 ⁽ⁱⁱ⁾	27 Nov 2018	\$0.173	\$563,322	3,000,000 each to Non-Executive Directors Mr Mike Edwards and Mr Amit Pau
D	10,000,000	27 Nov 2015	27 Nov 2018 ⁽ⁱⁱ⁾	27 Nov 2020	\$0.135	\$1,143,360	Company executives
E	25,336,111	27 Nov 2015	16 Jun 2017 ⁽ⁱⁱ⁾	27 Nov 2018	\$0.02	\$3,136,991	Company employees
F	10,167,973	27 Nov 2015	27 Nov 2015 ⁽ⁱⁱ⁾	27 Nov 2018	\$0.02	\$1,258,948 ⁽ⁱ⁾	Company advisors
G	500,000	27 Nov 2015	27 Nov 2015	27 Nov 2018	\$0.02	\$61,908 ⁽ⁱ⁾	Company advisors
H	2,000,000	29 Dec 2015	29 Dec 2015	29 Dec 2018	\$0.107	\$118,628	Non-Executive Director Mr Giles Everist
I	6,400,000	1 June 2016	1 June 2017	1 June 2021	\$0.057	\$187,960	Employee Share Scheme

⁽ⁱ⁾ The entity cannot estimate reliably the fair value of the goods or services received, therefore will measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service

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NOTE 21: SHARE BASED PAYMENTS (CONTINUED)

(ii) Options will be vested on its respective vesting dates with the following conditions:

Class of Options	Exercise Price	Expiry Price	Vesting Date	Disposal Restriction
9,500,000 Managing Director Options	\$0.198	5 years from date of issue	Immediately on issue	Restriction on disposal for 24 months from issue date
9,500,000 Managing Director Options	\$0.297	5 years from date of issue	Immediately on issue	Restriction on disposal for 24 months from issue date
6,000,000 Director Options	\$0.173	3 years from date of issue	Immediately on issue	None
10,000,000 Executive Options	\$0.135	5 years from date of issue	3 years after the issue date	Restriction on disposal until 19 April 2017
25,336,111 Employee Options	\$0.02	3 years from date of issue	16 June 2017	Board approval
10,167,973 Advisor Options	\$0.02	3 years from date of issue	Immediately on issue	None

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of fair value.

(c) Summary of Options Granted

	Consolidated		Consolidated	
	2016	WAEP	2015	WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	25,970,401	\$0.11	16,970,401	\$0.02
Exercised during the year	-	-	-	-
Issued during the year	79,404,084	\$0.10		
Expired during the year	(3,000,000)	(\$0.26)		
Acquired on the acquisition of Norwood Systems Ltd	-	-	9,000,000	\$0.27
Outstanding at the end of the year	102,374,485	\$0.15	25,970,401	\$0.11
Vested and exercisable	102,374,485	\$0.15	25,970,401	\$0.11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21: SHARE BASED PAYMENTS (CONTINUED)

The 30 June 2016 balance is represented by the following:

In the absence of third party vendor invoices and any other information providing a more reliable indication of fair value, all options issued during the period were valued using Black-Scholes option pricing models with the following inputs:

Tranche	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of options (years)	Option exercise price	Share price at grant date
A	-	125%	2.25%	5	\$0.198	\$0.135
B	-	125%	2.25%	5	\$0.297	\$0.135
C	-	125%	2.25%	3	\$0.173	\$0.135
D	-	125%	2.25%	5	\$0.135	\$0.135
E	-	125%	2.25%	3	\$0.02	\$0.135
F	-	125%	2.25%	3	\$0.02	\$0.135
G	-	125%	2.25%	3	\$0.02	\$0.135
H	-	125%	2.25%	3	\$0.107	\$0.085
I	-	108%	2.25%	5	\$0.057	\$0.035

(e) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of options outstanding at 30 June 2016 is 3.60 years (2015: 2.29 years).

(f) Range of Exercise Prices and Weighted Average Share Price at the Date of Exercise

The range of exercise prices for options outstanding at the end of the year was \$0.02 - \$0.40 (2015: \$0.02 - \$0.40). There were no options exercised in the current or prior year.

(g) Weighted Average Fair Value

The weighted average fair value of options granted during the current year was \$0.103 (2015: \$0.0208).

(h) Shares issued for consideration of services

During the financial year, 1,000,000, 4,000,000, and 1,170,000 shares were issued to advisors in consideration for services in relation to corporate advisory during the year. These shares were issued at \$0.02, \$0.023, and \$0.036 per share respectively. The total fair value of \$153,945 was treated as an expense in the statement of comprehensive income. The fair value of the shares granted is based on the market rate valuation of the services rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 22: PARENT ENTITY INFORMATION

	2016	2015
	\$	\$
Assets		
Current assets	3,846,518	4,271,150
Non-current assets	-	6,101,523
Total Assets	3,846,518	10,372,673
Liabilities		
Current liabilities	64,514	104,591
Non-current liabilities	-	-
Total Liabilities	64,514	104,591
Net Assets	3,782,004	10,268,082
Equity		
Issued capital	33,487,510	23,400,615
Reserves	7,735,962	2,368,091
Accumulated losses	(37,441,468)	(15,500,624)
Total Equity	3,782,004	10,268,082
Loss of the parent entity	(22,052,744) ⁽¹⁾	(1,829,973)
Total comprehensive loss of the parent entity	(22,052,744) ⁽¹⁾	(1,829,973)

⁽¹⁾ Loss includes impairment of intercompany loan and investment of subsidiaries of \$10,866,085 and \$9,860,465 respectively.

The contingent liabilities of the Company are the same as the contingent liabilities of the Group as disclosed at note 27.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 23: SEGMENT INFORMATION

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated Group. The Group's primary business segment is the provision of voice telecommunication services. The Company operates in one segment, voice telecommunication services.

	Voice Telecommunication Services		Corporate		Total	
	Consolidated 2016	Consolidated 2015	Consolidated 2016	Consolidated 2015	Consolidated 2016	Consolidated 2015
Segment income						
Sales Revenue	703,386	-	-	-	703,386	-
Interest received	-	-	52,370	3,235	52,370	3,235
Government grant income	257,657	65,195	51,036	-	308,693	65,195
Other income	-	4,250	35,931	-	35,931	4,250
Total income	961,043	69,445	139,337	3,235	1,100,380	72,680
Segment expenses						
Cost of Sales	(1,052,910)	-	-	-	(1,052,910)	-
Operating expenses	(9,534,098)	(1,413,762)	(1,502,797)	(28,573)	(11,036,895)	(1,442,335)
Listing expenses	-	-	(82,042)	(3,470,844)	(82,042)	(3,470,844)
Loss on conversion of debt to equity	-	-	-	(688,937)	-	(688,937)
Share based payment expenses	(4,523,135)	-	(1,050,136)	(352,984)	(5,573,271)	(352,984)
Loss before depreciation	(14,149,100)	(1,344,317)	(2,495,638)	(4,538,103)	(16,644,738)	(5,882,420)
Depreciation	(11,701)	(536)	-	-	(11,701)	(536)
Loss before income tax	(14,160,801)	(1,344,853)	(2,495,638)	(4,538,103)	(16,656,439)	(5,882,956)
Segment assets and liabilities						
Cash	91,683	379,095	3,797,082	4,166,964	3,888,765	4,546,059
Other receivables	62,472	67,347	199,200	104,187	261,672	171,534
Plant and equipment	59,363	1,779	-	-	59,363	1,779
Trade and other creditors	(506,516)	(109,453)	(125,485)	(104,591)	(632,001)	(214,044)
Provisions	(190,794)	(114,761)	(12,178)	-	(202,972)	(114,761)
Deferred revenue	(74,032)	-	-	-	(74,032)	-
Net assets	(557,824)	224,007	3,858,619	4,166,560	3,300,795	4,390,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 24: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, and payables.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Group's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Statement of Financial Position or in the notes.

(d) Credit Risk

(i) Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated 2016 \$	Consolidated 2015 \$
Financial Assets - Current		
Cash and cash equivalents	3,888,765	4,546,059
Trade and other receivables	261,672	171,534
Total Financial Assets	4,150,437	4,717,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Interest Rate Risk

The Group's maximum exposure to interest rates at the reporting date was:

	Range of Effective Interest Rate (%)	Carrying Amount \$	Interest Rate Exposure			Total \$
			Variable Interest Rate \$	Non Interest Bearing \$	Fixed Interest Rate \$	
Consolidated 2016						
Financial Assets - Current						
Cash and cash equivalents	0 – 3	3,888,765	3,888,765	-	-	3,888,765
Consolidated 2015						
Financial Assets - Current						
Cash and cash equivalents	0 – 3	4,546,059	4,546,059	-	-	4,546,059

(iii) Trade and Other Receivables

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date was:

	Carrying Amount \$	Not past due and not impaired \$	Past due but not impaired			Impaired Financial Assets \$
			1-3 Months \$	3 Months to 1 Year \$	1 Year to 5 Years \$	
Consolidated 2016						
Financial Assets - Current						
Trade and other receivables	261,672	162,600	-	99,072	-	-
Consolidated 2015						
Financial Assets - Current						
Trade and other receivables	171,534	171,534	-	-	-	-

(e) Liquidity Risk

(i) Exposure to Liquidity Risk

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

	Consolidated 2016 \$	Consolidated 2015 \$
Financial Liabilities - Current		
Trade and other payables	632,001	214,044
Total Financial Liabilities	632,001	214,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Contractual Maturity Risk

The following table discloses the contractual maturity analysis at the reporting date:

**Consolidated
2016
Financial
Instrument**

	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
Financial Assets					
Cash	3,888,765	-	-	-	3,888,765
Other debtors	261,672	-	-	-	261,672
Total financial assets	4,150,437	-	-	-	4,150,437

**Financial
Liabilities**

Trade payables	556,649	-	-	-	556,649
Other payables	75,352	-	-	-	75,352
Total financial liabilities	632,001	-	-	-	632,001

Consolidated 2015

Financial Instrument

	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
Financial Assets					
Cash	4,546,059	-	-	-	4,546,059
Other debtors	171,534	-	-	-	171,534
Total financial assets	4,717,593	-	-	-	4,717,593

Financial Liabilities

Trade payables	132,225	-	-	-	132,225
Other payables	81,819	-	-	-	81,819
Total financial liabilities	214,044	-	-	-	214,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(f) Market Risk

(i) Currency Risk

The Group's primary operations were in Australia during the years ended 30 June 2016 and 30 June 2015 and therefore had minimal exposure to foreign exchange risk.

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is Cash as set out in Note 24(e)(ii). The group is not exposed to debt interest rate risk as there is nil debt for 2016 (2015: no exposure as borrowings bear interest at a fixed rate).

(iii) Other Price Risk

There are no other price risks of which the Group is aware.

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Group believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Group at year end as presented to key management personnel, if changes in the relevant risk occur.

	Carrying Amount \$	Interest Rate Risk			
		+1% Profit \$	+1% Equity \$	-1% Profit \$	-1% Equity \$
Consolidated 2016					
Financial Assets - Current					
Cash and cash equivalents	3,888,765	39	39	(39)	(39)
Consolidated 2015					
Financial Assets - Current					
Cash and cash equivalents	4,546,059	32	32	(32)	(32)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	Consolidated 2016	Consolidated 2015
	\$	\$
Short-term employee benefits	723,522	411,222
Post-employment benefits	55,089	30,870
Share Based Payment	3,821,262	-
Total	4,599,873	442,092

(b) Loans with Key Management Personnel

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director)

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2016. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. Movements in the loan account during the year are as follows:

	Consolidated 2016	Consolidated 2015
	\$	\$
Opening balance payable by the Group	(40,469)	128,258
Loans proceeds received/(advanced)	-	(63,668)
Repaid through the issue of 6,678,583 shares in the Company	-	(105,059)
Total payable by/(receivable due to) the Group	(40,469)	(40,469)

Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director)

The Company has a loan account with the Ostergaard Family Trust, the movements in which are as follows:

	Consolidated 2016	Consolidated 2015
	\$	\$
Opening balance	18,739	-
Loans proceeds received	-	24,906
Repaid through the issue of 9,579 shares in the Company ²	-	(24,906)
Loans advanced	39,864	18,739
Total receivable due to the Group	58,603	18,739

²Refer to note15. \$24,906 is the value of the liability settled through the issue of the 9,579 shares; the fair value of these shares is \$31,605 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$6,699 on the conversion of this liability.

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For the year ended 30 June 2016

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman, resigned 20 January 2015)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2016 is as follows:

	Consolidated 2016 \$	Consolidated 2015 \$
Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office	-	108,275
Corporate advisory services in respect of the acquisition of Norwood Systems (Aust) Pty Ltd	-	55,900
Total	-	164,175

Ariadne Capital Ltd (Mr Amit Pau – Non-Executive Director)

Ariadne Capital Ltd, a Company of which Mr Amit Pau is a Director, received \$180,000 for Strategic Positioning & Strategic Business Development as per the Letter of Engagement.

Shadwick Nominees Pty Ltd (Mr Michael Edwards)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided directorial and consulting services to the Company during the year. A total amount of \$79,250 (2015: \$76,073) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2016. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2016 was \$7,150 (2015: \$8,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 26: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Norwood was pleased to sign with Devicescape, the operator of the world's largest multi-services Wi-Fi platform in relation to World Wi-Fi, providing automated access to Devicescape's Curated Virtual Network of shared Wi-Fi hotspots, with over 20 million quality-managed locations worldwide.

One additional Australian patent was granted to Norwood.

The Group is pleased to announce the Group's first sales for both Corona Cloud and Corona GTS with customers in Retail, Consulting and Accounting sectors, with targeted savings on telco expenses over the next 12 months for these customers being as high as 50%.

Apart from the event discussed above, no other matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

NOTE 27: CONTINGENT LIABILITIES

At the end of the financial year, there are still a number of unused credits. As a result of that, it was calculated that it would cost the Group \$37,436 for the provision of services for those unused credits. Approximately, 92% of these unused credits have not been claimed by the respective customers as they are still located in the old platform.

The Directors are not aware of any other contingent liabilities that may arise from the Group's operations as at 30 June 2016.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the accompanying financial statements set out on pages 34 to 66 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2016.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Mr Paul Ostergaard
Managing Director
31 August 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Norwood Systems Ltd

Report on the Financial Report

We have audited the accompanying financial report of Norwood Systems Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Norwood Systems Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of Norwood Systems Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 22 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Norwood Systems Ltd for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 31 August 2016

NORWOOD SYSTEMS LTD
ACN: 062 959 540

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 9 August 2016 is 968,779,576 ordinary fully paid shares. All ordinary shares carry one vote per share. The Company has used the cash it had at the time of admission to the Official List of the ASX in accordance with its stated business objectives.

TOP 20 SHAREHOLDERS AS AT 10 AUGUST 2016 (UNCONSOLIDATED HOLDINGS)

	No. of Shares Held	% Held
1 PAUL FREDERICK NORWOOD OSTERGAARD*	166,548,681	17.19
2 MR ROBERT EDWARD MCCLEAVE	27,000,000	2.79
3 OCEAN BROADBAND LTD*	26,474,796	2.73
4 MR KONSTANTINOS BAGIARTAKIS	15,695,001	1.62
5 MRS DIVYA JINDAL	15,000,000	1.55
6 MR YOGI PTY LTD	12,469,443	1.29
7 MR CHRISTOPHER RICHARD HILL	12,437,500	1.28
8 KAMUZU NOMINEES PTY LTD	12,267,623	1.27
9 MR BENCHUN ZHOU	10,679,021	1.10
10 KAMUZU NOMINEES PTY LTD	10,000,000	1.03
11 MR BENJAMIN PHILLIPE GRENIER	8,681,066	0.90
12 ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	6,933,035	0.72
13 UBS NOMINEES PTY LTD	5,811,301	0.60
14 MR ANDREW BAUMGARTNER	5,698,092	0.59
15 JOHN GNUSE	5,435,950	0.56
16 MR MARK WILLIAM ILIFF	5,343,000	0.55
17 NICHOLAS PHILIP O'HANLON CREED & MARY JANE O'HANLON CREED	5,133,578	0.53
18 CHILLCAST PTY LTD	5,000,000	0.52
19 J P MORGAN NOMINEES AUSTRALIA LIMITED	4,942,377	0.51
20 JADARI (AUST) P/L	4,716,861	0.49
	366,267,325	37.82

*Shares are subject to ASX imposed escrow to 16 June 2017

Shares Range

	No. of Holders	No. of Shares
1 - 1,000	579	58,330
1,001 – 5,000	136	520,287
5,001 – 10,000	294	2,443,950
10,001 – 100,000	1,765	78,578,454
100,001 and over	1,062	887,178,555
Total	3,833	968,779,576
Holdings less than a marketable parcel	1,457	10,126,932

Shareholders by Location

	No. of Holders	No. of Shares
Australian holders	3,818	931,173,191
Overseas holders	15	37,606,385
Total	3,833	968,779,576

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

ASX ADDITIONAL INFORMATION (CONTINUED)

RESTRICTED SECURITIES

Class	Terms	No.
Ordinary shares	Subject to escrow until 16 June 2017	218,654,678

SUBSTANTIAL SHAREHOLDERS AS AT 9 AUGUST 2016

	No. of Shares Held	% Held
1 Paul Frederick Norwood Ostergaard	166,548,681	17.19%

OPTION HOLDINGS

The Company has the following classes of options on issue at 9 August 2016 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
NOROP3	Unlisted Options Exercisable at \$0.25 expiring on or before 30 November 2016	4,000,000
NOROP5	Unlisted Options Exercisable at \$0.40 expiring on or before 8 October 2016	1,000,000
NOROP6	Unlisted Options Exercisable at \$0.25 expiring on or before 30 November 2016	1,000,000
NOROP7	Unlisted Options Exercisable at \$0.02 expiring on or before 9 June 2018	1,970,401
NOROP8	Unlisted Options Exercisable at \$0.02 expiring on or before 9 June 2018	15,000,000
NOROP9	Unlisted Options Exercisable at \$0.198 expiring on or before 27 November 2020	9,500,000
NOROP10	Unlisted Options Exercisable at \$0.297 expiring on or before 27 November 2020	9,500,000
NOROP11	Unlisted Options Exercisable at \$0.173 expiring on or before 27 November 2018	6,000,000
NOROP12	Unlisted Options Exercisable at \$0.107 expiring on or before 29 December 2018	2,000,000
NOROP13	Unlisted Options Exercisable at \$0.135 expiring on or before 27 November 2020	10,000,000
NOROP14	Unlisted Options Exercisable at \$0.02 expiring on or before 27 November 2018	25,336,111
NOROP15	Unlisted Options Exercisable at \$0.02 expiring on or before 27 November 2018	10,667,973
NOROP16	Unlisted Options Exercisable at \$0.055 expiring on or before 15 July 2018	33,333,333
NOROP17	Unlisted Options Exercisable at \$0.057 expiring on or before 2 August 2021	6,400,000
		135,707,818

Options Range	Unlisted Options	
	No. of Holders	No. of Options
1 - 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	7	540,476
100,001 and over	91	135,167,342
	98	135,707,818

The following Option holders hold more than 20% of a particular class of the Company's Unlisted Options.

Holder	Unlisted Options				
	NOROP3	NOROP5	NOROP6	NOROP7	NOROP8
Mr K Dart	1,000,000	-	-	-	-
Mr A Barblett	1,000,000	-	-	-	-
Mr J Hannaford	1,000,000	-	-	-	-
Mr S Cole	1,000,000	-	-	-	-
Vema Resources Pty Ltd	-	1,000,000	-	-	-
Mr. A Habets	-	-	1,000,000	-	-
Mr Russell Jones	-	-	-	1,138,674	-
Mr Steve Vonderhaar	-	-	-	831,727	-
Gold Resources Ltd	-	-	-	-	15,000,000

NORWOOD SYSTEMS LTD
ACN: 062 959 540

ASX ADDITIONAL INFORMATION (CONTINUED)

Holder	Unlisted Options				
	NOROP9	NOROP10	NOROP11	NOROP12	NOROP13
Mr Paul Ostergaard	9,500,000	-	-	-	-
Mr Paul Ostergaard	-	9,500,000	-	-	-
Mr Amit Pau	-	-	3,000,000	-	-
Mr Michael Edwards	-	-	3,000,000	-	-
Mr Giles Everist	-	-	-	2,000,000	-
Mr Steven Tot	-	-	-	-	5,000,000
Mr Nick Horton	-	-	-	-	5,000,000

Holder	NOROP14	NOROP15
Mr David Wilson	18,336,111	-
Mr Andrew Mason	-	9,167,973
Mr Terry Walsh	-	1,000,000

PERFORMANCE SHARE HOLDINGS

The Company has the following classes of performance shares on issue at 9 August 2016 as detailed below. Performance shares do not carry any rights to vote.

Class	Terms	No. of Perf Shares
NORPERFA Performance Shares	Class A Performance Shares with various conditions ¹	78,869,761
NORPERFB Performance Shares	Class B Performance Shares with various conditions ²	78,869,761
		157,739,522

(1) *Conversion and expiry of Norwood Class A Performance Shares:-
Upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period, each Norwood Class A Performance Share will convert into a Share on a one for one basis.*

The Class A Milestone must be achieved on or before 8 December 2017.

(2) *Conversion and expiry of Norwood Class B Performance Shares:-
Upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000 each Norwood Class B Performance Share will convert into a Share on a one for one basis.*

The Class B Milestone must be achieved on or before 8 June 2018.

Performance Shares Range	Performance Shares	
	No. of Holders	No. of Perf shares
1 - 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	3	376,930
100,001 and over	46	157,362,592
	49	157,739,522

The following Performance Shareholders hold more than 20% of a particular class of the Company's Performance Shares.

Holder	NORPERFA	NORPERFB
Paul Frederick Norwood Ostergaard	35,689,003	35,689,003

ASX ADDITIONAL INFORMATION (CONTINUED)

SCHEDULE OF MINING TENEMENTS

Burkina Faso

Name	Permit	Registered Holder
Bilakongo	2011-006	100% Monteray Mining Burkina
Kana	2009-270	100% Monteray Mining Burkina
Dobokuy	2011-005	100% Monteray Mining Burkina
Tigan	2012-072	100% Vema Resources