

ANNUAL REPORT **2010**  
NORWOOD ABBEY LIMITED

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A.C.N. 085 162 456

**NORWOOD ABBEY LIMITED**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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## NORWOOD ABBEY LIMITED

### CHAIRMAN'S REPORT

Dear Shareholder,

The latest year has continued to require considerable patience, as the Board and management worked to redress the precarious financial position and progress the restructure and reorganization of the company. There have been considerable achievements in project restructuring, debt reduction and attending to the fund-raising required to maintain the company. This work has all been designed to put the company in a position to progress the proposed transaction with Sino-Excel Energy Pte Ltd.

#### **FINANCIAL OVERVIEW**

The Norwood group recorded a consolidated loss of \$933,933 for the 2010 financial year. General annual operating costs of the Company have been reduced to the minimum necessary to maintain operations.

Funding has presented a major challenge for the Company during the year. Despite the company's circumstances, additional funding has been raised through convertible loans of \$850,000. Subsequent to balance date new convertible loans amounting to \$550,000 have been placed.

The funds raised have been applied to the further reduction of the Company's liabilities and to the ongoing costs of restructuring, operations and managing the Company's projects and investments.

#### **STRATEGY & ACTIONS**

As stated publicly, the Company has entered into a Binding Letter of Intent to acquire Sino-Excel Energy Pte Ltd, a Singaporean company with interests in coal trading in China. The Company has spent much of the year negotiating and progressing this arrangement and preparing the Company for the completion of the transaction. Subject to shareholder approval, the Company anticipates completing this transaction during the 2011 financial year. It is anticipated that the Board will address each existing technology and their respective arrangements on their merits post completion of the transaction.

During the past year, the Company has continued to work to maintain all of its medical projects in a cash neutral position. This process has involved extensive negotiation with existing partners/licensors and the time elapsing to completion of arrangements has been considerable.

The Company has again spent considerable energies in addressing its liabilities. Further inroads to outstanding liabilities have been made.

#### **ORGANISATIONAL STRUCTURE**

The company maintains the minimum infrastructure necessary to service a listed company. The Company is indebted to the remaining two staff members for their unwavering commitment and performance.

#### **CONCLUSION**

These have been extremely difficult times for the Company. With global financial markets in turmoil, the Company is pleased that it has been able to continue with its restructuring program and to raise the funds necessary to allow this.

The support and patience of shareholders is, as always, much appreciated. The Company will be working diligently to provide an improved outlook for shareholders in the coming year.

Kind Regards



Spencer Chan  
CHAIRMAN

## NORWOOD ABBEY LIMITED

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors are responsible for protecting the rights and interests of the Shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets. The Board's role is to govern the Company and not to manage it. It is the role of senior management to manage the Company in accordance with the strategic goals set by the Board and under its direction. The Board does not have a management function.

Norwood Abbey Limited supports the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council in December 2007.

The Board, in supporting these principles and recommendations of corporate governance is mindful of its size and composition and, in some cases, the Company seeks to meet the "spirit" of the principles without being in full compliance with those principles.

The Company has an Audit Committee and a Nomination and Remuneration Committee. The Directors consider that the Company is not of a size nor are its affairs of such a nature as to currently justify the formation of additional committees. The Board will form other committees should the need arises.

The Board as a whole, together with the appointed committee, is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards.

Detailed below are the Corporate Governance Principles and Recommendations and how the Company has complied or seeks to comply with them.

#### ***Principle One***

##### ***Lay solid foundations for management and oversight***

###### ***1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.***

The Board has adopted a formal charter setting out the obligations and responsibilities of the Board of Directors.

It is the responsibility of the senior executives of the Company to manage the affairs of the Company in accordance with the strategic goals set by the Board and under its direction. The Chief Operating Officer is primarily responsible for such management. His responsibilities include implementing and monitoring (together with the Board) the strategic and financial plans for the Company and being the primary channel of communication and point of contact between the executive management and the Board.

There is no current letter of appointment for the Chief Operating Officer who is employed on a month-to-month basis.

###### ***1.2 Companies should disclose the process for evaluating the performance of senior executives***

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the performance of the directors and other senior executives is reviewed against the objectives of the Company.

###### ***1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.***

The Board Charter is available to shareholders upon request.

## NORWOOD ABBEY LIMITED

### CORPORATE GOVERNANCE STATEMENT (cont'd)

#### **Principle Two**

##### **Structure the Board to Add Value**

2.1 *A majority of the board should be independent directors.*

The Company's Board at present consists entirely of independent directors. The Directors have been selected based upon a determination of the skills and experience considered necessary to achieve the objectives of the Company. Where deemed necessary the Company will seek additional Directors.

2.2 *The chair should be an independent director.*

Upon the resignation of Mr. Ronald Lewis from his position as Chairman and member of the Board of Directors, the Board elected Mr. Spencer Chan as Chairman to fill the vacancy. Mr. Chan is an independent, non-executive director of the Company whose diverse business experience is disclosed in the Directors' Report contained within the Annual Report.

2.3 *The roles of chair and chief executive officer should not be exercised by the same individual.*

Since the resignation of the Company's chief executive officer in September 2007, the company determined that it was not necessary for the time being to fill the position. As such the responsibilities have been incorporated into the company's chief operating officer, Mr. Jeffrey Bell, role and responsibilities.

2.4 *The Board should establish a nomination committee*

The Board, given its size and straight forward structure of the Company, does not consider the establishment of a separate nomination committee to be necessary or cost effective at this time. The obligations of the nomination committee have been assumed by the Remuneration Committee to form the Remuneration and Nomination Committee.

2.5 *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The performance of the Board and Senior executives is evaluated in accordance with recommendation 1.2 above.

2.6 *Companies should provide the information indicated in the Guide to Reporting on Principle 2.*

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

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at Norwood Abbey's expense, unless the Board determines otherwise.

The Directors stand for re-election by shareholders in accordance with the requirements of the constitution and the ASX Listing Rules (i.e on a 3 year rotational basis).

The other matters required to be reported upon under this requirement are set out above.

#### **Principle Three**

##### **Promote ethical and responsible decision-making**

3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code.*

The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. This philosophy is set out in the company's code of ethics.

## NORWOOD ABBEY LIMITED

### CORPORATE GOVERNANCE STATEMENT (cont'd)

- 3.2 *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of the policy.*

The Company has adopted a Securities Trading Policy which applies to directors, senior executives and other employees. The Policy is available upon request.

- 3.3 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

The Code of Conduct and Securities Trading Policy is available upon request.

#### **Principle Four Safeguard Integrity in Financial Reporting**

- 4.1 *The board should establish an audit committee*

The Board has established a separately constituted Audit Committee.

- 4.2 *The audit committee should be structured so that it:*

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not the chair of the board*
- *has at least 3 members*

The current audit committee comprises the full Board of the Company. As noted in point 2.1 the Company does have a majority of independent Directors.

All members are financially literate and have had extensive experience in the preparation and presentation of annual financial reports.

The Board has approved Mr. Wong's appointment as Chairman of the Committee.

As the composition of the Board changes over time, the Board will review the size and composition of its Audit Committee.

- 4.3 *The audit committee should have a formal charter*

The Board has adopted a formal charter for its Audit Committee.

- 4.4 *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

As noted above the full Board of the Company comprise the audit committee. The names of the Directors' in office at the date of this report and number of audit committee meetings attended by each are set out elsewhere in the Directors' report.

The audit partner is rotated as is statutorily required. The selection of the auditor is based upon experience, cost effectiveness and overall potential to provide pro-active assistance to the Company within the bounds of auditor independence.

The Charter of the Audit Committee is available on request.

## NORWOOD ABBEY LIMITED

### CORPORATE GOVERNANCE STATEMENT (cont'd)

#### **Principle Five**

##### **Make Timely and Balanced Disclosure**

5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Company has adopted a market disclosure and communications policy (Continuous Disclosure Policy). The Company Secretary is responsible for ensuring the Company's continuous disclosure obligations are met.

5.2 *Companies should provide the information indicated in the Guide to reporting on Principle 5.*

The Continuous Disclosure Policy can be viewed on the Company's website.

#### **Principle Six**

##### **Respect the rights of shareholders**

6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

As noted above in relation to recommendation 5.1, the Company has established a market disclosure and communications policy.

It has a website which provides shareholders with ready access to Company information and any ASX announcements such as:

- *Annual and Half-yearly financial reports*
- *Disclosure of quarterly cash flow statements*
- *Any announcements released to ASX.*

The Company invites the auditor to attend the Annual General Meeting of Shareholders.

The Chairman of the meeting will permit shareholders to ask questions about the preparation and conduct of the audit.

6.2 *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

The Continuous Disclosure Policy is available on request. .

#### **Principle Seven**

##### **Recognise and Manage Risk**

7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Although there is no stand alone risk management policy, the Company through its Board Charter and Audit Committee Charter has established policies to identify material financial and other business risks and for the review and management of those risks.

## NORWOOD ABBEY LIMITED

### CORPORATE GOVERNANCE STATEMENT (cont'd)

7.2 *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

The Board has charged management with the responsibility of designing and implementing an appropriate system of risk management and internal control.

Declarations as to effectiveness of this requirement are received a part of requirement 7.3 below.

7.3 *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The size and nature of the activities of the Company does not require the services of a Chief Financial Officer. The Chief Operating Officer and Company Secretary are required to make declarations to the Board in accordance with the requirements of section 295A of the Corporations Act.

7.4 *Companies should provide the information indicated in the Guide to reporting on Principle 7.*

Except that there is no stand alone risk management policy which can be publicly disclosed, the Company intends to comply with this recommendation.

#### **Principle Eight Remunerate Fairly and Responsibly**

8.1 *The board should establish a remuneration committee*

See comments in 2.4 above.

8.2 *Companies should clearly distinguish the structure of non – executive directors' remuneration from that of executive directors and senior executives.*

At this point of time the Board does not consider it necessary to adopt a formal remuneration policy for its Directors.

Senior executives of the subsidiary companies are paid in accordance with the experience and expertise they bring to their position. As a general rule Directors will be remunerated only by the payment of a fixed annual fee.

An explanation of the basis and quantum of Directors and Executives compensation is set out on pages 12 to 16.

8.3 *Companies should provide the information required in the Guide to reporting on Principle 8.*

Except to the extent that it relates to a separate remuneration committee, the Company considers it has met the this recommendation as required.

## NORWOOD ABBEY LIMITED

### DIRECTORS' REPORT

The directors of Norwood Abbey Limited submit herewith the annual financial report for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### **Directors**

The names and particulars of the directors of the company during or since the end of the financial year are:

<b>Name</b>	<b>Particulars</b>
Mr. S. Chan	Chairman, aged 62, joined the Board in 2009 in a non-executive capacity (appointed 29 September 2009).
Mr. R. Boman	Aged 42, joined the Board in 2009 in a non-executive capacity (appointed 4 November 2009).
Mr. L. Peng	Aged 30, joined the Board in 2009 in a non-executive capacity (appointed 29 September 2009).
Mr. C.H. Wong	Aged 63, joined the Board in 2010 in a non-executive capacity (appointed 22 November 2010).
Mr. R.S. Lewis	Aged 64, joined the Board in 1999 in a non-executive capacity until his resignation on 16 November 2010.
Mrs. E.H.S. Wyatt	Aged 64, joined the Board in 2004 in a non-executive capacity until her resignation on 29 September 2009.
Mr. R.W. Zahn	Aged 60, joined the Board in 2004 in a non-executive capacity until his resignation on 29 September 2009.

#### **Mr. S. Chan M.S.I.A.; B. Eng (Mech)**

*Appointed 29 September 2009, Non-Executive Chairman, Member of Remuneration and Nomination Committee and Audit Committee.*

Mr Spencer Chan Kum Ee, experienced marketing management executive who is currently Managing Consultant with SC Management Consulting Pte Ltd. Formerly vice-president and marketing director of Citibank's Global Consumer Banking in Singapore.

#### **Mr. L. Peng Msc. Fin.**

*Appointed 29 September 2009, Non-Executive, Member of Remuneration and Nomination Committee and Audit Committee.*

Mr. Peng was appointed as a Non-Executive Director on 29 September 2009. He was with Deutsche Morgan Grenfell Securities Ltd, dealing with the Equity Capital Markets in Singapore. Mr Peng extensive experience in investment banking and wealth management and has been appointed by several companies as external financial advisor, to provide strategic planning, financial structuring, listing structuring and fund raising services. Mr Peng also has considerable experience obtaining listings on the Singaporean and Hong Kong Exchanges on behalf of various Chinese companies.

Mr Peng holds a Masters degree in Finance from the National University of Ireland, Dublin; and a Diploma in Wealth Management from Wealth Management Institute of Singapore.

#### **Mr. R. Boman B.Bus. (Acc) B.Bus (Mmt)**

*Appointed 4 November 2009, Non-Executive, Member of Remuneration and Nomination Committee and Audit Committee.*

Mr. Boman is a private investor with a particular interest in the resources industry. Mr. Boman has previously held the position of Director, Proprietary Trading for ING Securities (Hong Kong) prior to which he was Divisional Director and Head of Trading – Equity Markets at Macquarie Bank Limited (Sydney).

## **NORWOOD ABBEY LIMITED**

### **DIRECTORS' REPORT** **(continued)**

#### **Mr. C.H. Wong FCCA ACMA**

*Appointed 22 November 2010, Non-Executive, Chairman of Audit Committee, Member of Remuneration and Nomination Committee.*

Mr. Wong gained in excess of 16 years' experience in senior finance, accounting and auditing positions with several multi-national companies in Singapore, including SGX-listed companies. Subsequently, Mr. Wong held senior management and director positions with several reputable financial institutions such as the Elders Finance Group (Australia), N.M. Rothschild & Sons and Deutsche Morgan Grenfell in Singapore.

#### **Mr. R.S. Lewis B.Ec. (Hons) - M. Admin**

*Resigned 16 November 2010, Non-Executive Chairman, Chairman of Audit Committee, Chairman of Remuneration and Nomination Committee.*

Mr. Lewis is one of the founding partners in Lewis Trende, corporate advisers. He has over thirty years' experience in strategic planning, financial structuring, project evaluation, business valuation and corporate due diligence. Mr. Lewis was previously founder and principal of Australian Business Management Group, which created a group of listed entities supporting innovative technologies and acted as Chairman of two of these listed entities. In addition to his business interests, Mr. Lewis was a lecturer in the MBA and undergraduate programs at Monash University for 14 years, specialising in corporate finance, mergers and takeovers and financial accounting.

#### **Mrs. E.H.S. Wyatt MBA BA Master of Education**

*Resigned 29 September 2009, Non-Executive, Member of Remuneration and Nomination Committee and Audit Committee.*

Mrs. Wyatt was employed by one of the world's most highly regarded and successful pharmaceutical companies, Merck and Co. Inc for twenty years. During the period between 1980 and 2000, Mrs. Wyatt held a number of senior roles and most recently was Vice President, Corporate Licensing. Since 2002 Mrs. Wyatt has been a Board member of MedImmune, Inc., ARIAD Pharmaceuticals, Inc. and Neose Technologies. Mrs. Wyatt is on the Board of Trustees of the Randolph-Macon College (Chair of Committee on Trustees; Past Chair, Nominating and Enrollment Committees; 1997 Presidential Selection Committee) and the Board of Trustees at Sweet Briar College.

#### *Directorships of other listed companies*

Mrs. Wyatt has served as a non-executive director for ARIAD Pharmaceuticals, Inc., since 2002 and Neose Technologies, Inc., since 2002.

#### **Mr. R.W. Zahn B.S. BA**

*Resigned 29 September 2009, Non-Executive, Member of Remuneration and Nomination Committee and Audit Committee.*

Mr. Zahn has more than thirty years of experience in the Biotechnology and Pharmaceutical industries. Previously, Mr. Zahn was President of Schering Laboratories, Director, Schering Corporation, and a Corporate Vice President of Schering-Plough Corporation. Prior to Schering-Plough, Mr. Zahn was with Johnson and Johnson (1973-1992) where he held a number of senior positions in sales and marketing and product development.

#### **Company Secretaries**

##### **Mr. J.H. Bell CA B.Bus.(Acc)**

Mr. Bell, aged 39, is the Chief Operating Officer and Company Secretary of Norwood Abbey Ltd. He is responsible for the financial and statutory obligations and daily operations of the Company and has twenty years experience advising on all aspects of business management and accounting; including statutory financial reporting.

##### **Mr. D.J. Semmens B.Bus.**

Appointed 4 February 2011, Mr Semmens aged 51, has significant experience in providing company secretarial, financial and corporate and other related services to organisations listed on ASX

## NORWOOD ABBEY LIMITED

### DIRECTORS' REPORT (continued)

#### Directors' Shareholdings

The following table sets out each director's relevant interest in shares and options of the company or a related body corporate as at the date of this report.

<i>Directors</i>	<i>Fully Paid Ordinary Shares</i>	<i>Options Over Fully Paid Ordinary Shares</i>
S. Chan (appointed 29 September 2009)	-	-
L. Peng (appointed 29 September 2009)	333,332	-
R. Boman (appointed 4 November 2009)	-	-
C.H. Wong (appointed 22 November 2010)	-	-
R.S. Lewis (resigned 16 November 2010)	4,630,000	4,000,000
E.H.S Wyatt (resigned 29 September 2009)	-	-
R.W. Zahn (resigned 29 September 2009)	400,000	-
	<u>5,363,332</u>	<u>4,000,000</u>

#### Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report.

#### Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, seventeen Board meetings, no remuneration and nomination committee meetings and two audit committee meetings were held.

<i>Directors</i>	<i>Board of Directors</i>		<i>Remuneration and Nomination Committee</i>		<i>Audit Committee</i>	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
S. Chan (appointed 29 September 2009)	20	13	-	-	-	-
L. Peng (appointed 29 September 2009)	20	13	-	-	-	-
R. Boman (appointed 4 November 2009)	20	10	-	-	-	-
R.S. Lewis (resigned 16 November 2010)	20	20	-	-	-	-
E.H.S Wyatt (resigned 29 September 2009)	20	7	-	-	-	-
R.W. Zahn (resigned 29 September 2009)	20	7	-	-	-	-

#### Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr. J.H. Bell, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

#### Principal Activities

The consolidated entity's principal activities in the course of the financial year were the development, commercialisation and marketing of medical technologies relating to drug delivery and other therapies. As disclosed elsewhere in this report, the consolidated entity has sought to reduce the cash impact of its medical technology projects in preparation for the completion of the transaction with Sino-Excel Energy Pte Ltd, a Singaporean company with interests in coal trading in China.

## **NORWOOD ABBEY LIMITED**

### **DIRECTORS' REPORT** **(continued)**

#### **Consolidated Operating Result**

The consolidated operating loss after income tax attributable to the members of the parent entity for the financial year ended 30 June 2010 was \$933,933 (2009: loss of \$1,147,772).

At each reporting date the audit committee reviews the carrying values of, amongst other items, its intellectual property and research and development assets as they relate to each of the consolidated entity's projects. The carrying values of these assets and their ability to be retained on the face of the balance sheet are reviewed with specific reference to the criteria established in the Australian Accounting Standards and Interpretations and other relevant laws and accounting pronouncements.

#### **Review of Operations**

##### **STRATEGY**

On 14 September 2009, Norwood Abbey Limited announced it had entered into a Letter of Intent ("LOI") with Sino-Excel Energy Pte Ltd ("Sino-Excel") and Henan DeBang Resources Development Co. Ltd ("DB") under which Norwood Abbey Limited will acquire a 100% interest in Sino-Excel. Sino-Excel owns 100% of DB. On completion of the transaction DB will hold management rights over an established and significant coal trading operation in Henan Province in the Peoples' Republic of China.

Under the terms of the LOI, the transaction will be satisfied by the issue of shares in Norwood to the shareholders in Sino-Excel, based on an agreed transaction price of \$0.017 per Norwood share. The indicative transaction value is \$60,000,000. All the conditions required to be met prior to completion of the transaction have been met by the parties and the Notice of Meeting is expected to be delivered to Norwood shareholders prior to the end of April 2011 with a meeting date for shareholder approval of the proposed transaction expected to be held in late May 2011.

The Company has again spent considerable energies in addressing its liabilities. Further inroads to outstanding liabilities have been made.

##### **PROJECTS**

In line with the Board's plan to minimise the company's ongoing costs pending the identification of new activities each of the company's projects costs have been maintained as close to cash neutral as possible.

#### **Changes in State of Affairs**

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

#### **Future Developments**

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

#### **Dividends**

No dividends were paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of its current or preceding financial years.

## NORWOOD ABBEY LIMITED

### DIRECTORS' REPORT (continued)

#### **Subsequent Events**

On 16 November 2010, Norwood Abbey Limited announced that Mr. Ronald Lewis had resigned as a director and Chairman of Norwood Abbey Limited for personal reasons. Subsequently, Mr. Spencer Chan was appointed as Chairman to fill the vacancy. On 22 November 2010, Mr. Chin Hong Wong was appointed as a director to Norwood Abbey Limited and accepted the role of Chairman of the Norwood Abbey Limited Audit Committee.

On 4 February 2011, Norwood Abbey Limited announced that Mr. David Semmens had been appointed as joint company secretary.

On 28 February 2011, the company entered into an agreement with Lettered Management Pty Ltd to extend the convertible note arrangements between the parties to 31 May 2011. In consideration for the extension Norwood Abbey has agreed to issue an additional 7,500,000 shares and alter the terms of the convertible notes such that on conversion of the notes the options to be granted will have an expiry date of 30 June 2014.

On 28 February 2011, the company issued convertible notes to Mr. Zhou, an investor based in Hong Kong, for \$960,900. These funds were used to immediately redeem notes issued to Marvel Earn Limited. On 1 March 2011, Mr Zhou converted these notes into 96,090,000 fully paid ordinary shares and 96,090,000 options over fully paid ordinary shares were granted with an exercise price of \$0.01 per share expiring 30 June 2014.

A commercial settlement deed has been reached with the former Norwood Abbey Limited Chairman Mr. Peter Hansen to extend the time for payment of the amounts owing to him under the terms of the settlement agreement originally entered into in September 2007 to 31 July 2011. Under the terms of the extended agreement, Norwood Abbey Limited is obligated to make cash payments totalling \$676,519 for various employee entitlements, reimbursement of expenses and separation payments. Norwood Abbey Limited must also issue a further 10,000,000 fully paid ordinary shares at \$0.01 per share.

#### **Share Options**

##### Share Options Granted

During and since the end of the financial year no ordinary shares were issued to directors of the company as a result of the exercise of options held by directors. No shares were issued during or since the end of the financial year as a result of the exercise of options.

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Norwood Abbey Limited	4,000,000	Ordinary	\$0.09	20 May, 2011
Norwood Abbey Limited	7,866,667	Ordinary	\$0.025	30 June, 2011
Norwood Abbey Limited	5,000,000	Ordinary	\$0.015	30 June, 2014
Norwood Abbey Limited	96,090,000	Ordinary	\$0.01	30 June 2014

#### **Non-audit services**

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

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor, and
- The nature of the services provided do not compromise the general principles relating to auditor independence, as set out by the Institute of Chartered Accountants in Australia.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 23 to the financial statements.

#### **Auditor's Independence Declaration**

The auditor's independence declaration is included on page 16 of the financial report.

# NORWOOD ABBEY LIMITED

## DIRECTORS' REPORT (continued)

### Remuneration report

The remuneration report, which forms part of the directors' report, sets out information about the remuneration of Norwood Abbey Limited's directors and senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts

### Directors and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr. S. Chan (appointed 29 September 2009)  
Mr. L. Peng (appointed 29 September 2009)  
Mr. R. Boman (appointed 4 November 2009)  
Mr C.H. Wong (appointed 22 November 2010)  
Mr. R.S. Lewis (resigned 16 November 2010)  
Mrs. E.H.S. Wyatt (resigned 29 September 2009)  
Mr. R.W. Zahn (resigned 29 September 2009)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr. J.H. Bell.

### Remuneration Policy and relationship to company performance

Remuneration is assessed for directors and senior executives with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. The appropriateness and nature of emoluments is assessed by reference to employment market conditions. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Norwood Abbey Limited, however, during the financial year and up to the date of this report, directors and senior executive annual remuneration have no variable elements that are directly linked to company performance. The remuneration committee has approved the implementation of incentive based remuneration for all staff including senior executives which will require each member of staff to be reviewed with regard to individual and corporate objectives. Any increases in executive compensation will correlate with achievement of individual and corporate objectives. The remuneration committee has not dictated what form the incentives for each member of staff will take. During the financial year and up to the date of this report no payments had been made to executives based on performance criteria, nor were there any entitlements thereto.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2010:

	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
Revenue	12,919	1,061,839	187,455	563,521	1,360,217
Loss before tax	(933,933)	(1,147,772)	(6,361,857)	(21,687,877)	(23,727,304)
Loss after tax	(933,933)	(1,147,772)	(6,361,857)	(21,687,877)	(23,727,304)
	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
Share price at start of year	\$0.006	\$0.017	\$0.072	\$0.22	\$0.34
Share price at end of year	\$0.006	\$0.006	\$0.017	\$0.072	\$0.22
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(0.23)	(0.32)	(2.17)	(10.95)	(12.05)
Diluted earnings per share	(0.23)	(0.32)	(2.17)	(10.95)	(12.05)

**NORWOOD ABBEY LIMITED**

**DIRECTORS' REPORT**

**(continued)**

The following table discloses the compensation of the key management personnel:

2010	Position	Short term employee benefits			Post employment benefits			Other long term employee benefits	Termination benefits	Equity Options	Other benefits	Total
		Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other					
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
R.S. Lewis	Non-executive Chairman (resigned)	189,702	-	-	-	-	-	-	-	-	-	189,702
S. Chan	Non-executive director	25,000	-	-	-	-	-	-	-	-	-	25,000
L. Peng	Non-executive director	25,000	-	-	-	-	-	-	-	-	-	25,000
R. Boman	Non-executive director	25,000	-	-	-	-	-	-	-	-	-	25,000
E.H.S. Wyatt	Non-executive director (resigned)	1	-	-	-	-	-	-	-	-	-	1
R.W. Zahn	Non-executive director (resigned)	46,710	-	-	-	-	-	-	-	-	-	46,710
J.H. Bell	Chief Operating Officer and Company Secretary	196,499	-	-	16,200	-	-	4,321	-	-	-	217,020
<b>Total</b>		<b>507,912</b>	<b>-</b>	<b>-</b>	<b>16,200</b>	<b>-</b>	<b>-</b>	<b>4,321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528,433</b>

**NORWOOD ABBEY LIMITED**

**DIRECTORS' REPORT**

**(continued)**

The following table discloses the compensation of the key management personnel:

2009	Position	Short term employee benefits			Post employment benefits			Other long term employee benefits	Termination benefits	Equity Options	Other benefits	Total
		Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other					
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
R.S. Lewis	Non-executive Chairman	210,760	-	-	-	-	-	-	-	-	-	210,760
E.H.S. Wyatt	Non-executive director	1	-	-	-	-	-	-	-	-	-	1
R.W. Zahn	Non-executive director	49,702	-	-	-	-	-	-	-	-	-	49,702
J.H. Bell (i)	Chief Operating Officer and Company Secretary	215,406	-	-	16,200	-	-	3,907	-	-	-	235,513
Total		475,869	-	-	16,200	-	-	3,907	-	-	-	495,976

- (i) Under the terms of a revised employment agreement Mr. Bell relocated to the USA for a period of 3 years beginning September 2005. In consideration for cost of living adjustments, and having taken advice from independent consultants, Mr Bell's salary was paid in US dollars during the period of relocation. From 30 September 2008, Mr. Bell's revised employment contract expired and a revised month-to-month arrangement was agreed. Mr. Bell's base remuneration was reduced from US\$270,000 (AUD equivalent \$328,843) to AUD\$180,000.

## **NORWOOD ABBEY LIMITED**

### **DIRECTORS' REPORT**

**(continued)**

#### **Remuneration Report (cont'd)**

##### **Employee share option plan**

The company has an ownership-based remuneration scheme for employees. In accordance with the provisions of the scheme, as approved by shareholders in general meeting, all eligible employees are entitled to participate in the scheme.

All employees and executives are eligible to participate in the scheme while they remain employed by the company. Upon becoming ineligible, participants have thirty days to exercise any vested options after which any unexercised or unvested options will be cancelled by the plan administrators. Where an employee becomes ineligible to participate in the scheme any options that have not vested to the employee at that date will be cancelled by the company. Options that have vested to an employee but remain unexercised will be cancelled 30 days from the date of ineligibility.

During the financial year, there were no share-based payment arrangements in existence.

During the year there were no grants of share-based payment compensation to directors or senior management.

During the year the directors and senior management did not exercise any options that were granted to them as part of their compensation.

##### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and senior Executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team.

##### **Remuneration Structure**

In accordance with best practice corporate governance, the remuneration structure for non-executive directors and senior management are separate and distinct.

##### **Non-executive director remuneration**

The Constitution of the Company and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on the 27 November, 2003 when the shareholders approved an aggregate remuneration of \$500,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is appropriate amongst directors is reviewed periodically.

Each non-executive director is entitled to receive a fee for being a director of the company. An additional fee is also paid for each board committee on which a director sits and for each Committee Chairperson the director is appointed. The payment of additional fees for serving on a committee recognises the additional time commitment required by non-executive directors who serve on one or more sub committees.

**NORWOOD ABBEY LIMITED**

**DIRECTORS' REPORT**  
**(continued)**

**Remuneration Report (cont'd)**

**Executive and senior executive remuneration**

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the senior Executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as the use of motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

All Executives have the opportunity to qualify for participation in the Employee Share Option Plan after achieving a qualifying service period.

**Employment Contracts**

It is Remuneration Committee policy that employment agreements are entered into with each of the Executives. It is also policy that contracts for service between the Company and the executives are for undefined lengths with a notice period of a minimum of one month. Salary packages are reviewed on a periodic basis and set with reference to employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

There are no specific bonus provisions included in the executives contracts and no bonuses have been paid to executives listed above during the year ended 30 June 2010.

The directors' report is signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors



.....  
Mr. S. Chan  
Singapore  
14 April 2011

The Board of Directors  
Norwood Abbey Limited  
c/- Level 23  
525 Collins Street  
Melbourne VIC 3000

14 April 2011

Dear Board Members

### **Norwood Abbey Limited**

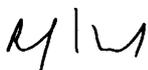
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Norwood Abbey Limited.

As lead audit partner for the audit of the financial statements of Norwood Abbey Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU



**Rod Whitehead**  
Partner  
Chartered Accountant

## Independent Auditor's Report to the Members of Norwood Abbey Limited

### Report on the Financial Report

We have audited the accompanying financial report of Norwood Abbey Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, 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 as set out on pages 19 to 48.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Norwood Abbey Limited 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$933,933 during the year ended 30 June 2010 and, as of that date, the consolidated entity's liabilities exceeded its total assets by \$2,021,293. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company and the consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

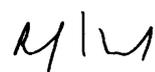
### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2010. 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.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Norwood Abbey Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU



Rod Whitehead  
Partner  
Chartered Accountants  
Hobart, 14 April 2011

**NORWOOD ABBEY LIMITED**

**DIRECTORS' DECLARATION**

The directors declare that:

- a) in the directors' opinion, on the basis of the matter referred to in note 2, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the director's opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- d) the directors' have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the directors



.....  
Mr. S. Chan  
Singapore  
14 April 2011

**NORWOOD ABBEY LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
<b>Continuing operations</b>			
Revenue from the sale of goods	3	12,919	72,172
Cost of sales	5	(405)	(154,276)
Gross profit/(loss)		12,514	(82,104)
Other revenue	3	-	989,667
Other income/(expense)	5	56,711	1,291,875
Distribution expenses		(1,040)	(55,704)
Marketing expenses		(22,305)	(38,562)
Occupancy expenses		(13,042)	(38,110)
Administration expenses		(938,195)	(1,574,608)
Finance costs	4	(11,764)	(57,137)
Impairment of investments available for sale		-	(1,583,089)
Other expenses		(16,812)	-
<b>Loss before income tax expense</b>		(933,933)	(1,147,772)
Income tax expense	6	-	-
<b>Loss for the period from continuing operations</b>		(933,933)	(1,147,772)
Discontinued operations			
Loss for the year from discontinued operations		-	-
<b>Loss for the year</b>		(933,933)	(1,147,772)
Other Comprehensive income		-	-
<b>Total comprehensive income for the year</b>		(933,933)	(1,147,772)
Attributable to:			
Equity holders of the parent		(933,933)	(1,147,772)
Minority interest		-	-
		(933,933)	(1,147,772)
<b>Loss per share</b>			
From continuing and discontinued operations:			
Basic and diluted (cents per share)	14	(0.23)	(0.32)
From continuing operations:			
Basic and diluted (cents per share)	14	(0.23)	(0.32)

*Notes to the financial statements are included on pages 24 to 48.*

**NORWOOD ABBEY LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2010**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	18(a)	26,287	397,911
Trade and other receivables	7	74,903	16,527
<b>TOTAL CURRENT ASSETS</b>		<b>101,190</b>	<b>414,438</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	695,439	695,455
<b>TOTAL NON-CURRENT ASSETS</b>		<b>695,439</b>	<b>695,455</b>
<b>TOTAL ASSETS</b>		<b>796,629</b>	<b>1,109,893</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,355,974	1,890,500
Borrowings	11	1,390,033	525,000
Provisions	12	71,915	43,539
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,817,922</b>	<b>2,459,039</b>
<b>TOTAL LIABILITIES</b>		<b>2,817,922</b>	<b>2,459,039</b>
<b>NET (LIABILITIES)/ASSETS</b>		<b>(2,021,293)</b>	<b>(1,349,147)</b>
<b>EQUITY</b>			
Issued capital	13	106,729,488	106,467,701
Accumulated losses		(112,438,489)	(111,504,556)
Reserves		3,687,708	3,687,708
<b>TOTAL (DEFICIENCY)/EQUITY</b>		<b>(2,021,293)</b>	<b>(1,349,147)</b>

*Notes to the financial statements are included on pages 24 to 48.*

**NORWOOD ABBEY LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED Year Ended 30 June 2010				CONSOLIDATED Year Ended 30 June 2009			
	Issued capital \$	Accumulated losses \$	Equity settled- benefits reserves \$	Total \$	Issued capital \$	Accumulated losses \$	Equity settled- benefits reserves \$	Total \$
Opening balance	106,467,701	(111,504,556)	3,687,708	(1,349,147)	106,097,701	(110,356,783)	3,687,708	(571,374)
Loss for the period	-	(933,933)	-	(933,933)	-	(1,147,773)	-	(1,147,773)
Total recognised income/(expense)	-	(933,933)	-	(933,933)	-	(1,147,773)	-	(1,147,773)
Issue of shares	261,787	-	-	261,787	370,000	-	-	370,000
Closing balance	106,729,488	(112,438,489)	3,687,708	(2,021,293)	106,467,701	(111,504,556)	3,687,708	(1,349,147)

*Notes to the financial statements are included on pages 24 to 48.*

**NORWOOD ABBEY LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,919	46,802
Payments to suppliers and employees		(1,086,067)	(1,241,512)
Interest received		-	697
Dividends received		-	988,970
Interest paid		(3,476)	(9,302)
Other revenue		-	-
		<hr/>	<hr/>
Net cash used in operating activities	18(b)	(1,076,624)	(214,345)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		-	-
		<hr/>	<hr/>
Net cash provided/(used in) investing activities		-	-
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		850,000	552,000
Repayment of notes		(145,000)	(70,000)
Repayment of borrowings		-	(102,226)
Proceeds from issue of shares		-	70,000
		<hr/>	<hr/>
Net cash (used in)/provided by financing activities		705,000	449,774
		<hr/>	<hr/>
<b>Net (decrease) in cash and cash equivalents</b>		(371,624)	235,431
Cash and cash equivalents at the beginning of the financial year		397,911	162,480
Effects of exchange rates on the balance of cash held in foreign currencies		-	-
		<hr/>	<hr/>
<b>Cash at the end of the financial year</b>	18(a)	<u>26,287</u>	<u>397,911</u>

*Notes to the financial statements are included on pages 24 to 48.*

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 1. **GENERAL INFORMATION**

Norwood Abbey Limited (the company) is a listed public company, incorporated in Australia and operating in Australia.

Norwood Abbey Limited's registered office and its principal place of business are as follows:

##### **Registered office**

c/- Minter Ellison  
Rialto Towers  
Level 23  
525 Collins Street  
MELBOURNE VIC 3000

##### **Principal place of business**

c/- Minter Ellison  
Rialto Towers  
Level 23  
525 Collins Street  
MELBOURNE VIC 3000

#### 2. **SUMMARY OF ACCOUNTING POLICIES**

##### **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include the Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the directors on 14 April 2011.

##### **Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise stated.

##### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### **Adoption of new and revised Accounting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### Standards and Interpretations issued not yet effective

At the date of the authorisation of the financial report, a number of Standards and Interpretations are in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
• AASB 1048 Interpretation of Standards (June 2010)	30 June 2010	30 June 2011
• AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2010	30 June 2011
• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	1 January 2010	30 June 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights issues	1 February 2010 1 July 2010	30 June 2011 30 June 2011
• AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
• AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### **Going concern basis**

As at 30 June 2010 the consolidated entity had accumulated losses of \$112,438,489 and incurred negative cash flows from operations of \$1,076,624, and had a deficiency of assets of \$2,021,293.

Whilst the consolidated entity and company do not have sufficient cash resources to fund their current level of activities for at least the next 12 months, and there are uncertainties as to the exact timing and form of additional fund raising, the directors have a reasonable expectation that they can raise additional cash resources during the period for this purpose. These financial statements have therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe the going concern basis of preparation to be appropriate given the following reasons:

During the 2010 financial year, the company raised an aggregate of \$850,000 through a series of convertible notes additional to those issued during the previous financial year with an aggregate face value of \$525,000 at 30 June 2009. During the 2010 financial year, the company repaid \$145,000 of notes that were outstanding at 30 June 2009. Since the end of the financial year, the company has also raised an additional \$1,510,900 through a series of additional convertible notes, repaid convertibles notes totalling \$950,000 plus accrued interest thereon, and converted notes totalling \$960,900 into equity.

On 14 September 2009, Norwood Abbey Limited announced it had entered into a Letter of Intent ("LOI") with Sino-Excel Energy Pte Ltd ("Sino-Excel") and Henan DeBang Resources Development Co. Ltd ("DB") under which Norwood Abbey Limited will acquire a 100% interest in Sino-Excel. Sino-Excel owns 100% of DB. On completion of the transaction, DB will hold management rights over an established and significant coal trading operation in Henan Province in the Peoples' Republic of China.

Under the terms of the LOI, the transaction will be satisfied by the issue of shares in Norwood to the shareholders in Sino-Excel, based on an agreed transaction price of \$0.017 per Norwood share. The indicative transaction value is \$60,000,000. All the conditions required to be met prior to completion of the transaction have been met by the parties and the Notice of Meeting is expected to be delivered to Norwood shareholders prior to the end of April 2011 with a meeting date for shareholder approval of the proposed transaction expected to be held in late May 2011.

Subject to completion of the transaction with Sino-Excel a proposed substantial fundraising to raise a minimum of \$2,500,000 will be completed to recapitalise the company and provide funding for ongoing working capital and expansion of the Sino-Excel coal trading businesses. This fundraising is expected to be completed contemporaneously with the Sino-Excel transaction.

In the event that the consolidated entity and the company are unable to raise sufficient funds as set out above or complete the proposed transaction with Sino-Excel, there is significant uncertainty whether the consolidated entity and company could continue as going concerns. If the consolidated entity and company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### **Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

##### **a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the company (its subsidiaries) referred to as 'the Group' in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

##### **b) Borrowings**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **c) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### d) **Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

##### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

##### e) **Financial assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity accounting method in the consolidated financial statements and the cost method in the company financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 8. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Any subsequent increase in fair value after impairment loss of available-for-sale equity instruments is recognised directly in equity.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### f) **Financial instruments issued by the company**

###### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

###### Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

###### Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

###### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

###### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments. Interest is accrued at the effective interest rate on the carrying value of the debt.

##### g) **Foreign currency**

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Norwood Abbey Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

###### Foreign operations

Foreign operations are not considered to be self-sustaining and as such the Australian dollar is considered to be the functional currency of the foreign operations. On consolidation, the monetary assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date and non-monetary assets and liabilities are translated at historic rates prevailing at of acquisition. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the profit and loss statement.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### h) **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

##### i) **Impairment of assets – other than Goodwill**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### j) **Income tax**

###### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

###### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

###### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

##### k) **Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

###### Restructuring

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

###### Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

##### l) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

##### Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

##### Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

##### Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

##### m) **Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled share based payments.

Equity settled share based payment transactions with other parties are measured at fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

#### 3. REVENUE

##### **Continuing operations**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Revenue from sale of goods	12,919	72,172
Interest revenue	-	697
Dividends received	-	988,970
	<u>12,919</u>	<u>1,061,839</u>

#### 4. FINANCE COSTS

Interest on obligations under finance lease	-	(4,970)
Interest on bank overdrafts and loans	-	(4,333)
Interest on convertible notes	(11,764)	(47,834)
	<u>(11,764)</u>	<u>(57,137)</u>

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

CONSOLIDATED	
2010	2009
\$	\$

**5. LOSS FOR THE YEAR**

**(a) Gains and losses**

Loss for the year has been arrived at after crediting/charging the following gains and losses:

Gain on creditor settlements	-	986,406
Gain on investment in subsidiary	-	435,011
Gain on sale of property, plant & equipment	2,600	-
Net foreign exchange gains/(losses)	54,111	(129,542)
	56,711	1,291,875

**(b) Other expenses**

Loss for the year includes the following expenses:

Cost of sales	(405)	(154,276)
Depreciation of non-current assets:		
- Plant and equipment	-	-
- Leased assets	-	-
	-	-
Operating lease rental expenses		
- Minimum lease payments	-	(3,541)
Employee benefits expense:		
- Post employment benefits:		
Defined contribution plans	(21,862)	1,538
	(21,862)	1,538
- Termination benefits	-	-
- Other employee benefits	(439,963)	(501,341)
	(461,825)	(499,803)

**6. INCOME TAXES**

- (a) **The prima facie expense/(benefit) on pre tax accounting loss from operations is reconciled to the income tax expense in the financial statements as follows:**

Prima facie tax benefit on loss from ordinary activities at 30% (2009: 30%)	(280,180)	(344,332)
Add tax effect of:		
- Temporary difference and losses not recognised	245,894	296,322
- Non deductible expenses	34,286	48,010
	280,180	344,332
	-	-

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b><u>CONSOLIDATED</u></b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>6. <u>INCOME TAXES CONT'D</u></b>		
<b>(b) Recognised deferred taxes net of recognised losses:</b>		
Deferred tax liabilities attributable to investment in associates	-	-
Tax losses recognised as an offset	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
<b>(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility occur:</b>		
- temporary differences	15,768,640	15,778,131
- tax losses:		
- operating losses (i)	19,132,412	18,877,027
- capital losses	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/>	<hr/>

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>7. <u>CURRENT TRADE AND OTHER RECEIVABLES</u></b>		
Trade receivables (i)	234,793	260,883
Allowance for doubtful debts	(234,793)	(246,639)
	-	14,244
Goods and services tax (GST) recoverable	1,912	1,912
Other receivables	72,991	371
	74,903	16,527

- (i) The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivable balances. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods where the receivable exceeds 120 days, determined by reference to past default experience. The Group does not use any external scoring systems to determine the credit quality of new customers. Instead new customers are required to pay for goods prior to delivery of their goods. Subsequent transactions with new customers are assessed on a case-by-case basis as to credit limits. There are no other receivables that represent more than 5% of the total balance of trade receivables.
- Included in the Group's trade receivables balance are debtors with a carrying value of \$nil (2009:\$14,244) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables in 2009 was 365 days.

Ageing of past due but not impaired

0 – 120 days	-	14,244
Greater than 120 days	-	-
Total	-	14,244

Movement in the allowance for doubtful debts

Balance at the beginning of the year	246,639	205,819
Impairment losses/(reversals) recognised on receivables	(11,846)	41,000
Balance at the end of the year	234,793	246,639

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>8. <u>OTHER FINANCIAL ASSETS</u></b>		
Investments carried at cost:		
<u>Non-current</u>		
Shares and options	5,697	5,697
Investments in associates	-	-
	5,697	5,697
Available-for-sale investments carried at cost (2009, fair value)(i):		
<u>Non-current</u>		
Shares	689,742	689,758
	695,439	695,455

- (i) As at 30 June 2010, the shares in Norwood Immunology are recognised at cost as they are no longer traded in an actively quoted market, and there is no suitable basis for determining the fair value of the shares. As at 30 June 2009, the shares were recorded as an available for sale financial asset in accordance with AASB 139 “Financial Instruments: Recognition and Measurement” and were valued at the market bid price with changes in fair value recorded in the income statement.

**9. ASSETS PLEDGED AS SECURITY**

At 30 June 2010, the carrying value of liabilities for which assets have been pledged as security was \$380,000 (2009: 525,000). At 30 June 2010, in accordance with the security arrangements of liabilities, as disclosed in note 11 to the financial statements, certain financial assets of the company were pledged as collateral for those liabilities. At 30 June 2010 the carrying value of the assets pledged as security was \$689,742.

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>10. <u>CURRENT TRADE AND OTHER PAYABLES</u></b>		
Trade payables	659,985	1,217,916
Accrued payables	695,989	672,584
	1,355,974	1,890,500

Terms of payment for trade payables range from 15 days to 45 days from the date of invoice, however, due to cash flow difficulties encountered during this and previous financial years, as referred to in note 2, these payment terms have from time-to-time extended well in excess of 120 days from the date of invoice.

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b><u>CONSOLIDATED</u></b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>11. <u>CURRENT BORROWINGS</u></b>		
<b><i>Secured:</i></b>		
At amortised cost		
Notes payable (i)	1,390,033	525,000
	<hr/>	<hr/>
(i) During the 2010 financial year the company raised \$850,000 (2009:\$525,000) through the issue of 12 month convertible notes and converted an additional \$151,745 of trade payables and potential claims into convertible notes. The notes were issued with an interest rate of 10% per annum. The notes are convertible at \$0.01 per share. Of these notes \$380,000 was secured, as disclosed in note 9, by the pledge of certain non current financial assets of the company. The carrying value of these assets was \$689,742.		
<b>12. <u>CURRENT PROVISIONS</u></b>		
Employee benefits	71,915	43,539
	<hr/>	<hr/>

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>13. <u>ISSUED CAPITAL</u></b>		
<b><i>Fully paid ordinary shares</i></b>		
445,422,401 fully paid ordinary shares (2009: 374,529,319)	106,729,488	106,467,701

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	<b>CONSOLIDATED</b>		<b>CONSOLIDATED</b>	
	<b>2010</b>		<b>2009</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b><u>Fully Paid Ordinary Shares</u></b>				
Balance at beginning of financial year	374,529,319	106,467,701	374,529,319	106,467,701
Shares issued				
- cash	-	-	-	-
- non-cash	70,893,082	261,787	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	445,422,401	106,729,488	374,529,319	106,467,701

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Share Options**

Details of key management personnel holdings are contained in note 22(c) to the financial statements.

**Dividends**

No dividends were declared or paid in respect of the year ended 30 June 2010 (2009: nil).

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**14. LOSS PER SHARE**

	2010 Cents per share	2009 Cents per share
Basic and diluted earnings per share from continuing operations	(0.23)	(0.32)
Basic and diluted earnings per share from discontinued operations	-	-
Basic and diluted earnings per share	(0.23)	(0.32)

	2010 No.	2009 No.
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share and diluted earnings per share.	400,396,813	360,134,798

All options on issue during the year are considered potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share.

All options on issue during the year are considered potential ordinary shares for the purposes of calculating diluted earnings per share. Potential ordinary shares that are not dilutive are excluded from the calculation of weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

	2010 \$	2009 \$
Earnings used in the calculation of basic earnings per share and diluted earnings per share reconciles to the net profit in the income statement as follows:		
Net loss	933,933	1,147,772
Net loss used in the calculation of basic earnings per share and diluted earnings per share	933,933	1,147,772
Adjustments to exclude profit for the period from discontinued operations	-	-
	933,933	1,147,772

	2010 No.	2009 No.
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
Options – Ordinary shares	53,866,667	60,964,679

## **NORWOOD ABBEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

#### **15. SUBSEQUENT EVENTS**

On 16 November 2010, Norwood Abbey Limited announced that Mr. Ronald Lewis had resigned as a director and Chairman of Norwood Abbey Limited for personal reasons. Subsequently, Mr. Spencer Chan was appointed as Chairman to fill the vacancy. On 22 November 2010, Mr. Chin Hong Wong was appointed as a director to Norwood Abbey Limited and accepted the role of Chairman of the Norwood Abbey Limited Audit Committee.

On 4 February 2011, Norwood Abbey Limited announced that Mr. David Semmens had been appointed as joint company secretary.

On 28 February 2011, the company entered into an agreement with Lettered Management Pty Ltd to extend the convertible note arrangements between the parties to 31 May 2011. In consideration for the extension Norwood Abbey has agreed to issue an additional 7,500,000 shares and alter the terms of the convertible notes such that on conversion of the notes the options to be granted will have an expiry date of 30 June 2014.

On 28 February 2011, the company issued convertible notes to Mr. Zhou, an investor based in Hong Kong, for \$960,900. These funds were used to immediately redeem notes issued to Marvel Earn Limited. On 1 March 2011, Mr Zhou converted these notes into 96,090,000 fully paid ordinary shares and 96,090,000 options over fully paid ordinary shares were granted with an exercise price of \$0.01 per share expiring 30 June 2014.

A commercial settlement deed has been reached with the former Norwood Abbey Limited Chairman Mr. Peter Hansen to extend the time for payment of the amounts owing to him under the terms of the settlement agreement originally entered into in September 2007 to 31 July 2011. Under the terms of the extended agreement, Norwood Abbey Limited is obligated to make cash payments totalling \$676,519 for various employee entitlements, reimbursement of expenses and separation payments. Norwood Abbey Limited must also issue a further 10,000,000 fully paid ordinary shares at \$0.01 per share.

#### **16. CONTINGENT LIABILITIES**

##### Royalties:

(a) During 1994, Electrospect, Inc. ("Electrospect") (formerly Transmedica International, Inc. which was acquired by the company on 23 December 1999) paid a licensing fee to Massachusetts General Hospital for a patent rights license agreement. Under the terms of the agreement, Electrospect, Inc. will be required to pay additional royalties on products sold which are covered by the patent right. Such royalties are to be computed at 5% of the net sales price in the case of products subject to exclusive licence and 2.5% for products non-exclusively licensed and 1% of the net sales price in the case of certain other products. The directors consider that no royalties are due and payable as at 30 June 2010.

(b) On 14 June 2000, Norwood Abbey Limited entered into an agreement with University of Arkansas Medical Services ("UAMS") to amend the royalty agreement between Electrospect, Inc. and UAMS dated 19 December 1994. This agreement provides for a maximum royalty at the rate of 2.5% of the net sales of devices manufactured for the withdrawal of blood or the delivery of local topical anaesthesia using a laser device (capped at \$1,000,000 per annum). If a royalty is payable to a third party then the 2.5% rate shall be reduced by the percentage royalty payable to such a third party except that the royalty rate payable to UAMS shall never be less than 1.0%. The directors consider that no royalties are due and payable as at 30 June 2010.

(c) Other royalty obligations are considered not to be material on the basis that such obligations will either have expired prior to the first commercial sale, are capped at amounts which are not material or are predicated upon sales through particular distribution channels in respect of which Norwood Abbey Ltd has no obligation to sell.

#### **17. SEGMENT INFORMATION**

Norwood Abbey Limited reports only one reportable segment being sales under AASB 8 "Operating Segments".

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>18. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>(a) Reconciliation of cash</b>		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash	26,287	397,911
<b>(b) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities</b>		
Loss from ordinary activities after related income tax	(933,933)	(1,147,772)
Depreciation and amortisation of non-current assets	-	-
Unrealised foreign exchange loss/(gain)	(63,570)	178,966
Interest	8,288	51,288
(Gain)/Loss on disposal of non-current assets	-	(435,011)
Creditor recoveries	-	(986,406)
Impairment of investments	-	1,583,089
Changes in net assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in current receivables	(57,938)	67,112
(Increase)/decrease in current prepayments	(449)	3,693
Increase/(decrease) in current payables	(57,398)	658,890
Increase/(decrease) in provisions	28,376	(188,194)
Net cash used in operating activities	(1,076,624)	(214,345)
<b>(c) Finance facilities</b>		
Lease finance facility, reviewed annually		
- amount used	-	-
- amount unused	-	-
Equity line facility		
- amount used	-	-
- amount unused	-	-
	-	-

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 19. SUBSIDIARIES

Name of Entity	Country Of Incorporation	Ownership Interest	
		2010 %	2009 %
<b>Parent Entity</b> Norwood Abbey Limited	Australia		
<b>Subsidiaries</b> Norwood Immunology, Inc.	U.S.A.	100	100
Norwood Devices Pty Ltd <i>Controlled Entity</i>	Australia	70	70
Norwood EyeCare Pty Ltd	Australia	95	95
Norwood Abbey, Inc.	U.S.A.	100	100
Eliza, Inc.	U.S.A.	100	100
Electrospect, Inc.	U.S.A.	100	100
Sightrate B.V.	Netherlands	100	100
Spectral BioSystems, Inc.	U.S.A.	100	100
Norwood Lasers U.K.	U.K.	100	100

#### 20. FINANCIAL INSTRUMENTS

##### a) **Significant Accounting Policies**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

##### b) **Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Group has adopted the policy of only dealing with creditworthy counterparties. New counterparties are required to remit cleared funds to the company in advance of committing to transactions as a means of mitigating the risk of financial loss from default. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

##### c) **Capital risk management**

The Group maintains its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 11, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital as disclosed in note 13, and reserves and accumulated losses as disclosed in the Statement of Changes in Equity.

Operating cash flows are used to maintain and expand the Group's assets as well as to make routine outflows. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 20. FINANCIAL INSTRUMENTS (cont'd)

##### d) **Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 20(e)). The Group holds certain foreign currency denominated monetary assets to mitigate the effects of foreign currency fluctuations.

There has been no change to the Group's exposure to market risks or the manner in which it manages the risk from the previous period.

##### e) **Foreign currency risk management**

Since a proportion of the company and consolidated entity's operating expenditure is incurred in US dollars, the company and consolidated entity are vulnerable to exchange rate fluctuations between the US dollar and the Australian dollar. The company and the consolidated entity currently do not hedge against this exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	2010	2009	2010	2009
	\$	\$	\$	\$
US dollars	-	-	1,084	933
Other currency	-	-	-	3,170

##### **Foreign currency sensitivity analysis**

The Group is mainly exposed to US dollars.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency, there would be an equal and opposite impact on the loss and the balances below would be negative.

##### **Movement in exchange rate**

##### **USD to AUD**

Strengthened AUD by 10%  
Weakened AUD by 10%

	<u>Consolidated</u>	
	2010	2009
	\$	\$
Strengthened AUD by 10%	249	116
Weakened AUD by 10%	(249)	(116)

##### f) **Interest rate risk management**

The company and the Group are not exposed to interest rate risk as funds borrowed are either on an interest free basis or at fixed rates.

The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**20. FINANCIAL INSTRUMENTS (cont'd)**

**g) Other price risks**

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

**Equity price sensitivity**

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. At reporting date, if equity prices had been 25% higher or lower:

- Net loss for the company and the Group for the year ended 30 June 2010 would increase/decrease by \$1,424 (2009: \$172,372) assuming that foreign exchange rates remained constant. These investments are classified as available-for-sale and impaired to their fair value through the profit and loss at 30 June 2010 (note 8)

The Group's sensitivity to equity prices has changed significantly from the prior year due to Norwood Immunology Limited's delisting from London's Alternative Investment Market.

**h) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18(c) is a listing of additional undrawn facilities that the company/Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

<b>CONSOLIDATED</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Less than 1 month \$</b>	<b>1 to 3 months \$</b>	<b>3 months to 1 year \$</b>	<b>1 to 5 years \$</b>
<b>2010</b>	<b>%</b>				
Non-interest bearing	-	1,355,974	-	-	-
Interest bearing	10	-	-	1,415,903	-
		1,355,974	-	1,415,903	-
<b>2009</b>					
Non-interest bearing	-	1,890,500	-	-	-
Interest bearing	10	-	95,000	430,000	-
		1,890,500	95,000	430,000	-

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 20. FINANCIAL INSTRUMENTS (cont'd)

The following tables detail the company's and the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted cash flows of the financial assets including interest that will be earned on those assets except where the company/Group anticipates that the cash flow will occur in a different period.

CONSOLIDATED	Weighted Average Effective Interest Rate	Less than 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$
<b>2010</b>	%				
Non-interest bearing	-	-	-	-	-
<b>2009</b>					
Non-interest bearing	-	-	-	16,526	-

#### i) **Fair value of financial instruments**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in note 2 to the financial statements.

#### 21. **KEY MANAGEMENT PERSONNEL COMPENSATION**

##### a) **Details of key management personnel**

The key management personnel of the consolidated entity during the year were:

- R.S. Lewis (Non-executive Chairman) – resigned 16 November 2010
- S. Chan (Non-executive) - appointed 29 September 2009
- R. Boman (Non-executive) – appointed 4 November 2009
- L. Peng (Non-executive) - appointed 29 September 2009
- E.H.S. Wyatt (Non-executive) – resigned 29 September 2009
- R.W. Zahn (Non-executive) – resigned 29 September 2009
- J.H. Bell (Chief Operating Officer and Company Secretary – Norwood Abbey Limited)

##### b) **Key management personnel compensation policy**

The remuneration committee reviews the remuneration packages of all key management personnel on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries adjusted by a performance factor to reflect changes in the performance of the company. During the financial year no performance based payments were paid to key management personnel based on satisfaction of performance criteria.

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

	<u>CONSOLIDATED</u>	
	2010 \$	2009 \$
Short-term employee benefits	507,912	475,869
Post-employment benefits	16,200	16,200
Other long term employee benefits	4,321	3,907
Termination benefits	-	-
Share-based payment	-	-
Other benefits	-	-
<b>Total</b>	<b>528,433</b>	<b>495,976</b>

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 22. RELATED PARTY DISCLOSURES

a) **Equity Interests in Subsidiaries**

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 19 to the financial statements.

b) **Key Management Personnel Remuneration**

Details of key management personnel remuneration are disclosed in the remuneration report contained within the directors' report accompanying the financial statements.

c) **Key Management Personnel Equity Holdings**

**Ordinary shares**

	Balance @ 1 July 2009	Granted as remuneration No.	Received on exercise of options No.	Net Other change No.	Balance @ 30 June 2010	Balance held nominally	Issuing Entity (i)
<b>Directors</b>							
R.S. Lewis	6,000,000	-	-	(1,370,000)	4,630,000	-	NAL
S. Chan	-	-	-	-	-	-	
L. Peng	-	-	-	333,332	333,332	-	
R. Boman	-	-	-	-	-	-	
E.H.S. Wyatt	-	-	-	-	-	-	
R.W. Zahn (ii)	400,000	-	-	-	400,000	-	NAL
<b>Executives</b>							
J.H. Bell	19,038,500	-	-	-	19,038,500	-	NAL
	25,438,500	-	-	(1,436,668)	24,001,832	-	

	Balance @ 1 July 2008	Granted as remuneration No.	Received on exercise of options No.	Net Other change No.	Balance @ 30 June 2009	Balance held nominally	Issuing Entity (i)
<b>Directors</b>							
R.S. Lewis	2,000,000	-	-	4,000,000	6,000,000	-	NAL
E.H.S. Wyatt	-	-	-	-	-	-	
R.W. Zahn	400,000	-	-	-	400,000	-	NAL
<b>Executives</b>							
J.H. Bell	38,500	-	-	19,000,000	19,038,500	-	NAL
	2,438,500	-	-	23,000,000	25,438,500	-	

(i) Issuing entity – Norwood Abbey Limited (NAL).

(ii) This specified director/executive resigned during the period and accordingly the closing balance for the director/executive has been shown as nil

**NORWOOD ABBEY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**22. RELATED PARTY DISCLOSURES**

**c) Key Management Personnel Equity Holdings – cont'd**

**Share Options**

	Bal @ 1 July 2009	Granted as remun- eration	Exercised	Other change	Bal @ 30 June 2010	Bal Vested @ 30 June 2010	Vested but not exercise- able	Vested and exercise -able	Options vested during the year	Issuing Entity (i)
	No.	No.	No.	No.	No.	No.	No.	No.	No.	
<b>Directors</b>										
R.S. Lewis	4,000,000	-	-	-	4,000,000	4,000,000	-	-	-	NAL
S. Chan	-	-	-	-	-	-	-	-	-	
L. Peng	-	-	-	-	-	-	-	-	-	
R. Boman	-	-	-	-	-	-	-	-	-	
E.H.S. Wyatt	-	-	-	-	-	-	-	-	-	
R.W. Zahn	-	-	-	-	-	-	-	-	-	
	4,000,000	-	-	-	4,000,000	4,000,000	-	-	-	
<b>Executives</b>										
J.H. Bell	19,000,000	-	-	-	19,000,000	19,000,000	-	-	-	NAL
	23,000,000	-	-	-	23,000,000	23,000,000	-	-	-	

	Bal @ 1 July 2008	Granted as remun- eration	Exercised	Other change	Bal @ 30 June 2009	Bal Vested @ 30 June 2009	Vested but not exercise- able	Vested and exercise -able	Options vested during the year	Issuing Entity (i)
	No.	No.	No.	No.	No.	No.	No.	No.	No.	
<b>Directors</b>										
R.S. Lewis	-	-	-	4,000,000	4,000,000	4,000,000	-	-	-	NAL
E.H.S. Wyatt	-	-	-	-	-	-	-	-	-	
R.W. Zahn	-	-	-	-	-	-	-	-	-	
	-	-	-	4,000,000	4,000,000	4,000,000	-	-	-	
<b>Executives</b>										
J.H. Bell	-	-	-	19,000,000	19,000,000	19,000,000	-	-	-	NAL
	-	-	-	23,000,000	23,000,000	23,000,000	-	-	-	

**d) Transactions Within the Wholly-Owned Group**

The wholly owned group includes:

- the ultimate parent entity; and
- the wholly-owned controlled entities.

**e) Parent Entity**

The ultimate Australian parent entity and ultimate parent entity in the consolidated entity and the wholly-owned group is Norwood Abbey Limited.

## NORWOOD ABBEY LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	<u>CONSOLIDATED</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
<b>23. <u>REMUNERATION OF AUDITORS</u></b>		
<b>Audit of the parent entity</b>		
Audit or review of the financial report	60,000	60,480
	<u>60,000</u>	<u>60,480</u>
<p>The auditor of Norwood Abbey Limited is Deloitte Touche Tohmatsu.</p>		
<b>24. <u>PARENT ENTITY DISCLOSURES</u></b>		
<b><u>Financial position</u></b>		
	<u>COMPANY</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Current assets	30,220	403,775
Non-current assets	695,183	695,183
Total assets	<u>725,403</u>	<u>1,098,958</u>
<b>Liabilities</b>		
Current liabilities	2,397,428	1,619,763
Non-current liabilities	3,369,271	3,586,549
Total liabilities	<u>5,766,699</u>	<u>5,206,312</u>
<b>Equity</b>		
Issued capital	106,729,488	106,467,701
Accumulated losses	(115,458,492)	(114,262,763)
Reserves	3,687,708	3,687,708
Total assets/(deficiency)	<u>(5,041,296)</u>	<u>(4,107,354)</u>
<b><u>Financial performance</u></b>		
Loss for the year	(1,195,728)	(1,406,570)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,195,728)</u>	<u>(1,406,570)</u>

**NORWOOD ABBEY LIMITED**

**ADDITIONAL SECURITIES EXCHANGE INFORMATION**

**(AS AT 8 APRIL 2011)**

**Fully Paid Ordinary Shares**

- 541,512,401 fully paid ordinary shares are held by 3,656 individual shareholders.

All issued ordinary shares carry one vote per share.

**Options**

- 112,956,667 options are held by 4 option holders.

Options do not carry a right to vote.

**Distribution Of Holders Of Equity Securities**

		<b>Fully Paid Ordinary Shares</b>	<b>Options</b>
1	- 10,000	1,958	-
10,001	- 20,000	469	-
20,001	- 50,000	458	-
50,001	- 9,999,999,999	771	4
		<hr/> <hr/>	
		3,656	4

**Substantial Shareholders**

<b>Ordinary Shareholders</b>	<b>Fully Paid</b>	
	<b>Number</b>	<b>Percentage</b>
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	59,162,221	10.93%
TISSUE ENGINEERING REFRACTION INC	45,598,907	8.42%
MR ZHOU WEI JIAN	39,396,900	7.28%

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

## NORWOOD ABBEY LIMITED

### ADDITIONAL SECURITIES EXCHANGE INFORMATION

(AS AT 8 APRIL 2011)

#### Twenty Largest Holders Of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	59,162,221	10.93%
TISSUE ENGINEERING REFRACTION INC	45,598,907	8.42%
MR ZHOU WEI JIAN	39,396,900	7.28%
CITICORP NOMINEES PTY LIMITED	19,535,392	3.61%
MR JEFFREY HAMILTON BELL	19,000,000	3.51%
BARLOMA NOMINEES PTY LTD	18,200,000	3.36%
DR EDWARD PEREZ	16,136,667	2.98%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	10,000,000	1.85%
MS DOLLY CHEN WEN SHIANG	8,333,331	1.54%
SOFTWOOD BAY PTY LTD	6,320,000	1.17%
IN/NANY SING CHARLIE	5,851,498	1.08%
TJE SUPER PTY LTD <TJ EVANS SUPER FUND A/C>	5,175,000	0.96%
AIREP PTY LTD	4,423,500	0.82%
REDWOOD WAY PTY LTD	4,000,000	0.74%
MR TERRENCE VINCENT COOK + MRS MARION JEANETTE COOK <THE COOK FAMILY SUPER A/C>	3,800,000	0.70%
BLAMNCO TRADING PTY LTD	3,750,000	0.69%
CIBA VISION AG	3,705,882	0.68%
MR AARON ARRO BOROWICZ	3,100,750	0.57%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	3,093,332	0.57%
LETTERED MANAGEMENT PTY LTD	3,010,000	0.56%
	<u>281,593,380</u>	<u>52.00%</u>

#### **Company Secretaries**

Mr J.H. Bell

Mr. D. Semmens

#### **Principal Registered Office**

Level 23,  
525 Collins Street  
MELBOURNE VIC 3000  
Tel: (03) 8608 2000

#### **Principal Administration Office**

Level 23,  
525 Collins Street  
MELBOURNE VIC 3000  
Tel: (03) 8608 2000

#### **Share Registry**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
ABBOTSFORD VIC 3067  
Tel: (03) 9415 5000

#### **Stock Exchange Listings**

Norwood Abbey Limited's ordinary shares are quoted by the Australian Securities Exchange Limited.

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