

Norwood Systems Limited

ABN 15 062 959 540

and its controlled entities



APPENDIX 4D

Interim Financial Report

31 December 2023

Corporate directory**Current Directors**

Mr Paul Ostergaard	<i>Managing Director</i>
Mr Philip Marsland	<i>Non-executive Director</i>
Mr Philip Otley	<i>Non-executive Director</i>
Dr John Tarrant	<i>Non-executive Director</i>

Company Secretary

Mr Stuart Usher

Registered Office & Principal Place of Business

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Nedlands, WA 6009

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Website: www.norwoodsystems.com

Auditors

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Street: 283 Rokeby Road
Subiaco WA 6008

Telephone: +61 (0)8 9426 0666

Share Registry

Advanced Share Registry Limited

Street + Postal: 110 Stirling Highway
Nedlands WA 6009

Telephone: 1300 113 258 (within Australia)
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Securities Exchange

Australian Securities Exchange

Street: Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

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NOROD

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Results for Announcement to the Market

for the half-year ended 31 December 2023

1. Reporting period (item 1)	
○ Report for the period ended:	31 December 2023
○ Previous corresponding period is half-year ended:	31 December 2022

2. Results for announcement to the market	Movement	Percentage %	Amount \$
	○ Revenues from ordinary activities (item 2.1)	<i>Increase</i> 31.56 to	668,333
	○ Loss from ordinary activities after tax attributable to members (item 2.2)	<i>Increase (in loss)</i> 4.51 to	(1,011,968)
	○ Loss from after tax attributable to members (item 2.3)	<i>Increase (in loss)</i> 4.51 to	(1,011,968)
2.1. Dividends (items 2.4 and 5)		Amount per Security ¢	Franked amount per security %
○ Interim dividend		nil	n/a
○ Final dividend		nil	n/a
○ Record date for determining entitlements to the dividend (item 2.5)	n/a		
2.2. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):			
Refer to <i>Operating and financial review</i> on page 1 of the Directors' report.			

3. Dividends (item 3) and returns to shareholders including distributions and buy backs	
Nil.	
3.1. Details of dividend or distribution reinvestment plans in operation are described below (item 6):	
Not applicable	

4. Ratios	Current Period \$	Previous Corresponding Period \$
4.1. Financial Information relating to 4.2:		
Earnings for the period attributable to owners of the parent	(1,011,968)	(968,308)
Net assets/(liabilities)	221,902	(547,910)
Less: Intangible assets	-	-
Net tangible assets/(liabilities)	221,902	(547,910)
	Current Period No.	Previous Corresponding Period No.
Fully paid ordinary shares	470,081,688	387,400,000
	Current Period ¢	Previous Corresponding Period ¢
4.2. Net tangible asset or (liability) backing per share (cents) (item 4):	0.047	(0.141)

Results for Announcement to the Market

for the half-year ended 31 December 2023

5. Details of entities over which control has been gained or lost during the period: (item 5)**5.1. Control gained over entities**

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

5.2. Loss of control of entities

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

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

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

6. Details of associates and joint ventures: (item 6)

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

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

	Current Period \$	Previous Corresponding Period \$
	N/A	N/A

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

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

Directors' report

Your directors present their report on the consolidated entity, consisting of Norwood Systems Limited (**Norwood Systems** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2023.

1. Directors

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

- Mr Paul Ostergaard *Managing Director*
- Mr Philip Marsland *Non-executive Director*
- Mr Philip Otley *Non-executive Director*
- Dr John Tarrant *Non-executive Director*

(collectively the **Directors** or the **Board**)

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

2. Operating and financial review

2.1. Nature of Operations Principal Activities

- Norwood reinforced its working capital position and balance sheet over the period following significant engagements with clients and Tier-1 Communication Service Providers (**CSPs**).
 - Norwood held cash of \$758,471 at 31 December 2023.
 - The Company received \$114,000 from an R&D loan facility in November 2023, for the period of July 2023 to September 2023 following R&D expenditure.
 - Customer revenues totalled \$668,333 over the period, a 31.6% increase from the previous year's \$508,009 (**HY2022**).
- Group Master Supply Agreement (**GMSA**) signed with Singapore Telecommunications Limited (**Singtel**) and completion of first Statement of Works (**SoW**).
 - First Purchase Order (**PO**) and SOW issued under GMSA agreement for delivering a Proof-of-Concept (**PoC**) for Norwood's CogVoice Voicemail Platform.
 - Delivery of first Singtel SoW passing all of the User Acceptance Testing (**UAT**) criteria.
 - Commenced further commercial discussions for the implementation of Norwood's platform and applications across Singtel and the entirety of its operating companies (**OpCos**).
- The Company continues to develop and market the AI-powered CogVoice platform during the half-year period.
 - Implementation of a strategic update to support legacy Voice Messaging Services, comprised of voicemail and voice-to-text services across the CogVoice Platform.
 - Numerous technical advancements were made to the platform to improve system functions and performance, as well as support CSP IT network integration and operational service requirements.
 - Fostered further relationships with leading cloud service providers.
 - Participated in major roadshows and events globally.
- Provided services for long-term client Spark NZ and continued to receive strong cashflows from purchase orders totalling \$330,540.
- Progressed global go-to-market CSP engagement strategy in major markets, resulting in substantial feedback and engagement from international CSP and operators in the Company's key targeted geographies.

2.2. Operational Review

Throughout the first half, Norwood dedicated significant resources to advancing the CogVoice platform, focusing on incorporating next-generation AI capabilities and improving service delivery to Communication Service Providers (CSPs). Central to these efforts was the productising of GPT-4 API functionalities, providing a quantum leap in the platform's performance and versatility in terms of agent logic and reasoning capabilities.

Directors' report

a. *Key initiatives included:*

Platform Update for Legacy Voice Messaging Services: Norwood completed a comprehensive update to enable seamless support for traditional voice messaging services. This move not only streamlined the deployment of multifaceted services to CSPs but also enhanced operational efficiency. The update facilitated CSPs in leveraging Norwood's platform to overhaul their legacy systems with minimal disruption, marking a solid step toward modernizing voice engagement applications through a unified platform.

Technical Improvements: Norwood's development team implemented a series of technical advancements aimed at optimizing the economics of the system. Efforts to reduce system latency and response times were prioritised, resulting in valuable improvements in performance metrics. Enhancements in language and dialect recognition capabilities expanded the platform's global applicability. Additionally, we focused on simplifying CSP IT network integration, addressing key areas such as billing, operations (BSS/OSS), and service delivery requirements, delivering a more coherent and efficient deployment process.

b. *Strategic Partnerships and Collaborations*

Global Master Services Agreement with Singtel: A landmark achievement of the half-year period was the signing of a GMSA with Singtel, a leading Tier-1 CSP, with 700 million subscribers in their operating company (OpCo) network. This agreement not only underscored Norwood's growing prominence in the sector but also paved the way for a fruitful collaboration with Optus Australia, a Singtel subsidiary. The completion of a PoC for the CogVoice Voicemail platform represented the first step in what is anticipated to be a series of collaborative projects aimed at enhancing Singtel's service offerings.

Ongoing Relationship with Spark NZ: Norwood's partnership with Spark NZ continued to flourish during the half-year, providing a stable revenue stream that supports our R&D ventures. The reaffirmation of our collaboration for FY 2024 through substantial purchase orders accentuates the trust and reliance placed in Norwood's technologies.

c. *Global CSP Engagement*

Our go-to-market strategy aimed at engaging CSPs on a global scale, has netted positive responses across APAC, Europe, and North America. Specific attention was given to the CogVoice Jobs Agent platform, which has been recognised for its innovative approach to transforming professional-client interactions through an AI-driven voice interface.

International Exposure: Participation in international forums, such as the DTW Ignite conference in Copenhagen, provided Norwood with platforms to showcase our technological advancements. Our presence at the Microsoft booth not only facilitated key conversations with European CSPs but also significantly boosted our international credibility.

d. *Our Focus on Innovation*

Innovation is the lifeblood of Norwood's operations, as demonstrated by the ongoing development of an AI adversarial agent. This project, initially aimed at stress-testing the CogVoice products, epitomises our commitment to delivering robust, secure AI solutions. The exploration of translating this innovation into a marketable product for other companies represents Norwood's forward-thinking approach to leveraging internal R&D for broader commercial opportunities.

e. *Expanding Product Lines*

Feedback from global engagements has underscored the potential for CogVoice in revolutionizing Customer Service Call Centres. Recognizing this opportunity, Norwood is engaged in in-depth discussions with several Tier 1 CSPs to tailor the platform for these specific use cases. These discussions are critical to understanding the needs and operational challenges faced by CSPs in customer service automation, guiding Norwood's product development strategies accordingly.

f. *Conclusion and Strategic Outlook*

The first half has been marked by wins in platform development, strategic partnerships, and global market engagement. The further development of advanced AI functionalities into the CogVoice platform, coupled with successful PoCs and ongoing discussions for broader deployments, sets a strong foundation for Norwood's future growth. As we look forward to the second half, our dedication to innovation, particularly in developing new product lines for customer service automation, will drive our efforts. Engaging with and understanding CSPs' emerging needs will remain central to our strategy as we continue to position Norwood as a leader in AI-driven communication solutions on the global stage.

Directors' report

2.3. Corporate

a. Capital Raising

During the period, Norwood completed a heavily oversubscribed capital raise of \$710,000 (before costs). The funding from this capital raise is being utilised for strategic market expansion and product development, as well as customer experience enhancements, operational efficiency improvements and furthering strategic partnerships.

The capital raise was via the issue of 17.75 million fully paid ordinary shares at \$0.04 per share, with a free attaching unquoted option issued on a 1 for 1 basis exercisable at \$0.05 per option, with an expiry date of 31 October 2025.

Balmain Resources Pty Ltd (ACN 076 375 203), an entity associated with Dr John Tarrant, a Director, participated in the placement in the amount of \$100,000. Philip Marsland, a Director, participated in the placement in the amount of \$100,000, Philip Otley, a Director participated in the placement in the amount of \$10,000 and Paul Ostergaard, a Director participated in the placement in the amount of \$10,000.

b. Repayment of Loan

Following the period ended 31 December 2023, the Company announced that the working capital facility loan draw of \$300,000 had been fully repaid, with the loan being offset from Balmain Option funds (NORAAA) that had been exercised and were due to the Company totalling \$535,179. Further providing the Company with a net cash receipt of \$178,337.

2.4. Outlook

Norwood ended the half-year period with accelerated growth, positioning the Company strongly. The period has resulted in successful negotiations with key CSPs and through stringent financial management, the company is in a robust financial position and is well-positioned for growth over the coming period.

The Company is well placed to continue its R&D efforts to solidify its position as a market leader in artificial intelligence across the telecommunications industry. Norwood remains focused on developing its products, capabilities and platform-related research and development. The Company will continue its partnerships with industry leaders and key hyperscalers to provide valuable solutions to CSPs and their customers.

Norwood maintains its robust financial management to position it for R&D efforts and further CSP outreach programs to expand understanding and uptake of the CogVoice platform. Discussions are ongoing with Tier-1 CSPs across key market demographics to further expand the platform and provide our services to key clients globally.

Norwood anticipates a continued increase in revenue and a reduction in possible operating expenses going forward. This is primarily due to the partnership with Singtel Optus. Norwood is well positioned for further positive growth and the company's leading position in the industry and the rapidly evolving AI sector optimally positions the Company well for further partnerships going forward.

2.5. Financial Review

a. Profit and loss measures

	Movement (increased/ decreased)	Movement \$	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
Revenues from ordinary activities	Increase	160,324	668,333	508,009
Loss from ordinary activities after tax	Increase (in loss)	43,660	(1,011,968)	(968,308)
EBITDA Loss	Increase (in loss)	39,872	(935,154)	(895,282)

Directors' report

b. Balance sheet measures

In respect to:	Movement (increased/ decreased)	Movement \$	31 December 2023 \$	30 June 2023 \$
Group assets				
● Cash and cash equivalents	Increased	378,329	758,471	380,142
● Trade and other receivables	Decreased	22,124	248,569	270,693
● Net assets	Increased	1,318,177	221,902	(1,096,275)
● Working capital	Increased	1,361,110	208,491	(1,152,619)
Group liabilities and equity				
● Trade and other payables	Decreased	318,033	454,346	772,379
● Issued capital	Increased	1,606,711	35,425,007	33,818,296

Refer to the *Operational Review* above for additional business segment performance.

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

The Group incurred a loss for the half-year of \$1,011,968 (31 December 2022: \$968,308 loss) and a net cash out-flow from operating activities of \$758,707 (31 December 2022: \$144,273 out-flow). As at 31 December 2023, the Group had working capital of \$208,491 (30 June 2023: \$1,152,619 working capital deficit).

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and/or generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons:

- Management have prepared a cashflow forecast for the next 12 months from the date of this report that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as and when they are due;
- Managing cash flows in line with available funds; and
- The Group has the ability to raise funds from equity sources and has a successful record of past raisings that gives the board confidence that it can complete further capital raisings if required.

The Directors plan to continue the Group's operations on the basis disclosed above and believe that there will be sufficient funds for the Group to meet its obligations and liabilities for at least 12 months from the date of this report. In the event that the Group is unable to generate sufficient revenue in the normal course of business or secure additional funds through new share issues or borrowings, the Group may need to reduce costs or negotiate extended terms with key creditors in order to meet working capital requirements. Should the Group be unable to successfully execute one or more of the aforementioned matters, there exists a material uncertainty that may cause significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern and meet its debts as and when they become due and payable.

2.6. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in note 6 *Events subsequent to reporting date* on page 19.

2.7. Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group have been disclosed in the Operating and Financial Review section of the Directors' Report.

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

Directors' report

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2023 has been received and can be found on page 6 of the annual report.

This Report of the Directors is signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001* (Cth).



PAUL OSTERGAARD

Managing Director

Dated this Thursday, 29 February 2024



To the Board of Directors,

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of Norwood Systems Limited for the financial year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 29th day of February 2024
Perth, Western Australia

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2023

	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<i>Continuing operations</i>			
Revenue	1.1	668,333	508,009
Other income	1.2	602,541	534,711
Accountancy, audit, and legal fees		(90,642)	(90,661)
Administration expenses		(111,131)	(32,923)
ASX and share registry fees		(66,503)	(60,179)
Consultancy and subcontractor fees		(292,784)	(80,807)
Depreciation		(43,134)	(42,709)
Employee and director benefits expense		(906,138)	(1,000,577)
Finance costs		(33,978)	(30,364)
Information technology infrastructure cost		(165,302)	(139,858)
Patents, research, and development		(10,621)	(13,868)
Sales and marketing		(17,060)	(19,600)
Share-based payment expense	11	(372,940)	(426,000)
Travel and entertainment		(140,086)	(52,866)
Other expenses		(32,523)	(20,616)
Loss before tax		(1,011,968)	(968,308)
Income tax expense		-	-
Net loss for the half-year		(1,011,968)	(968,308)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,011,968)	(968,308)
<i>Earnings per share:</i>			
Basic loss per share (cents per share)	10.4	¢ (0.24)	¢ (0.27)
Diluted loss per share (cents per share)	10.4	N/A	N/A

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

APPENDIX 4D

Interim Financial Report
31 December 2023

NORWOOD SYSTEMS LIMITED

AND CONTROLLED ENTITIES

ABN 15 062 959 540

Condensed consolidated statement of financial position

as at 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
<i>Current assets</i>			
Cash and cash equivalents	2.1	758,471	380,142
Trade and other receivables	2.2	248,569	270,693
Total current assets		1,007,040	650,835
<i>Non-current assets</i>			
Plant and equipment	3.1	54,705	59,017
Right-of-use assets	3.2	6,590	42,740
Total non-current assets		61,295	101,757
Total assets		1,068,335	752,592
<i>Current liabilities</i>			
Trade and other payables	2.3	454,346	772,379
Lease liabilities	3.2	11,485	48,443
Borrowings	2.4	117,558	741,572
Provisions	3.3	215,160	241,060
Total current liabilities		798,549	1,803,454
<i>Non-current liabilities</i>			
Provisions	3.3	47,884	45,413
Total non-current liabilities		47,884	45,413
Total liabilities		846,433	1,848,867
Net assets / (liabilities)		221,902	(1,096,275)
<i>Equity</i>			
Issued capital	4.1	35,425,007	33,818,296
Reserves	4.4	963,608	240,174
Accumulated losses		(36,166,713)	(35,154,745)
Total equity		221,902	(1,096,275)

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

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2023

	Note	Issued Capital \$	Share-based Payment Reserve \$	Accumulated Losses \$	Total equity \$
<i>Balance at 1 July 2022</i>		32,179,354	9,339,571	(42,354,060)	(835,135)
Loss for the half-year attributable to owners of the parent		-	-	(968,308)	(968,308)
Other comprehensive income for the half-year attributable to owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable to owners of the parent		-	-	(968,308)	(968,308)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	4.1	776,136	-	-	776,136
Share based payment	11.1	-	426,000	-	426,000
Options granted during the half-year	4.2	-	53,397	-	53,397
Balance at 31 December 2022		32,955,490	9,818,968	(43,322,368)	(547,910)
<i>Balance at 1 July 2023</i>		33,818,296	240,174	(35,154,745)	(1,096,275)
Loss for the half-year attributable to owners of the parent		-	-	(1,011,968)	(1,011,968)
Other comprehensive income for the half-year attributable to owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable to owners of the parent		-	-	(1,011,968)	(1,011,968)
<i>Transaction with owners, directly in equity</i>					
Equity issued during the half-year (net of costs)	4.1	1,597,087	258,118	-	1,855,205
Share-based payments	11.1	(26,850)	398,291	-	371,441
Performance rights granted during the half-year	4.2	-	103,499	-	103,499
Conversion of performance rights		26,108	(26,108)	-	-
Expiry of options, recognised in capital raising costs		10,366	(10,366)	-	-
Balance at 31 December 2023		35,425,007	963,608	(36,166,713)	221,902

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

APPENDIX 4DInterim Financial Report
31 December 2023**NORWOOD SYSTEMS LIMITED**

AND CONTROLLED ENTITIES

ABN 15 062 959 540

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2023

Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	797,438	720,476
Government grants received	602,243	463,721
Payments to suppliers and employees	(2,158,334)	(1,328,517)
Net interest (paid) / received	(54)	47
Net cash used in operating activities	(758,707)	(144,273)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(2,672)	(38,677)
Net cash used in investing activities	(2,672)	(38,677)
<i>Cash flows from financing activities</i>		
Proceeds from issue of equity	1,486,364	232,735
Proceeds of borrowings	225,569	189,395
Repayment of borrowings	(535,267)	(447,895)
Payments for the principal portion of lease liabilities	(36,958)	(33,844)
Net cash provided by financing activities	1,139,708	(59,609)
Net increase / (decrease) in cash and cash equivalents held	378,329	(242,559)
Cash and cash equivalents at the beginning of the half-year	380,142	496,931
Cash and cash equivalents at the end of the half-year	758,471	254,372

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

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

In preparing the 31 December 2023 Interim Financial Report, Norwood Systems Limited has grouped notes into sections under three key categories:

○ Section A: How the Numbers are Calculated.....	12
○ Section B: Unrecognised items	19
○ Section C: Other Information.....	20

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

The registered and principal office of the Company is:

Street: 4 Leura Street,
Nedlands WA 6009
Australia

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Section A. How the Numbers are Calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Group:

Note	1. Revenue and other income	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
1.1	Revenue			
	Project revenues		190,000	-
	World Apps stores revenue		102,125	76,734
	Spark Voicemail revenue		333,540	292,492
	Corona revenue	1.2.1	-	98,783
	Other revenue		42,668	40,000
			668,333	508,009
1.2	Other Income			
	Net interest income		298	47
	Government grant income		602,243	534,664
			602,541	534,711

1.2.1 The Corona Infosys project was completed in February 2023.

1.3 Disaggregation of revenue from contracts with customers

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

1.3.1	Timing of revenue recognition	Project revenues \$	World Apps stores revenue \$	Spark Voicemail revenue \$	Corona revenue \$	Other revenue \$
	31 December 2023					
	At a point in time	-	-	-	-	42,668
	Over time	190,000	102,125	333,540	-	-
	Total	190,000	102,125	333,540	-	42,668

	Project revenues \$	World Apps stores revenue \$	Spark Voicemail revenue \$	Corona revenue \$	Other revenue \$
31 December 2022					
At a point in time	-	-	-	-	40,000
Over time	-	76,734	292,492	98,783	-
Total	-	76,734	292,492	98,783	40,000

1.3.2	Geographical Regions	Project revenues \$	World Apps stores revenue \$	Spark Voicemail revenue \$	Corona revenue \$	Other revenue \$
	31 December 2023					
	New Zealand	-	-	333,540	-	-
	Australia	190,000	-	-	-	42,266
	Rest of the World	-	102,125	-	-	402
	Total	190,000	102,125	333,540	-	42,668

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 1 Revenue and other income (cont.)

1.3 Disaggregation of revenue from contracts with customers (cont.)

	Project revenues	World Apps stores revenue	Spark Voicemail revenue	Corona revenue	Other revenue
31 December 2022	\$	\$	\$	\$	\$
New Zealand	-	-	292,492	-	-
Australia	-	-	-	98,783	40,000
Rest of the World	-	76,734	-	-	-
Total	-	76,734	292,492	98,783	40,000

Note 2 Financial assets and financial liabilities

2.1 Cash and cash equivalents

	31 December 2023	30 June 2023
	\$	\$
Cash at bank	758,471	380,142
	758,471	380,142

2.2 Trade and other receivables

	Note	31 December 2023	30 June 2023
		\$	\$
2.2.1 Current			
Trade receivables		233,266	270,361
Other receivables		48,404	33,433
Provision of loan receivable	2.2.2	(33,101)	(33,101)
		248,569	270,693

2.2.2 During 2023, a reversal of a provision of loan receivable from Paul Ostergaard of \$40,469 was recognised due to an overprovision of historic reimbursable expenses, the value to the loan receivable was also reversed.

2.3 Trade and other payables

		31 December 2023	30 June 2023
		\$	\$
2.3.1 Current			
<i>Unsecured</i>			
Trade payables		127,622	131,032
Accruals and other payables		208,517	311,184
Contract liabilities		118,207	228,163
Accrued director fees	2.3.2	-	102,000
		454,346	772,379

2.3.2 *Accrued director fees* represents fees for non-executive directors for Messrs Marsland, Otley, and Tarrant. The fees were subsequently settled through the issue of 4 cent options on 13 July 2023, exercisable on or before 13 July 2026

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 2 Financial assets and financial liabilities (cont.)

2.4 Borrowings	Note	31 December 2023 \$	30 June 2023 \$
2.4.1 Current			
Research and Development (R&D) loan facility	2.4.2	99,700	376,912
Accrued interest	2.4.2	17,858	24,487
Director loan – Paul Ostergaard	2.4.3	-	20,000
Director loan – Balmain Resources Pty Ltd	2.4.4	-	320,173
		117,558	741,572

2.4.2 During the half-year, the Company received advance funding on its expected annual R&D rebate from Radium Capital. Refer below for key terms of this funding:

- *Counterparty* Innovation Structured Finance Co LLC facilitated by Radium Capital.
- *Amount:* 80% of the expected R&D tax offset resulting from each period's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the October 2024.
- *Final Maturity Date:* 30 November 2024 and expected to be paid in October 2024. Norwood has the option to repay earlier without penalties.
- *Interest Rate:* 15% per annum, and default rate of 22% (from 1 October 2024 until the loan is repaid in full).
- *Security:* Secured against the R&D refund receivable from the ATO in October 2024.
- *Conditions:* R&D expenditure has to be reviewed by R&D Tax Consultants
- *Purpose of Loan:* As per agreement, wholly or predominantly for working capital or research and development expenditures.

2.4.3 On 25 February 2022, Paul Ostergaard provided a loan of \$45,000, repayable within 12 months. The loan was unsecured and non-interest bearing. As at 30 June 2023, \$20,000 remained outstanding. The loan was settled during the current period through option exercise funding, as detailed in 9.1.1.

2.4.4 On 17 February 2023, the Company entered into a loan agreement with Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant, to borrow \$300,000. Further on 11 May 2023, the Company entered into a deed of variation to extend the repayment date. Refer below for key terms of this funding:

- *Principal amount* \$300,000
- *Establishment fee* 3% of the loan, plus GST
- *Interest rate* 9.75% (default rate +2%)
- *Repayment date* 31 December 2023

The loan was settled during the period through option exercise funding, as detailed in 9.1.2.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 3 Non-financial assets and financial liabilities

3.1 Property, plant, and equipment	31 December 2023 \$	30 June 2023 \$
Office equipment – at cost	179,874	177,202
Accumulated depreciation	(135,436)	(128,831)
	44,438	48,371
Leasehold improvements – at cost	81,592	81,592
Accumulated amortisation	(71,325)	(70,946)
	10,267	10,646
Total property, plant, and equipment	54,705	59,017
3.2 Leases	31 December 2023 \$	30 June 2023 \$
3.2.1 Right of use assets		
Right of use asset - Buildings	322,580	322,580
Accumulated amortisation	(315,990)	(279,840)
	6,590	42,740
3.2.2 Lease liabilities		
Current	11,485	48,443
Non-current	-	-
	11,485	48,443
3.3 Provisions	31 December 2023 \$	30 June 2023 \$
3.3.1 Current		
Employee entitlements	215,160	241,060
	215,160	241,060
3.3.2 Non-current		
Employee entitlements	47,884	45,413
	47,884	45,413

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 4 Equity					
4.1 Issued capital	Note	6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Fully paid ordinary shares at no par value		470,081,688	413,577,781	35,425,007	33,818,296
4.1.1 Ordinary shares		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
At the beginning of the period		413,577,781	340,047,768	33,818,296	32,179,354
<i>Shares issued during the period:</i>					
○ 10.2022 Issued to an employee		-	4,943,238	-	76,500
○ 11.2022 Conversion of Convertible Notes		-	32,000,000	-	480,000
○ 11.2022 Issued as director remuneration		-	2,686,567	-	40,298
○ 11.2022 Options exercised at \$0.024 ex. price	4.2.1	-	2,007,937	-	48,190
○ 12.2022 Options exercised at \$0.024 ex. price	4.2.1	-	5,464,490	-	131,148
○ 12.2022 Issued in lieu of cash payment for administration fees		-	250,000	-	5,000
○ 03.2023 Expiry of subscribed options - premium	4.2.1	-	-	-	132,713
○ 05.2023 Options exercised at \$0.024 ex. price	4.2.1	-	785,715	-	18,857
○ 06.2023 Options exercised at \$0.024 ex. price	4.2.1	-	25,392,066	-	609,410
○ 06.2023 Expiry of historic options - premium	4.2.1	-	-	-	116,713
○ 07.2023 Options exercised at \$0.024 ex. price	4.2.1	350,000	-	8,400	-
○ 08.2023 Options exercised at \$0.024 & \$0.08 ex. price	4.2.1	605,000	-	14,800	-
○ 11.2023 ESOP rights converted		791,141	-	26,108	-
○ 11.2023 Placement		12,250,000	-	490,000	-
○ 11.2023 Options exercised at \$0.024 ex. price	4.2.1	638,165	-	15,316	-
○ 12.2023 Options exercised at \$0.024 ex. price	4.2.1	36,369,601	-	891,171	-
○ 12.2023 Director placement		5,500,000	-	220,000	-
<i>Transaction costs relating to share issues</i>					
○ Cash-based				(42,600)	(14,887)
○ Equity-based	11.2.1e	-	-	(26,850)	(5,000)
○ Equity-based – option expiry		-	-	10,366	-
At end of the period		470,081,688	413,577,781	35,425,007	33,818,296

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 4 Equity (cont.)					
4.2 Options	Note	6 months to	12 months to	6 months to	12 months to
		31 December 2023 No.	30 June 2023 No.	31 December 2023 \$	30 June 2023 \$
Options		202,663,677	88,905,763	781,217	135,174
		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
4.2.1 Options		88,905,763	100,163,956	135,174	9,339,571
At the beginning of the period					
<i>Options movement during the period:</i>					
○ 11.2022 Free attaching options on conversion of notes		-	32,000,000	-	-
○ 11.2022 Director options issued - shortfall		-	26,698,651	-	53,397
○ 11.2022 Directors options issued 11.2.1c		-	30,000,000	-	81,066
○ 11.2022 Exercise of options		-	(2,007,937)	-	-
○ 12.2022 Exercise of options		-	(5,464,490)	-	-
○ 03.2023 Expiry of options - premium		-	(66,356,636)	-	(132,713)
○ 05.2023 Exercise of options		-	(785,715)	-	-
○ 06.2023 Exercise of options		-	(25,342,066)	-	-
○ 06.2023 Reversal of director options that failed to vest	11.2.1c	-	-	-	(42,066)
○ 06.2023 Expiry of historic options - premium	4.2.1	-	-	-	(116,713)
○ 07.2023 Entitlement issue		41,112,778	-	82,226	-
○ 07.2023 Options exercised at \$0.024 ex. price		(350,000)	-	-	-
○ 07.2023 Offer prospectus		66,356,636	-	175,892	-
○ 07.2023 Director remuneration 11.2.1a		7,500,000	-	150,000	-
○ 07.2023 Incentive options 11.2.1c		5,000,000	-	42,566	-
○ 08.2023 Options exercised at \$0.024 & \$0.08 ex. price		(605,000)	-	-	-
○ 11.2023 Placement options		12,250,000	-	-	-
○ 11.2023 Advisor options 11.2.1e		1,500,000	-	26,850	-
○ 11.2023 Options exercised at \$0.024 ex. price		(638,165)	-	-	-
○ 12.2023 Options exercised at \$0.024 ex. price		(36,369,601)	-	-	-
○ 12.2023 Directors placement options issued		5,500,000	-	-	-
○ 12.2023 Performance options 11.2.1d		15,000,000	-	178,875	-
○ 12.2023 Expiration of options		(2,498,734)	-	(10,366)	-
Transfer of historic option value to accumulated losses		-	-	-	(9,047,368)
At end of the period		202,663,677	88,905,763	781,217	135,174

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

Note 4 Equity (cont.)					
4.3 Performance equity	Note	6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Performance equity		15,708,859	10,000,000	182,391	105,000
4.3.1 Performance equity movement		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
At the beginning of the period		10,000,000	-	105,000	-
<i>Performance equity changes during the period:</i>					
○ Issue of performance rights			10,000,000		105,000
○ Issue of performance rights	11.2.1b	6,500,000		103,499	
○ Conversions of rights		(791,141)	-	(26,108)	-
At end of the period		15,708,859	10,000,000	182,391	105,000
4.4 Reserves				31 December 2023 \$	30 June 2023 \$
Share-based payment reserve				963,608	240,174
				963,608	240,174

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Section B. Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also unrecognised tax amounts.

Note 5 Commitments

There are no commitments as at 31 December 2023 (30 June 2023: Nil).

Note 6 Events subsequent to reporting date

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Note 7 Contingent liabilities

There are no other contingent liabilities as at 31 December 2023 (30 June 2023: Nil).

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Section C. Other Information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 8 Operating segments**8.1 Identification of reportable segments**

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

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of revenue generated, as disclosed in note 1.3. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Note 9 Related party transactions**9.1 Other transactions with KMP or their related parties**

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered, they control or significantly influence the financial or operating policies of those entities.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following details the related party transaction for period, unless otherwise disclosed.

9.1.1 Loan payable *Mr Paul Ostergaard – Managing Director*

On 25 February 2022, Paul Ostergaard provided a loan of \$45,000, repayable within 12 months, is unsecured and non-interest bearing.

Movements in the loan account are as follows:

	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Opening balance payable by the Group	20,000	45,000
Repayments made by the Group: <i>Expense payment</i>	-	(15,000)
<i>Option exercise funding</i>	(20,000)	(10,000)
	-	20,000

9.1.2 Loan payable *Balmain Resources Pty Ltd (Dr John Tarrant – Non-executive Director)*

On 17 February 2023 (as varied on 11 May 2023), the Company entered a loan agreement with Balmain Resources Pty Ltd, a company controlled by director Dr Tarrant, to borrow \$300,000, as detailed in note 2.4.4.

Movements in the loan account are as follows:

	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Opening balance payable by the Group	320,173	-
Funds loan to the Group	-	300,000
Interest capitalised to the loan	36,669	20,173
Repayments made by the Group: <i>Option exercise funding</i>	(356,842)	-
	-	320,173

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note	10 Earnings per share (EPS)	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
10.1	Reconciliation of earnings to profit or loss			
	Loss for the half-year		(1,011,968)	(968,308)
	Less: loss attributable to non-controlling equity interest		-	-
	Loss used in the calculation of basic and diluted EPS		(1,011,968)	(968,308)
			6 months to 31 December 2023 No.	6 months to 31 December 2022 No.
10.2	Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS		419,207,734	356,977,707
	Weighted average number of dilutive equity instruments outstanding	10.5	N/A	N/A
10.3	Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS		419,207,734	356,977,707
			6 months to 31 December 2023 ¢	6 months to 31 December 2022 ¢
10.4	Earnings per share			
	Basic EPS (cents per share)	10.5	(0.24)	(0.27)
	Diluted EPS (cents per share)	10.5	N/A	N/A
10.5	As at 31 December 2023 the Group has 202,663,677 unissued shares under option (31 December 2022: 181,390,180) and 15,708,859 performance rights (31 December 2022: 10,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the half-year, the Group's unissued shares under option and rights were anti-dilutive.			

Note	11 Share-based payments	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
11.1	Share-based payments:			
	Recognised in profit and loss: <i>Options and rights</i>	11.2.1a, b, c, d	372,940	426,000
	<i>Equity-settled</i>	11.2.1a	102,000	-
	Recognised in equity (transaction costs)	11.2.1e	26,850	-
	Gross share-based payments		501,790	426,000

11.2 Share-based payment arrangements in effect during the half-year

11.2.1 Issued during the current half-year

a. *Options issued to settled accrued director remuneration*

On 13 July 2023, the Company issued 7,500,000 options at \$0.01 to settle accrued directors' remuneration amounting to \$102,000. The options exercisable at 4 cents expiring 13 July 2026. In accordance with accounting standards and other regulatory pronouncements, a valuation was performed using the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
7,500,000	13.07.2026	\$0.04	Vest immediately

The total value of the options under valuation was \$150,000. As this exceeds the value of the fees settled, an additional \$48,000 was recognised as a share-based payment expense.

Notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 11 Share-based payments (cont.)**b. Performance rights issued to employees under the Company's ESOP**

On 1 November 2023, the Company issued 6,500,000 performance rights to employees. The rights convert to equity on the employee meeting a service condition of 4 years (accelerated based on start date). The total value of the rights was \$214,500 (vested value: \$103,499).

c. Consultant options

Following shareholder approval, the Company issued 5,000,000 Options to a consultant on 13 July 2023, on the following terms:

Tranche	Number under Option	Date of Expiry	Exercise Price	Vesting Terms
1	1,000,000	13.07.2026	\$0.04	6 months from the date of issue
2	1,000,000	13.07.2026	\$0.04	12 months from the date of issue
3	1,000,000	13.07.2026	\$0.04	18 months from the date of issue
4	1,000,000	13.07.2026	\$0.04	24 months from the date of issue
5	1,000,000	13.07.2026	\$0.04	30 months from the date of issue

The total value of the options was \$100,000 (vested value: \$42,566).

d. Non-executive Director options

Following shareholder approval, the Company issued 5,000,000 Options to a Messrs Ostergaard, Otley, and Marsland on 19 December 2023, on the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
15,000,000	18.11.2026	\$0.08	(1) once a customer agreement is signed where the total minimum contract value reaches or surpasses AUD \$1 million within FY2024; OR (2) market capitalisation of AUD\$30 million achieved by 30 June 2024 over a window of not less than 30 days of continuous trading days or where a change of control is agreed by the Norwood Board and Shareholders. A 30-day volume weighted average price ('VWAP') will be used to determine the share price. Condition to be satisfied no later than 30 June 2024.

The Board have determined the probability of attaining the remaining vesting term at 75%. Due to the non-market conditions exceeding the market conditions in value, and the conditions are mutually exclusive, the higher value has been adopted for 31 December 2023 reporting purposes at \$178,875.

e. Advisors' options

Following shareholder approval, the Company issued 1,500,000 options to Advisors on 25 October 2023, as follows:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
1,500,000	31 October 2025	0.05	Immediately

Unquoted options issued to advisors were valued at \$26,850.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 11 Share-based payments (cont.)

11.3 Fair value of options granted during the half-year

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the half-year was \$0.017 (31 December 2022: \$0.001). These values were calculated, applying the following inputs to options:

Note Reference	11.2.1a	11.2.1c	11.2.1d		11.2.1e
Methodology	Black-Scholes		Black-Scholes	Monte Carlo	Black-Scholes
Grant date:	13.07.2023		19.12.2023		25.10.2023
Grant date share price:	\$0.035		\$0.038		\$0.040
Option exercise price:	\$0.040		\$0.080		\$0.050
Number of options issued:	7,500,000	5,000,000	15,000,000		1,500,000
Remaining life (years):	2.53		2.97		1.84
Expected share price volatility:	92.33%		89.07%		91.13%
Risk-free interest rate:	3.89%		3.76%		4.25%
Value per option	\$0.020		\$0.0159	\$0.00204	\$0.0179
Probability	N/A		75%	N/A	N/A

Fair values

Total fair value	\$150,000	\$100,000	\$178,875	\$30,600	\$26,850
Recognised in the period	\$42,566	\$42,566	\$178,875	N/A	\$26,850

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 12 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the periods presented, unless otherwise stated.

12.1 Basis of preparation**12.1.1 Reporting Entity**

Norwood Systems Limited (**Norwood** or the **Company**) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Norwood and controlled entities (collectively the **Group**). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in mobile voice, messaging, data and cyber security services.

The separate financial statements of Norwood, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

12.1.2 Basis of accounting

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

The financial statements were authorised for issue on 29 February 2024 by the Directors of the Company.

12.1.3 Going Concern

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

The Group incurred a loss for the half-year of \$1,011,968 (2022: \$968,308 loss) and a net cash out-flow from operating activities of \$758,707 (2022: \$144,273 out-flow). As at 31 December 2023, the Group working capital of \$208,491 (30 June 2023: \$1,152,619 working capital deficit).

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons:

- Management have prepared a cashflow forecast for the next 12 months from the date of this report that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as and when they are due;
- Managing cash flows in line with available funds; and
- The Group has the ability to raise funds from equity sources and has a successful record for past raisings that gives the board confidence that it can complete further capital raisings if required.

The Directors plan to continue the Group's operations on the basis disclosed above and believe that there will be sufficient funds for the Group to meet its obligations and liabilities for at least 12 months from the date of this report. In the event that the Group is unable to generate sufficient revenue in the normal course of business or secure additional funds through new share issues or borrowings, the Group may need to reduce costs or negotiate extended terms with key creditors in order to meet working capital requirements.

Should the Group be unable to successfully execute one or more of the aforementioned matters, there exists a material uncertainty that may cause significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern and meet its debts as and when they become due and payable.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 12 Statement of significant accounting policies**12.1.4 Comparative figures**

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

12.2 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next financial period are discussed in Note 12.2.1 below.

12.2.1 Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

a. Key estimate – Share-based payments

Refer Note 11 *Share-based payments*

12.3 New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Directors' declaration

The Directors of the Company declare that in the Directors' opinion:

1. The attached financial statements and notes, as set out on pages 7 to 25, are in accordance with the *Corporations Act 2001* (Cth) including:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date,
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.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



PAUL OSTERGAARD

Managing Director

Dated this Thursday, 29 February 2024



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NORWOOD SYSTEMS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Norwood Systems Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 12.1.3 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$1,011,968 during the half year ended 31 December 2023. As stated in Note 12.1.3, these events or conditions, along with other matters as set forth in Note 12.1.3, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 29th day of February 2024
Perth, Western Australia



norwood
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